

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF BUNGOMA COUNTY EXECUTIVE FOR  
THE FINANCIAL YEAR 2023/2024**

**Basis for Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timeline</b>
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1	<b>Unreconciled Variance between Financial Statements and Payroll Records on Compensation of Employees</b>	The statement of receipts and payments reflects compensation of employees' payments amounting to Kshs.4,859,170,763 and as disclosed in Note 3 to the financial statements. However, the supporting	The variance of Kshs.592,880,495 was caused by personnel related costs not processed through payroll (IPPD). These include basic wages of temporary staff and KRA tax liabilities and reconciliations done as follows: Unpaid IPPD salaries of Kshs.881,691,254 less Basic wages for temporary employees of kshs.186,556,198 and Tax arrears paid to KRA of kshs.102,254,563.	The Committee noted that the County did not provide any explanation or reconciliation to support the unreconciled variance of Kshs. 592,880,495	The Committee recommends that- 1. The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide	60 days

		<p>payrolls revealed expenditure amounting to Kshs.5,452,051,258 resulting to unreconciled and unexplained variance of Kshs.592,880,495.</p> <p>The accuracy and completeness of compensation of employees amounting to Kshs.4,859,170,763 could not be confirmed.</p>			<p>documents to the auditors at the time of audit, in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</p> <p>2. The EACC to investigate the unsupported payments with a view to cause prosecution of responsible officers in accordance with Section 62(2) of the Public Audit</p>	
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					Act, 2015 for failure to provide the documents to the auditors and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
2	<b>Unreconciled Variances Transfers to Other Government Entities</b>	The statement of receipts and payments reflects transfers to other government entities amounting to Kshs.647,969,990 and as disclosed in Note 5 to the financial statements. However, comparison of the amounts reported in the financial	<p><b>a) Kimilili Municipality – Variance of Kshs. 39,647,586</b></p> <p>The variance was composed of payments by the County Government on behalf of the Municipality recognized by the Municipality in its Financial Statements.</p> <p>Amount ksh. 1,194,560 - Transfers from Kimilili Municipality to Bungoma Municipality, not the County Executive.</p> <p>Amount ksh 79,470,574. Payments by the County Government on behalf of the Municipality</p>	The committee observes that the acknowledgment of funds by Bungoma Municipality should be accompanied by the bank statement of Bungoma Municipality.	<p>Committee recommends</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who</li> </ol>	60 Days

	<p>statements of the entities shown in the table below revealed that the amount received was different from the amount indicated as transferred by the County Executive. These variances were not explained or reconciled.</p> <p>1. Kimilili Municipality received Ksh 60,402,326 after a transfer of Ksh 20,754,740, resulting in a variance of Ksh 39,647,586.</p> <p>2. Bungoma Municipality received Ksh 80,665,133 with no transfer from</p>	<p>recognized by the Municipality in its Financial Statements</p> <p><b>a) Bungoma County Climate Change Fund – Variance of Kshs. 11,000,000</b></p> <p>The variance related to Kshs. 11,000,000 received into the County Revenue Fund Account on 4<sup>th</sup> July, 2024. The Fund reports on IPSAS Accrual basis of accounting while the County Executive reports on IPSAS Cash basis of accounting. The County Executive had not transferred the amount to the Fund as at the closure of the year. Therefore, the amount was not recognized as part transfers. In contrast, the Fund recognized Kshs. 11,000,000 as revenue receivable as it reports on the basis of IPSAS Accrual, hence the variance.</p> <p><b>a) Scholarships and Other Educational Benefits – Variance of Kshs. 30,000,000</b></p> <p>The Fund reports on IPSAS Accrual basis of accounting while the County Executive</p>		<p>failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption</p>	
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		<p>the County Executive, leading to a variance of Ksh 80,665,133.</p> <p>3. The Bungoma County Climate Change Fund received Ksh 422,612,194 after a transfer of Ksh 411,612,194, resulting in a variance of Ksh 11,000,000.</p> <p>4. Scholarships and Other Educational Benefits received Ksh 165,000,000 after a transfer of Ksh 195,000,000, leading to a variance of Ksh 30,000,000.</p> <p>In the circumstances,</p>			<p>of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p>	
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		the accuracy and completeness of transfers to other government entities amounting to Kshs.647,969,990 could not be confirmed.				
3	<b>Unaccounted for Other Capital Grants and Transfers</b>	The statement of receipts and payments reflects other grants and transfers amounting to Kshs.681,048,669 and as disclosed in Note 6 to the financial statements. However, the supporting documents for the payments were not provided for audit.	Management has provided the supporting documents for audit review.	The committee noted that the Supporting Schedule totaling to Kshs.681,048,669.00 was availed. However, payment vouchers totaling to the amount was not availed for audit.	The Committee recommends that- 1. The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide documents to the auditors at the time of audit, in	60 Days

		In the circumstances, the accuracy, completeness and propriety of other grants and transfers amounting to Kshs.681,048,669 could not be confirmed.			accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.	
<b>OTHER MATTERS</b>						
1.	<b>Budgetary Control and Performance</b>	The statement of comparison of budget and actual amounts (recurrent and development combined) reflects receipts budget and actual on comparable basis amounting to Kshs.12,948,64	<p>The underfunding of Ksh.2,175,224,708 was caused by:</p> <ul style="list-style-type: none"> <li>i. Late disbursement of June Exchequer of Ksh. 888,900,000. It was disbursed on 26th July 2024,</li> <li>ii. Unremitted grants and donor funds – Ksh. 682,867,886</li> <li>iii. Shortfalls in own source revenue collection during the year – 603,456,823</li> </ul>		The committee recommends: 1.The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules	Continuous

		<p>7,400 and Kshs.10,773,422,692 respectively, resulting in under-funding of Kshs.2,175,224,708 or 17% of the budget. Similarly, the County Executive spent Kshs.10,451,325,600 against an approved budget of Kshs.12,948,647,400 resulting in under-expenditure of Kshs.2,497,321,800 or 19% of the budget.</p> <p>The under-funding and under-performance affected the planned activities and</p>			<p>approved by the Senate; and</p> <p>2. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls</p>	
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		may have impacted negatively on service delivery to the public.				
2	<b>Pending Accounts Payable</b>  <b>2.1 Unexplained Increase in Pending Accounts Payable</b>	<p>Note I7.1 under other important disclosures and as disclosed in Annex 2 to the financial statements reflects pending accounts payable totaling Kshs.3,339,153,758. However, the pending accounts payable increased by Kshs.2,094,647,077 from an amount of Kshs.1,244,506,681 reported in the previous year's financial statements which results in 168% increase.</p>	<p>Management agrees with the audit observation. The major contributing component was outstanding salary for May and June 2024 of Ksh. 881,691,254. There was also supply of farm inputs of Ksh. 116,452,200 which was an addition during the year. The National Treasury did not release June Exchequer at the end of the Financial Year. Pending bills amounting to Ksh. 1,204.422,752 have been cleared as at 28th February 2025. The County Government has developed a pending bill payment plan that has since been approved by the County Executive Committee.</p>	<p>The committee observes that the response from the National Treasury has not been received. Additionally, there is a lack of evidence demonstrating engagement with the treasury. Furthermore, the management plan for pending bills has not been made available for audit purposes.</p>	<p>The committee recommends: 1.The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate; and 2.The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls</p>	Continuous

		<p>In addition, the dates invoiced/contracted, original amounts or contract sum, and balance at the beginning of the financial year were not stated for several outstanding pending bills. Further, the Controller of Budget indicates in County Government Budget Implementation Review Report for the financial year 2023/2024 that the county executive had a high level of pending bills, which amounted to Kshs.3,506,516,</p>				
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		486 as of 30 June, 2024 since the county Treasury did not adhere to the payment plan for the pending bills.				
2.2	<b>Unreconciled Electricity Pending Bills</b>	Included in Annex 2 to the financial statements are pending electricity bills amounting to Kshs.10,335,677 owed to Kenya Power Company. However, third party confirmation by Kenya Power revealed that the County Executive had accumulated debts amounting to Kshs.22,530,940, which	Management is committed to timely payment of power utility bills. To facilitate this payment, the County Government has written to Kenya Power to provide a list of specific power utility bills together with current balances to enable reconciliation. Management is awaiting feedback from Kenya Power	The committee observes that the communication between Kenya Power and the County Government has been duly provided.	The committee recommends that debt service payments be prioritized as a first charge on the County Revenue Fund, in accordance with Regulation 41 (2) of the Public Finance Management Regulations (County Governments), 2015. The Accounting Officer should ensure that this is implemented to the fullest extent possible	Continuous

		<p>includes street lighting and facilities of Kshs.21,210,345, devolved services of Kshs.708,937 and public health facilities of Kshs.611,657 which results in an unreconciled variance of Kshs.12,195,263.</p> <p>In the circumstances, the accuracy and completeness electricity pending bills amounting to Ksh.10,335,677 could not be confirmed.</p>			to prevent the county government from defaulting on its debt obligations.	
2.3	Unreconciled Lapfund Pending Bills	Included in Annex 2 to the financial statements are Lapfund	The County Government and Lapfund team on 19 <sup>th</sup> March 2024 jointly reconciled the outstanding pending bill for employer pension contribution. The amounts arrived at	The Committee noted the matter was still outstanding. However, the	The Office of the County Governor undertakes administrative	60 Days



		<p>pension deductions amounting to Kshs.566,828,951 for principal and accrued interests. However, third party confirmation by Local Authorities Provident Fund (LAPFUND) revealed that the County Executive owed Lapfund a total of Kshs.31,354,376 as at 30 June, 2024 which results in an unreconciled variance of Kshs.535,474,575.</p> <p>In the circumstances, the accuracy and completeness</p>	<p>was 579,234,617. Management has contacted LAPFUND to provide current statement to facilitate further reconciliation to establish the correct position. Meanwhile, payment of Ksh. 43,230,249.25 has been remitted to LAPFUND on in the current Financial Year 2024/2025.</p>	<p>supporting documents were not provided by the management at the time of the audit.</p>	<p>action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
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		Lapfund pending bills amounting to Kshs.566,828,951 could not be confirmed.				
3	<b>Unresolved Prior Year Matters</b>	As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, some of the prior year audit issues remained unresolved as at 30 June, 2024. Management has not provided satisfactory reasons for the delay in resolving the issues.	Management is committed to resolving all prior year audit matters as detailed in the Financial Statements of the County Executive for the year ended 30 <sup>th</sup> June, 2024. The summary is as follows, a total of 31 issues were identified for the year 2022/2023. Out of these, 12 issues were addressed, with 9 addressed in the current year and 3 in the previous year (2021/2022). Additionally, 26 issues were partially addressed, comprising 12 in the current year and 14 in the previous year. Furthermore, 18 issues remain not addressed, with 10 from the current year and 8 from the previous year. Overall, there were 56 issues raised across both years.	The committee observes that the management has not provided the recommendations from oversight bodies. This issue remains outstanding.	The committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	60 Days

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES						
1.0	<b>Regularity of Human Resource Management Practices</b>	The statement of receipts and payments reflects an amount of Kshs.4,859,170,763 in respect of compensation of employees which, as disclosed in Note 3 to the financial statements, includes Kshs.4,446,516,807 relating to basic salaries of permanent employees. However, review of the Integrated Payroll and Personnel Database (IPPD) as at 30 June, 2024 revealed that an average of 886 employees were	The non - compliance was occasioned by introduction of new levies when the officers had already committed their salaries on third party deductions; a) Housing Levy b) NSSF c) HELB Loans Management has written to the affected officers to scale down commitments to respective institutions to ensure compliance to one third basic Pay Rule. The number of officers earning less than one third of their basic pay has reduced from 886 to 265.	The committee observes that there has been a significant reduction in the number of officers earning less than one-third of their basic pay, decreasing from 886 to 265. However, this indicates that the issue is only partially resolved.	The committee recommends 1. The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate on the issue as well as comply with the requirements of law; 2. the county should configure their IPPD system such that it is able to lock out	60 Days

		<p>earning net salaries that were less than one-third of their basic salaries per month during the year under review. This was contrary to Section 19(3) of the Employment Act, 2007 which states that total deductions from salaries of employees shall not exceed two-thirds of the respective basic salaries.</p> <p>In the circumstances, Management was in breach of the law.</p>			<p>commitment s beyond the accepted thresholds; and The Auditor General should continue monitoring the issue in subsequent financial years.</p>	
1. 2	<b>Lack of Ethnic Diversity in New Staff</b>	Records provided for audit review including the	Management agrees with the observation that 81% of the two hundred and sixty-five (265) employees were from the dominant	The Committee observed that; - 1) there was no ethnic diversity	The Committee recommends that-	Continu ous

	<p><b>Recruitments</b></p>	<p>payroll indicate that during the year under review, the County Executive recruited three hundred and twenty-eight (328) new employees. However, out of this number, two hundred and sixty-five (265) employees or 81% were from the dominant ethnic community in the County. This was contrary to Section 65(1)(e) of the County Governments Act, 2012 which states that in selecting candidates for appointment, the County</p>	<p>ethnic community in the County. In the job advertisement, the Board had added a clause in the adverts encouraging applicants from the minority ethnic communities and persons living with disabilities to apply. In most cases, applications from this affirmative group are not received as expected. Management has however noted this gap and will endeavor to comply with section 65(i)(e) of the county Government Act. 2012</p>	<p>among the County Executive employees. 2) that due to the homogeneous ethnographic population in most counties, it may not be feasible for them to attain the threshold provided under Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one-third of the staff from the same ethnic community.</p>	<p>1) The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County Government Act on ethnic inclusivity. 2) The Standing Committee on National Cohesion and Regional Integrati</p>	
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		<p>Public Service Board shall consider that at least thirty (30) percent of the vacant posts are not from the dominant ethnic community in the County.</p> <p>In the circumstances, Management was in breach of the law.</p>			<p>on to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.</p>	
1.3	<b>Excessive Wage Bill</b>	<p>The statement of receipts and payments reflects total expenditure of Kshs.4,859,170,763 in respect of compensation of employees which represents 47% of the total receipts for the year of</p>	<p>The high wage bill has been occasioned by a number of factors below:</p> <ul style="list-style-type: none"> <li>i. Annual salary increments as per the employee job scales;</li> <li>ii. Implementation of the Collective Bargaining Agreement for the health workers in the year 2017/2018;</li> <li>iii. Conversion of the terms of employment of the ECDE teachers from contractual to permanent in the year 2018;</li> </ul>	<p>The committee observes that the high wage bill may take time to be addressed due to the absence of a functioning staff establishment.</p>	<p>The Committee recommends that-</p> <ul style="list-style-type: none"> <li>1) the management should provide to the Auditor General and the Senate</li> </ul>	60 Days

		<p>Kshs.10,375,865,875, contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that the total expenditure on the wage bill for County Governments should not exceed thirty-five (35) percent of the County Government's total revenue.</p> <p>In the circumstances, Management was in breach of the law.</p>	<ul style="list-style-type: none"> <li>iv. Conversion of the terms of employment of the casual employees to permanent in the year 2017/2018;</li> <li>v. Phased Implementation of Salary Increments for the staff of the County Executive as per the various SRC Circulars.</li> <li>vi. Absorption of officers of the defunct local authorities;</li> <li>vii. Implementation of the Civil Servants Superannuation Scheme from the year 2020.</li> </ul>		<p>the measures it will put in place to contain the high wage bill within sixty (60) days of the adoption of this report;</p> <p>2) the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM Act (county government)</p>	
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					<p>regulations, 2015 which stipulate that the county wage bill should not exceed 35 per cent of the county total revenue; and</p> <p>3. the county executive puts in place measures to enhance its own source revenue collection in order to address</p>	
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					the wage bill gap.	
1.4	<b>Engagement of Temporary Workers</b>	<p>The statement of receipts and payments reflects an amount of Kshs.4,859,170,763 in respect of compensation of employees which, as disclosed in Note 3 to the financial statements, includes Kshs.186,556,197 relating to basic salaries of temporary employees.</p> <p>Review of the casuals' payroll revealed that six hundred and seventy (670) casual staff were engaged for more than three</p>	<p>i) <b>Health</b>  Management acknowledges the audit observations. The employees have been serving on renewable three months. Due to budgetary constraints, the casuals could not be absorbed or employed on Permanent and Pensionable terms. The County Public Service Board has however regularized the terms of five hundred sixty six (566) from temporary engagement to permanent and pensionable terms. The County Government has a Policy on the engagement of employees on Short-Term Contracts.</p> <p><b>i) Agriculture</b>  The casuals were engaged on short term arrangement of 2 weeks and not 3 months as observed by audit. The department's three operating units that include Mabanga farm, Mabanga cafeteria and Chwele fish farm experience peak periods which require additional human resource that call for engagement of casuals at most for two weeks. The demand is so often that the facilities' request for</p>	<p>The committee observes that the implementation of the policy regarding employees on short-term contracts is currently ongoing, indicating that the issue is partially resolved.</p>	<p>1. The Senate notes that the process of issuance of Personal File Numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction with the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be</p>	60 Days

	<p>(3) continuous months without a provision of 31% gratuity on their salary and wages. This was contrary to Section 37(1)(a) and (b) of Employment Act, 2007 which requires that where a casual employee works for a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.</p> <p>Further, employment of casual</p>	<p>casuals immediately after lapse of the earlier engagement hence almost same casuals are engaged again. The County Public Service Board has commenced the process of conversion of these casuals to permanent terms.</p> <p>Arising from the communication by the County Secretary Ref: CG/BGM/HRM/CS/VOL.I/122 here attached, the department has since stopped engaging casual employees directly and instead the County Public Service Board took over this mandate.</p> <p><b>a) The casuals were contracted without 31% gratuity of their salary and wages.</b></p> <p>The casuals were not engaged for more than three months and could not qualify for gratuity. Appointment letters had no provision for gratuity. However, retirement benefits of the casual employees were guaranteed through contributions made by the respective hospitals and agricultural facilities to NSSF.</p> <p><b>a) It was also observed that recruitment of the casual</b></p>		<p>used by counties;</p> <p>2. The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;</p> <p>3. Pursuant to Article 235 of the Constitution of Kenya, the Committee</p>	
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	<p>employees was done at departmental level without a written authority by the County Public Service Board. In addition, there did not exist a policy document to guide on the selection criteria, terms of engagement, and remuneration of casuals. Also, the employment files for casuals engaged during the year under audit review were not provided for audit review.</p> <p>In the circumstances, Management was in breach of law.</p>	<p><b>employees was done at the departmental level without authorization of the County public service board.</b></p> <p>The recruitments were done at the individual hospitals, health facilities and agricultural training centre. The facilities had adopted the pre-devolution practice where, hospital management boards could engage casual employees for the hospitals while Mabanga Agricultural Training Centre could engage casual employees based on Demonstration Farm Fund Operations Manual for Agricultural Training Centres - May 2011. However, the County Public Service Board has regularized the terms of the identified casual employees</p> <p>At the time of audit, the files for the casuals were being processed by the County Public Service Board; from temporary to permanent engagement.</p>		<p>directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to come up with Regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human</p>	
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					resources; and the Auditor General to monitor the matter in the subsequent audit cycle.	
1. 5	<b>Employees on Long- Term Probation</b>	Verification of the payroll data for the month of June, 2024 revealed that six hundred and seventy-two (672) employees were serving on probation periods of up to sixteen (16) years. The Management did not explain the reasons for failing to confirm the employees to permanent and pensionable terms in accordance with Section 42(2) of	<p>Clause five (5) of offer of appointment from the Board stipulates the probation period of six (6) months. This is in compliance with section B. 18 of the Human Resource Policies and Procedures Manual, 2016.</p> <p>The listing however includes officers inherited from the National Government in advent of devolution and officers employed by the County Government since 2013. The Board has progressively processed these confirmations on a case-by-case basis as below:</p> <ol style="list-style-type: none"> <li>1. Ref.CPSBB/APP./VOL.IV (188) dated 2<sup>nd</sup> July 2024 whereby forty-five ((45) officers from Department of Education and Vocational training have been confirmed in appointment. Attached is the list of the officers.</li> </ol>	The committee observes that management has made progress in confirming officers on a permanent basis, as evidenced by the list of appointed officers provided in Appendix 12b. However, this issue is considered partially resolved.	<p>The committee recommends that</p> <ol style="list-style-type: none"> <li>1. the Auditor General to monitor the matter in the subsequent audit cycle.</li> <li>2. The committee recommends that the county executive adhere to Section 42(2) of the Employment Act, 2007, which stipulates that the probationary</li> </ol>	60 Days

		<p>the Employment Act, 2007 which states that a probationary period shall not be more than six months but it may be extended for a further period of not more than six months with the agreement of the employee.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>2. Ref.CPSBB/C.APPT/APP/VOL.II/135 dated 29<sup>th</sup> July, 2024, where 138 officers from the department of Health and Sanitation have been confirmed in appointment. Find the list attached.</p> <p>3. Letter Ref.CG/BGM/HRM/CPSB/VOL.11/135 dated 5<sup>th</sup> August, 2024 forwarding list of 516 on probation for confirmation in appointment and admission to pensionable establishment.</p> <p>The process is ongoing for the remaining by the County Public Service Board.</p> <p><b>Appendix 012(a); Sample copy of offer of appointment</b>  <b>Appendix 012(b); List of Officers who have been confirmed</b>  <b>Appendix 012(c); Request for staff confirmation to the County Public Service Board</b></p>		<p>period shall not exceed six months. Furthermore, the committee urges the county executive to expedite the process of confirming employees to permanent terms to ensure compliance with the law.</p>	
1. 6	<b>Operating Without Approved Staff</b>	Review of June, 2024 payrolls revealed that the County	The Board is in the process of developing a County executive staff establishment and organogram and further submission to relevant	The committee observes that an establishment was sent on	The committee recommend that;	60 Days

	<b>Establishment</b>	<p>Executive paid 6,383 employees through the Integrated Payroll and Personnel Database (IPPD) payroll. Out of this number, one hundred and ninety-nine (199) staff were promoted while 328 were recruited during the year. However, during the year under review, the County Executive did not have an approved staff establishment and therefore the optimal staffing levels for all cadre of staff had not been established</p>	<p>stakeholders for approvals. This is as per communication to all authorized officers to forward their submissions on the same.</p> <p>.</p>	<p>February 13, 2024, with a requirement for a response within 14 days as outlined in Appendix 13. However, the county has not provided a draft staff establishment, indicating that this issue remains unresolved.</p>	<ol style="list-style-type: none"> <li>1. The county Executive should expedite development and approval of its staff establishment, and a status report should be submitted to the Auditor General for verification within sixty (60) days of the adoption of this report.</li> <li>2. The county Executive submits a status report to the OAG on the progress of the audit on staff establishment, payroll and the</li> </ol>	
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		<p>in accordance with Section 5(f) of the County Governments Act, 2012 which states that a county government shall be responsible for establishing and staffing its public service as contemplated under Article 235 of the Constitution. The Management did not explain or specify the mechanisms it relied upon to identify existence of vacancies that were filled.</p> <p>In the circumstances, Management</p>			<p>County's measures to ensure compliance with the law.</p>	
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		was in breach of the law.				
2.	<b>Regularity of Procurement and Award of Contracts</b>	Verification of several project files of the County Executive revealed that key information was lacking including the contract dates, commencement dates, current status, expected completion dates and revised completion dates. Further, the Management did not provide monthly progress reports of all the procurement contracts. The project implementation team also failed to provide the updated records	<p>a) Key information was lacking including the contract dates, commencement dates, current status, expected completion dates and revised completion dates. The Management agrees that the project files in the Departments may lack the indicated key information. However, the files maintained at the County Supply Chain Management office had captured the indicated information and are available for audit verification. See the attached selected files Appendix 014(a); Selected files</p> <p>b) No monthly progress reports of all the procurement contracts. Monthly progress reports on all procurement contracts have been availed for audit verification. Appendix 014(b); Monthly progress reports</p> <p>c) Updated records relating to each contract. The project implementation team has been preparing records for each contract in accordance with Regulation 140 (1) of the Public Procurement and Asset Disposal</p>	The committee observes that the selected files, as detailed in appendix 14a, contain key information that was previously lacking. Additionally, the attached monthly progress reports and implementation reports in appendices 14b and 14c have been reviewed. The committee notes that the issue has been partially resolved.	The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 Days



		<p>relating to each contract in accordance with Regulation 140 (1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that the head of procurement function shall prepare a monthly progress report of all procurement contracts and submit the same to the accounting officer in accordance with Section 152 of the Act and Regulation 140(2) which provides that the report referred to in paragraph (1) shall include—</p> <p>(a) contract</p>	<p>Regulations, 2020. Attached are the project status reports from project implementation team.</p> <p>Appendix 014(c); Project Implementation Team Reports</p>			
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		<p>description; (b) contract number; (c) value of contract; (d) commencement date; (e) current status; (f) the amount of money paid; and (g) the expected completion date.</p> <p>In the circumstances, Management was in breach of the law.</p>				
4.	<b>Construction of Ward Administrator Offices at Misikhu and Bokoli Wards</b>	<p>A local contractor was paid Kshs.1,834,683 on 5 March, 2024 for proposed erection and completion of ward administrators offices at Misikhu and Bokoli wards</p>	<p>a) Procurement file and contract documents to confirm the correct contract sum. The contractor requested for variation of contract on account of delayed site handing over and change of rates arising from covid 19 on 10th July, 2020. The Accounting Officer approved the request for variation on 6th July, 2022. The revised contract of Ksh. 21,362,240 is attached. Appendix 016(a); Request for contract variation</p>	<p>The committee observes that the request for contract variation and extension has been submitted, as detailed in appendices 16a, b, and c. However, the revised contract has not been included. The</p>	<p>The committee recommends; The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1)</p>	60 Days

	<p>which were started in the financial year 2014/2015 at a contract sum of Kshs.17,921,926.</p> <p>During the year under review, the interim certificate No.5 showed a revised contract sum of Kshs.21,362,240 and the works done were 85% complete. However, the procurement file, contract documents, extension of the contract duration documents and the current status of the project were not provided for audit review.</p>	<p>Appendix 016(b); Contract extension order of the project by the Accounting Officer. Appendix 016(c); Revised Contract – Ksh. 21,362,240</p> <p>b) The current status of the projects could also not be confirmed and no reasons were given for the delay implementing the project. The contractor is on site for Misikhu ward office. The delay in project implementation was occasioned by disputed land on which the ward office was to be constructed. The dispute has since been addressed between the County Government and the National Government.</p>	<p>committee notes that the issue has been partially addressed.</p>	<p>(c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>	
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		In the circumstances, value for money may not have been achieved on the implementation of these projects.				
6.	<b>Completion of Masinde Muliro Stadium</b>	The County Executive contracted a local company for construction of Phase 1 of Masinde Muliro Stadium at Kanduyi at a contract sum of Kshs.679,386,379 for a twenty-four (24) months contract period from 14 June, 2019 with an end date of 31 January, 2021. During the year under review, the scope of	<p>a) Liability insurance cover not renewed and no evidence that performance security bond was renewed</p> <p>The contractor has submitted the performance security bond as attached.</p> <p>Appendix 018(a); Contractors Performance Bond expiring on 31<sup>st</sup> July, 2024.</p> <p>Appendix 018(b); Contract Addendum(Amendment) Agreement</p> <p>b) Approximately 90% of the work was complete and the Contractor had been paid an amount ksh.746,164,871.86 which is approximately 92%.</p>	The committee observes that the contractor's performance bond has been submitted and reviewed, as detailed in appendix 18a. However, the contract addendum agreement expired on June 15, 2024, and the works remain incomplete, according to the status report dated March	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for	60 Days

		<p>works was expanded to include construction of office block, arena stand, perimeter wall, renovation of football pitch, external works and civil works, mechanical and electrical works amounting to Kshs.128,078,424 which lead to a revised contract sum of Kshs.807,464,803 and an end date of 15 June, 2024 as approved by the contract implementation team. However, the contract period was extended without renewal of liability insurance cover</p>	<p>Management made payment for the measured and certified works as per project technical report. Actual payment to the contractor by the time of audit was Ksh. 711,110,973 and not Ksh. 746,164,871.86. The 92% is the accounting ratio of payments to date against the contract sum as computed by the auditor. This ratio does not form the basis of estimating work done in engineering works. The project is now 92% done as per page 4 of the project status report.</p> <p><b>Appendix 018(c); Project Status Report dated 14<sup>th</sup> March, 2025</b></p> <p><b>c) Remaining Works from project manager was not provided for audit review</b></p> <p>Management has provided the schedule of remaining works from project manager. Attached is the project status report that has a snag list on page 5.</p> <p><b>Appendix 018(d); Project Status Report dated 15<sup>th</sup> March, 2025</b></p> <p><b>d) Audit inspection was done on 25 September, 2024 and it was observed that no work was ongoing as the</b></p>	<p>14, 2025. Additionally, while the stadium land has a URN number, the title deed has not been provided. The committee notes that the issue has not been resolved.</p>	<p>money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Ethics and Anti-Corruption Commission to cause the investigation of the accounting officer and the responsible officers for</p>	
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		<p>and performance security bond.</p> <p>As at 30 June, 2024, the works were approximately 90% complete and contractor had been paid an amount of Kshs.746,164,872 which is approximately 92% of the contract sum. However, the schedule of remaining works from project manager was not provided for audit review.</p> <p>During an audit inspection conducted on 25 September, 2024, it was observed that</p>	<p><b>contractor had abandoned the site</b></p> <p>The County Government owes the contractor Ksh. 35,053,898 on the certificates issued. The delay in payment has been caused by delayed exchequer funding. This has made the contractor to scale down operations on the site due to financial constraints.</p> <p><b>a) No title deed</b></p> <p>Land records indicate that the land is owned by the defunct Bungoma Municipal Council. Most the parcels of land inherited from the defunct local authorities lacked ownership documents which are progressively being processed based on availability of funds. The land has a URN number allocated to Bungoma Municipal Council. The processing of the title deed has since been initiated.</p> <p><b>Appendix 018(e); Official Search</b></p>		<p>the possible loss of public funds with a view to instituting the prosecution of the culpable officer(s) for the offences.</p> <p>The Office of the Auditor General to keep the matter in view in the subsequent audit cycle.</p>	
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		<p>the works had stalled and the contractor had abandoned site. Also, the title deed for the land on which the stadium is built was not provided for audit review.</p> <p>In the circumstances, the public may not realize value for money spent on the project.</p>				
7	Construction of Kanduyi-Sang'alo Junction to Dual Carriage	<p>The statement of receipts and payments reflects acquisition of assets amounting to Kshs.2,083,889, 103 and as disclosed in Note 8 to the financial statements.</p>	<p><b>a) Under Bill No. 16 – Bituminous mix bases</b></p> <p>This was as a result of adverse Variation of Prices (VOP) that rose by 110% since 2018 when the contract was awarded. To be able to continue with the project the client requested an internal variation of quantities. And this led to the reduction in the thickness of Asphalt concrete by 50mm to cater for the increased prices (See the attached VOP calculation)</p>	<p>The committee observes that a price variation resulting in a reduction of thickness has been recorded in appendix 19a. Management has explained that delays caused by</p>	<p>The committee recommends; The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and</p>	60 Days

		<p>Included in this amount are two payments totaling Kshs.102,500,000 vide payment voucher No. Rpw/024 dated 27 December, 2023 for Kshs.40,000,000, and payment voucher No. Rpw/237 dated 28 June, 2024 for Kshs.62,500,000 which were made to a construction Company for construction of 6.7 Kilometers Kanduyi-Sang'alo Junction Road (C33) to dual carriage way. The contractor had received payments</p>	<p><b>Appendix 019(a); Variation of Prices (VOP) calculation</b>  <b>b) Under Bill No. 17 – Foot Bridge costing Kshs. 50,000,000</b></p> <p>The bridge was to facilitate crossing of high pedestrian density at Chepkube market an area that was previously prone to high traffic accidents during peak hours. However, the initial contract period for the project was 2 years, but due to Covid 19 which was not anticipated in the initial planning of the project, this affected the completion of the project since the working hours in a day was reduced to 6 hours. Also delayed payment to the contractor contributed to the slow progress of the project, thus leading to the extension of the contract by 9 months. Therefore, with an extension of contract period, the administrative cost increased arising from supervision vehicles, supervision allowance, Laboratory costs, licenses such as NEMA, insurance cost and so on. Now to be able to cater for this increased cost client requested for variation of contract by eliminating the footbridge from the design.</p>	<p>COVID-19 increased administrative costs, which led to the decision to eliminate variations for the footbridge. Instructions for the remaining works have been provided to the contractor, as detailed in appendix 19b. The committee notes that the issue has been partially resolved.</p>	<p>timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;  3. The Ethics and Anti-Corruption Commission to cause the investigation of the accounting officer and the responsible officers for</p>	
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		<p>amounting to Kshs.1,341,481, 891 as at 30 June, 2024 following award of contract and addendum for construction of the road on 27 December, 2018 at a contract sum of Kshs.1,573,728, 108 ending on 21 July, 2022.</p> <p>The project's resident engineer issued a status report on 14 November, 2023 indicating that the road was 98 percent complete. However, audit verification of the project established that bituminous mix bases - a 50mm</p>	<p><b>c) Under Bill No. 20 - Road Furniture works are still outstanding</b></p> <p>The contractor had been issued with site instructions to undertake the works but due to the pending payments cited above, the contractor was not able to facilitate the activities on site to undertake the works.</p> <p><b>Appendix 019(b); Instructions to the contractor on remaining works</b></p> <p><b>d) Bill No. 26 – Street lighting done by State Agency</b></p> <p>The amount has not been reduced from the contract amount because as at the time of audit the contract had elapsed so the management cannot vary an expired contract. Also, the bill item no. 20 for street lighting has not and will not be included in any of the payment certificates. Therefore, the amount will remain in the contract but not certified for payment.</p> <p><b>The street lighting done using concrete posts instead of Steel Street lighting</b></p> <p>The objective of inclusion of street lighting in the BoQ was to ensure safety of road users during day and night. Considering that works were</p>		<p>the possible loss of public funds with a view to instituting the prosecution of the culpable officer(s) for the offences. The Office of the Auditor General to keep the matter in view in the subsequent audit cycle.</p>	
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		<p>asphalt concrete wearing course, concrete works, a foot bridge costing Kshs.50,000,000, road furniture, and round posts street lights of Kshs.24,286,000 had not been done. However, the round posts street lights were not installed since the National Government installed in their place concrete posts streetlights during Madaraka day celebrations in Bungoma county.</p> <p>An audit inspection done on 27</p>	<p>done by a different state agency, the County Government did not have any input on the materials to be used because it was entirely done by National Government under Kenya power.</p> <p><b>e) The Contractor was not on site.</b></p> <p>Prior to the expiry of the contract, the contractor had been issued with site instructions to proceed and complete the works within the extended contract period and the defects liability period but due to budgetary constraints the County Government has liquidated pending work certified on certificate No. 8, 9 and 10.</p> <p><b>The road although not complete is open to motorists and pedestrians.</b></p> <p>Management reiterates that there are no other alternative routes within the area for traffic diversion., The County Government has not paid the contractor the pending certificates to be able to execute the pending works to make the road safe for both the motorists and pedestrians. As a mitigation measure, the department has erected temporary bumps at critical crossing points such as KMTC and Marel Primary school</p>			
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		<p>September, 2024 revealed that the road was one carriageway, 1.7 metres wide shoulders was not marked/identified for use by pedestrians on both sides, and poor drainage observed in middle sections of the road which retained flood water. Further, the road was being used by motorists and pedestrians and the contractor was not on site thereby posing a great danger.</p> <p>In the circumstances, value for money has not been</p>	<p>and also deployed County Enforcement Officers to guide traffic during peak hours to avert the risk.</p> <p><b>a) One carriageway, 1.7 metres wide shoulders were not constructed on both sides.</b></p> <p>The management does not agree with audit observation that the carriageway fell short of shoulders provided for in the BoQs at 1.7M wide. The road width from the median (raised island) to the drain is 8.7m, for a dual carriageway it requires 7m that's 3.5m and 3.5m. Therefore, when you subtract 7m from 8.7m you remain with 1.7m which is the shoulders on each side of the road. The shoulders have now been separated from the carriageway by road markings. The management request the auditor to re-visit the site and get measurements right.</p> <p><b>Appendix 019(c); Road Drawing</b></p> <p><b>b) The road is not properly drained</b></p> <p>The management agrees with the audit findings that the road is not properly drained especially at super elevated points where gradients running to one side of the road are</p>			
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		realized by the public on this project.	below the designed finished road level. The design of the road provided for 100mm Asphalt Concrete (AC) but as noted earlier, under Bill No. 16 (Bituminous mix bases, a 50mm Asphalt concrete wearing) which was not done due to adverse variations in Prices. A second layer of Asphalt concrete (50mm) is needed to raise the level for water to flow across the island and this will be done by KeNHA immediately the County Government hands over the project back to KeNHA.			
8.	Construction of Misikhu – Naitiri – Brigedier Road	The County Executive contracted a construction company for upgrading of 39 kilometers Misikhu - Naitiri- Brigadier Road to Bituminous standards on 21 November, 2016 at a contract sum of Kshs.1,115,939, 198 with a	<p><b>a) Overpayment of Ksh. 91,053,557.50</b></p> <p>The Management agrees that a total of Kshs.928, 007,956.00 had been paid, being;</p> <ul style="list-style-type: none"> <li>i. Kshs.829,498,563.23 for the value of works done, corresponding to the 75.53% physical works as per the progress report of 31st March 2024.</li> <li>ii. The extra amounts of Kshs. 98,509,794 paid was a result of the claims of the contractor. The contractor had made claim No.1 of Kshs. 150,000,000.00 arising</li> </ul>	The committee observes that the contract includes provisions for all payments made, as stated in appendix 20a of the contract agreement. However, the necessary contract closure documents have not been provided. The committee		

		<p>completion date of 17 June, 2024.</p> <p>During the year under review, the contractor was paid a total of Kshs.169,002,876 which results in total payments amounting to Kshs.928,007,956 or 83% of the contract sum. However, status report dated 31 March, 2024 indicates the overall works were at 76% and that the contractor was overpaid by Kshs.91,053,557 which was attributed to interests on late payments.</p>	<p>out of suspension of the works. An evaluation committee evaluated and a total of Kshs. 71,920,000.00 was paid. The balance of Kshs. 26,509,794.00 was as a result of interest on the late payments of the IPCs.</p> <p>iii. Therefore, there are no overpayments done on the works. The contract had provisions that supported the extra payments.</p> <p><b>Appendix 020(a); Extract of the Contract Agreement</b></p> <p><b>Appendix 020(b); Project Progress Report dated 31<sup>st</sup> March, 2024</b></p> <p><b>b) No documentary evidence demonstrating how the former contract was closed</b></p> <p>See the attached contract closure documents</p> <p><b>Appendix 020(c); Contract closure documents</b></p> <p><b>c) Transfer of two 4WD 2800cc motor vehicles estimated at Kshs.16,500,000 which were to revert back to the employer</b></p>	<p>notes that the issue has been partially resolved.</p>		
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		<p>After the award and commencement of the project, 19 Kilometres section of Misikhu to Naitiri road was taken over by the National Government leaving 20 Kilometres from Naitiri to Brigadier Road under the County Government of Bungoma. As a result, the County Executive re-advertised and awarded the construction to completion, contract for 20 Kilometres Naitiri to Brigadier Road to the same contractor at a</p>	<p>The two double cab vehicles, KCK 914W and KCK 916W are in the custody of the county government, though transfer of ownership has not been finalized. We have written a letter to the contractor to requesting him to initiate the transfer process.</p> <p><b>Appendix 020(d); Communication to the Contractor on vehicle transfer</b></p> <p><b>Appendix 020(e); Current Work Tickets of KCK 914W and KCK 916W</b></p> <p><b>d) No publicity sign board was seen and there was no evidence that the signboards had been erected</b></p> <p>The contractor carried out the instruction issued to him of installing the signages, but they were vandalized during the subsequent campaign period of the General Elections.</p> <p><b>Appendix 020(f); Copies photos and inspection reports showing signages beforevandalization</b></p> <p><b>a) Stalled works</b></p> <p>Though the contractor was not on site at the time of the visit, the contractor is expected to complete</p>			
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		<p>contract sum of Kshs.525,999,390 on 8 April, 2024. However, the county has not provided any documentary evidence demonstrating how the former contract was closed and transfer of two 4WD 2800cc motor vehicles estimated at Kshs.16,500,000 which were to revert back to the employer (County Executive of Bungoma) at the close of the project. In addition, there did not appear indications that 10No. publicity sign boards costing</p>	<p>the works as per the schedule. The contract completion date is 13th March 2026. The contractor is on course considering the fact that he has so far done 5kms of the 20Kms since the start of the new contract in April 2024.</p> <p><b>Appendix 020(g); Technical Report on the completed works</b></p> <p><b>Appendix 020(h); Letter from Contractor on Vandalism</b></p> <p><b>b) Construction of part of the road taken over by National Government from Misikhu to Naitiri had not started</b></p> <p>This contract is under the National Government Agency that is independent. The County Government has however written to the Agency to inquire on the current status of the road.</p> <p><b>Appendix 020(i); Communication to KERRA to inquire on status of project implementation of Misikhu – Naitiri</b></p>			
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		<p>Kshs.750,000 we erected as provided in the contract.</p> <p>Further, the audit inspection done on 7 October, 2024 revealed that the roadworks had stalled and contractor was not on site and the construction of National Government Road had not started.</p> <p>In the circumstances, value for money has not been realized by the public in respect of the amount spent on this project.</p>				
9.	<b>Failure to Transfer</b>	Note 4 to the financial	a) Transfer of Garbage Collection Function	The committee observes that	The committee recommends	60 Days



	<p><b>Functions to Kimilili and Bungoma Municipalities</b></p>	<p>statements in respect to use of goods and services indicates other operating payments amounting to Kshs.628,461,613, which in turn comprises payments for garbage collections amounting to Kshs.320,560,000. However, garbage collection is a function of Bungoma and Kimilili Municipalities as required by Urban Areas and Cities Act, 2011 (Amended in 2019) and charters for the two municipalities. Further, as</p>	<p>Transfer of functions has been done progressively as county continues to build capacity of the Municipalities. The County Government Executive has an active contractual engagement on the function of Refuse and Garbage collection. This function will be transferred upon expiry of the current contract. Appendix 021; Current Copy of Garbage Collection Contract</p> <p>b) Payments made on behalf of the Municipalities</p> <p>The County Executive made some direct payments associated with personnel emoluments since the county runs one payroll. Management is however committed to transferring funds to the Municipalities as provided in the charter.</p>	<p>the county was undertaking functions meant for Municipalities and that transfer of functions has not been completed, and Management has not provided evidence that any of the four key functions have been successfully transferred.</p>	<p>that the County Executive promptly transfer the roles and functions specified in the Urban Areas and Cities Act, 2011, This action is essential for legal compliance and to grant the municipalities the operational autonomy needed to manage their responsibilities effectively and other services within 60 Days of the adoption of the report. The OAG to keep the matter in view and provide a status update to the Committee in</p>	
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		<p>reflected in the financial statements of Kimilili and Bungoma Municipalities, the County Executive procured and made payments totaling Kshs.39,647,586 and Kshs.79,470,574 respectively on their behalf. No satisfactory explanation was provided for the failure by County Executive Management to give the two Municipalities operational autonomy.</p> <p>In the circumstances, Management</p>			the subsequent audit cycle	
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		was in breach of the law.				
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
1.	<b>Lack of Fraud Prevention Mechanisms</b>	<p>During the year under review, the County Executive had not developed a fraud risk management policy and risk assessments were not conducted in the financial year under review.</p> <p>In the circumstances, the effectiveness of risk management could not be confirmed.</p>	<p>The County Government has a Risk Management Policy Framework, 2019. The Framework encompasses all aspects of Fraud Risk Management. Fraud Risk Assessment was undertaken as part of the Enterprise Risk Assessment. Fraud Risk Elements can be identified and documented in the Risk Register.</p>	<p>The committee observes that the risk management policy and the risk register have not been included in the mentioned appendices.</p>	<p>The Office of the County Government as per Regulation 158 (1) of Public Finance Management (County Governments) Regulations, 2015 put in place a risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the Auditor General. The Auditor General to closely monitor the development, documentation</p>	60 Days

					and communication of these policies within the county entity in the subsequent audit cycles.	
2.	<b>Weaknesses in Information Communication Technology (ICT) Internal Controls</b>	<p>Review of ICT internal controls revealed that the Management had prepared a draft ICT policy but it had not been approved for operation. As a result, disaster management and recovery policy, business and ICT continuity plan, ICT strategy committee and ICT steering committee had not been formulated.</p> <p>In the circumstances,</p>	<p><b>a) Draft ICT Policy</b> The draft ICT Policy has been approved by the County Executive committee awaiting further legislative processes. However, Management would like to state that there is no gap in Strategy and Policy direction as the County Government applies the National Government ICT Policy and ICT Standards issued by ICT Authority from time to time. Sec.8 (2) of the County Governments Act, 2012 allows the County Government to use a National Legislation in situations where there is delay in developing own legislation.</p> <p><b>b) The County did not have disaster management and recovery policies, business continuity plan and IT continuity plan in place</b></p> <p>The disaster management and recovery have been incorporated in</p>	The committee observes that the County Government has not yet provided a draft ICT policy.	<p>1.The committee recommends that the process be fast tracked and the policy be implemented within sixty (60) days from the adoption of this report and submit the same to the Auditor General.</p> <p>2.The Auditor General to closely monitor the development, documentation and communication of these policies within the</p>	60 Days

		the effectiveness of ICT internal controls could not be confirmed.	<p>the Draft ICT Policy and will be operationalized in due course after the Policy is approved. However, the County Government currently uses the National ICT Policy and the ICT Standards that provide guidance on the subject such as Data Centre Standard, ICT Governance Standard, Information Security Standard and Systems &amp; Applications Standard.</p> <p><b>a) The County did not have an IT strategy committee and IT steering committee.</b></p> <p>The Management notes the concern. The two Committees have been provided for in the Draft ICT Policy and will be operationalized once the Policy is approved.</p>		county entity in the subsequent audit cycles.	
3.	<b>Failure to Provide Project Implementation Status Report</b>	The County Executive did not provide for audit review the project implementation status report as at 30 June, 2024. Therefore, it was not possible to ascertain the	Management has provided project implementation status for all the projects for audit review.	The committee observes that the issue has not been adequately addressed, as Management has failed to provide the project implementation	The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning,	Continuous

		<p>number of projects approved for implementation, how many were completed, how many were in progress, how many had not started and how many had stalled.</p> <p>In the circumstances, the effectiveness of projects' implementation management could not be confirmed.</p>		status as outlined in appendix 23.	<p>execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015; and</p> <p>The Auditor General to audit the status of stalled projects and provide a status update to the Committee in the subsequent audit cycle.</p>	
4.0	<b>Internal Audit Function</b>	Review of the records and reports revealed	This assessment is undertaken by the Directorate of Internal Audit as required by PFM Reg. 159(1).	The committee observes that Management	The committee recommends that the Audit	60 Days

4. 1	<b>Lack of Performance Appraisal of the Internal Audit Function</b>	that, the Audit Committee did not carry out annual review of the independence, performance and competency of the internal audit unit and comment on their effectiveness in the annual report. In addition, the internal audit unit did not go through a professional assessment on its effectiveness done by a professional body or recognized institution which should be done once every three (3) years but not more than five (5)	During the year 2023/2024, the Directorate undertook a self-assessment the results of which were reported in Section Five and Six of its Internal Audit Annual Report 2023/2024.	has not clearly indicated which issues raised have been fully implemented and which have only been partially addressed. Additionally, the letter communicating full implementation to the relevant departments has not been provided. The committee notes that this issue has not been adequately addressed.	Committee conduct the required annual review of the internal audit unit and its effectiveness, ensure a professional assessment is completed, and that the accounting officer submits a response and action plan to the audit committee chairperson within fourteen days, in compliance with relevant regulations.	
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		years. This was contrary to Regulation 159(1)(2) and (3) of the Public Finance Management (County Governments) Regulations, 2015.				
4.2	<b>Failure by Management to Act on Internal Audit Reports</b>	During the year under review, the internal audit unit of the County Executive conducted audit assignments and reported on their findings. However, there was no evidence that the issues raised were acted upon by the Management in accordance with Regulation 165 (1) of the Public Finance Management	Management has implemented a number of issues raised by the internal audit department. The implementation however has not been satisfactory as observed by audit. Management has communicated with all county government departments to ensure full implementation of internal audit findings. Attached is a letter communicating this matter to departments.	The committee observes that while Management has attempted to implement several issues raised by the internal audit department, the implementation has not been satisfactory, as noted in the audit findings. Additionally, Management has communicated with all county government	The committee recommends that the accounting officer take immediate action to implement the recommendations made in the internal audit reports. A response and action plan must be developed and submitted to the chairperson of the audit committee within fourteen	60 Days



		<p>(County Governments) Regulations, 2015 which requires that the accounting officer of the concerned entity shall be responsible for the implementation of the recommendations made in the audit reports and shall develop responses and action plan which they shall submit to the chairperson of the audit committee within fourteen days.</p> <p>In the circumstances, the effectiveness of internal audit function could</p>		<p>departments to ensure full implementation of the internal audit findings, as evidenced by the attached letter.</p>	<p>days of this report's adoption. Furthermore, the committee expects that this process be completed within 60 days to ensure compliance with Regulation 165(1) of the Public Finance Management (County Governments) Regulations, 2015, and to enhance the effectiveness of the internal audit function.</p>	
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		not confirmed. In addition, Management was in breach of the law.				
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR  
GENERAL ON AUDITED FINANCIAL STATEMENTS OF BUSIA COUNTY EXECUTIVE FOR THE FINANCIAL  
YEAR 2023/24.**

**Basis of Qualified Opinion**

**SUMMARY OF UNRESOLVED ISSUES**

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Timelines
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1.	<b>Unsupported Expenditure on Daily Subsistence Allowance</b>	Note 4 to the financial statements, reflects Kshs.176,137,889 for domestic travel and subsistence which includes Kshs.16,525,845 that was not supported by supporting documents.	The management availed the response and the supporting documents of domestic travel and subsistence expenditure of Kshs.16,525,845 for audit verification.	The Committee observed that— 1. The county executive failed to ensure that the officer authorized to hold and operate an imprest shall make formal application for the imprest through an imprest warrant 2. Regulation 93(1) of the Public Finance Management (County Governments) Regulations on imprest issuance was also not adhered to.	The Committee recommends that; 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 62 of the Public Audit Act CAP 412B and provides a status	Within sixty (60) days of the adoption of this report.

				<p>3. Further, regulation 104(2) of the Public Finance Management (County Governments) Regulations was also not adhered to.</p>	<p>report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. the Accounting Officer recovers the outstanding imprests of Kshs.16,525,845 with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation; and</p> <p>3. The Committee further recommends the sanction and surcharge of the Accounting Officer if he fails to recover outstanding imprests of Kshs.16,525,845</p>	
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					in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015.	
2.	<b>Unsupported Expenditure on Foreign Travel</b>	Note 4 to the financial statements, reflects Kshs.38,111,767 for foreign travel and subsistence. However, out of the sampled payments amounting Kshs.18,496,248, a local Tours and Travel firm was paid Kshs.14,200,000 which represent over 80% of the contracts for provision of air travel agency services. There was no explanation on how the firm emerged the winning bidder so often and the procurement documents were not provided for audit review. Further, requisitions provided for audit review did not indicate clear instructions of dates of travel, number of persons	The management availed the relevant supporting documents including invitation letters, approval for travel, boarding passes, training programs and attendance registers for audit verification.	The Committee observed that— 1. Following the Audit, the management failed to avail the original documents for verification. Thus, the issue remained unaddressed. 2. Section 60(1) and section 135 of the Public Procurement and Asset Disposal Act 3. The Management also failed to comply with Regulation 104 (1) of the Public Finance Management (County Governments) Regulations	The Committee recommends that; 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 62 of the Public Audit Act CAP 412B and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The EACC initiates an investigation with view of prosecuting the Head of	

travelling as well as the destinations. In addition, relevant supporting documents including invitation letters, approval for travel, boarding passes, training programs and attendance registers were not provided for audit verification.

Procurement for failing to comply with Section 60(1) and section 135 of the Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of goods and services amounting to Kshs.14,200,000 and provide a status report to the Auditor General within sixty (60) days from the adoption of this report; and

3. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their

					professional duties which constitutes a professional misconduct.	
3.	<b>Unsupported Expenditure on Hospitality, Supplies and Services</b>	Note 4 to the financial statements, reflects Kshs.146,159,529 for hospitality supplies and services. However, the amount includes payments totalling Kshs.8,335,849 whose supporting attendance lists were not matching with the local service orders (LSOs), and tender opening and evaluation minutes, work plans and activity budgets were not provided for audit verification.	The management claimed to have availed supporting attendance lists that are matching with the local service orders (LSOs), and tender opening and evaluation minutes, work plans and activity budgets for audit verification.	The Committee observed that— 1. The copies of the documents availed could have been ratified later after the queries were raised. 2. Section 68(1) of the Public Finance Management Act requires accounting officers to be accountable for ensuring that resources are used in an effective, efficient, economical and transparent matter.	The Committee recommends that; 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The EACC initiates an investigation with view of prosecuting the Head of Procurement for failing to comply	

					<p>with Section 60(1) and section 135 of the Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of goods and services amounting to Kshs.8,335,849 and provide a status report to the Auditor General within sixty (60) days from the adoption of this report; and</p> <p>3. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a</p>	
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					professional misconduct.	
4.	<b>Unexplained Variances on Other Grants and Transfers to Other Government Entities</b>	The Office of the Auditor-General noted variances between the amounts reported in the County Executive's financial statements as transfers/grants and amounts reflected in the respective Funds' financial statements as transfers from County Government	<p>The management claimed that the amount of Ksh 5,061,350 relates to expenditure incurred on ASDSP (Agricultural Sector Development Support Programme) and not transfers to Busia County Agricultural Development Fund (ADF) as stated by the auditor.</p> <p>The management further claimed that the amount of Ksh 8,000,000 was captured in the financial year 2023/2024 in the County Cooperative Enterprise Development Fund financial statements since they prepare their financial statements on accrual basis of accounting.</p>	Variances between the amounts reported in the County Executive's financial statements as transfers/grants and amounts reflected in the respective Funds' financial statements as transfers from County Government	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</li> <li>2. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to</li> </ol>	

		<p>The amount of Ksh 5,500,000 was transferred on 8th July 2024 and was captured in the county executive financial statements for financial year 2023/2024.</p> <p>It was further stated that transfers to Busia County Education Support Scheme amounts to Ksh 125,000,000 and not Ksh 117,500,000 as highlighted by the auditor. The County Executive stated that it had provided the Busia County Education Support Scheme financial statement FY 2023/2024 for audit verification.</p> <p>The expenditure of Ksh 10,007,000 thus related to emergency</p>		<p>undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report;</p> <p>3. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.</p>	
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			relief and refugee assistance on other grants and transfers in the department of Finance and not a transfer to emergency fund. The transfer of Ksh 35,800,000 was made from the County Revenue Fund bank statement to Busia County Emergency Fund and reported independently in their financial statement FY 2023/2024			
5.	<b>Payments Charged to Other Grants and Transfers</b>	<p>The statement of receipts and payments and Note 6 to the financial statements reflect other grants and transfers amounting to Kshs.954,202,673.</p> <p>However, included in this amount are payments amounting to Kshs.30,971,078 made to suppliers/individuals but charged to other grants and transfers. This was contrary to Section 138(1)(c) of the Public Finance Management Act,</p>	<p>The management claimed that the payments were erroneously charged. It has claimed that it put up a mechanism to improve on it in order to avoid a repetition in the future.</p>	<p>The Committee observed that—</p> <ol style="list-style-type: none"> <li>1. The Busia County Executive accepted that the payments were erroneously charged</li> <li>2. Section 138(1)(c) of the Public Finance Management Act, Cap 412A states that “grant recipient” means the County Government or a County Government entity authorized to control or spend money under this Act</li> </ol>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance</li> </ol>	<p>Within sixty (60) days of the adoption of this report.</p>

Cap 412A which states that “grant recipient” means the County Government or a County Government entity authorized to control or spend money under this Act or an incorporated or unincorporated body not otherwise authorized to control or spend money under this Act.

or an incorporated or unincorporated body not otherwise authorized to control or spend money under this Act.

- Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;
2. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report;
  3. the County Executive rectifies the misclassification of payments amounting to Kshs.30,971,078 by ensuring that all expenditures are

					<p>accurately recorded under the appropriate accounts in compliance with Section 138(1)(c) of the Public Finance Management Act, Cap 412A; and</p> <p>4. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.</p>	
6.	<b>Lack of Ownership Documents and Number Plates for Tractors</b>	The County Government through the Department of Transport, Roads and Public Works vide Local Purchase Order number 2853 dated 29 January, 2024 and tender number SDPW/SB/025/202-2024 purchased seven Mahindra tractors at total cost of	The management stated that it had provided provides the logbooks for audit verification. The two logbooks that had not been presented have since been processed and hereby availed for audit verification.	Physical verification conducted on 20 September, 2024 revealed that, the tractors did not have number plates and ownership documents were not provided for two tractors.	<p>The Committee recommends that;</p> <p>1. the County Executive Management urgently expedites its engagement with the NTSA to process and secure the Log</p>	Within sixty (60) days of the adoption of this report.

		<p>Kshs.24,500,000 from a company. Physical verification conducted on 20 September, 2024 revealed that, the tractors did not have number plates and ownership documents were not provided for two tractors.</p>	<p>Further, the management stated that it has a fixed asset register and is in the process of updating it</p>		<p>books for the seven (7) Mahindra tractors acquired at a cost of Kshs.24,500,000 by the Department of Transport, Roads and Public Works;</p> <p>2. the County Executive should establish a systematic process to ensure that all future land acquisitions are accompanied by proper legal documentation at the time of purchase to avoid similar issues and uphold transparency and accountability in asset management;</p> <p>3. County should expedite the process of updating and</p>	
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					<p>presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report; and</p> <p>4. The County Executive should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and provide a status</p>	
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					update to the Office of the Auditor General within 90 days of the adoption of this Report.	
7.	<b>Staff Salary Payment Outside Integrated Personnel and Payroll Database</b>	<p>The statement of comparison of budget and actual amounts (recurrent and development combined) reflects final receipts budget and actual on comparable basis totalling Kshs.9,221,975,801 and Kshs.7,997,291,623 respectively, resulting in under-funding of Kshs.1,224,684,178 or 13% of the budget.</p> <p>Similarly, the County Executive spent Kshs.7,692,246,047 against an approved budget of Kshs.9,221,975,801 resulting in under-expenditure of Kshs.1,529,729,754 or 17% of the budget.</p>	The management concurred with the findings of the Auditor-General. It further stated that it had officers in the 3rd and 4th quarter, and there was delayed processing of their IPPD numbers. Thus, the majority of the officers of Busia County Executive have now received their Payroll Numbers.	<p>The Committee observed that—</p> <ol style="list-style-type: none"> <li>1. The issue was not adequately addressed.</li> <li>2. The actions of Busia County Executive were contrary to section 1.5.1 of the National Treasury Financial Accounting, Recording and Reporting Manual which provides that personnel emoluments of County Government staff should be paid through IPPD.</li> </ol>	<ol style="list-style-type: none"> <li>1. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;</li> <li>2. The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff</li> </ol>	



					<p>establishment and provide a status update to the Auditor General within 60 days of adoption of this report;</p> <p>3. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and</p> <p>4. the Auditor General to monitor the matter in the subsequent audit cycle.</p>	
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Emphasis of Matter						
8.	<b>Budgetary Control and Performance</b>	<p>The statement of comparison of budget and actual amounts (recurrent and development combined) reflects final receipts budget and actual on comparable basis totalling Kshs.9,221,975,801 and Kshs.7,997,291,623 respectively, resulting in under-funding of Kshs.1,224,684,178 or 13% of the budget.</p> <p>Similarly, the County Executive spent Kshs.7,692,246,047 against an approved budget of Kshs.9,221,975,801 resulting in under-expenditure of Kshs.1,529,729,754 or 17% of the budget.</p>	<p>The management concurred with the findings of the Auditor-General. The Management further averred that the underperformance on budget was brought about by several issues as follows—</p> <p>a) Underperformance in local revenue.</p> <p>b) Non remittance of conditional grants</p> <p>c) Delayed remittance of equitable share</p>	<p>Budget and actual amounts (recurrent and development combined) reflects final receipts budget and actual on comparable basis totalling Kshs.9,221,975,801 and Kshs.7,997,291,623 respectively, resulting in under-funding of Kshs.1,224,684,178 or 13% of the budget.</p>	<p>The Committee recommends that:</p> <ol style="list-style-type: none"> <li>1. The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and</li> <li>2. The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.</li> </ol>	<p>Within sixty (60) days of the adoption of this report.</p>
9.	<b>Pending Accounts Payable</b>	<p>Note 17.1 to the financial statements on other important disclosures reflects pending accounts</p>	<p>The management stated that the amount of pending bills of Kshs. 1,420,592,427</p>	<p>Disclosures reflects pending accounts payable balance of Kshs.1,838,870,345 as at</p>	<p>The Committee recommends that:</p> <ol style="list-style-type: none"> <li>1. that all County Governments pay</li> </ol>	<p>Within 60 days of the adoption of the report.</p>

	<p>payable balance of Kshs.1,838,870,345 as at 30 June, 2024 some dating back to financial year 2018/2019.</p> <p>However, the Controller of Budget (CoB) budget review implementation report for 2023/2024 financial year reflects pending accounts payable balance of Kshs.1,420,592,427 resulting in unexplained and unreconciled variance of Kshs.418,277,918.</p> <p>Further, records held by Kenya Power Company Limited and Local Authorities Provident Fund (LAPFUND) indicate that the County Executive owes the two entities Kshs.7,008,295 and Kshs.132,908,245, respectively. However, the balances have not been disclosed as pending bills in the County Executive's financial statements</p>	<p>was the outstanding balance of the pending as at the end of the year before the additions and verification of the pending bills accrued during the FY 2023/2024.</p> <p>The verification was done by an <i>ad hoc</i> committee for the pending bills after the closure of the financial year resulting to the increase of pending bills to amount of Kshs. 1,838,870,345.</p> <p>The Controller of Budget report was submitted after the end of the financial year before the verification of the pending bills was done .</p> <p>The management further stated that the</p>	<p>30 June, 2024 some dating back to financial year 2018/2019.</p> <p>The Controller of Budget (CoB) budget review implementation report for 2023/2024 financial year reflects pending accounts payable balance of Kshs.1,420,592,427 resulting in unexplained and unreconciled variance of Kshs.418,277,918</p> <p>Kenya Power Company Limited and Local Authorities Provident Fund (LAPFUND) indicate that the County Executive owes the two entities Kshs.7,008,295 and Kshs.132,908,245, respectively</p>	<p>verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2025/2026; and</p> <p>2. Resolves that-</p> <p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to</p>	
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			<p>amount owed to Local Authorities Provident Fund (LAPFUND) was included in the statutory deduction of Kshs. 351,880,864 in annex 2 of the analysis of pending accounts payables.</p> <p>The under payment of pending bills was occasioned by insufficient funding</p>		<p>which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p>	
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					<p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p> <p>v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to</p>	
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					which the Controller of Budget (CoB) shall not approve the supplementary budgets.	
10.	Unresolved prior year matters	The Auditor-General stated that the management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates	The management stated that the issues raised by the auditors under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance were fully captured in the financial statements on progress on follow up of auditor's recommendations and Management comments were provided for audit verification.	The Committee noted the need to follow up on the recommendations and implementation of the unresolved prior year matters.	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by acting on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	within 60 days of the adopting this report.
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>						
11.	1.0 Project Implementation Status Report	Records provided for audit indicated that seven (7) departments had planned	The management stated that it had made a request to	Seven (7) departments had planned to implement four hundred and forty-two	The Committee recommends that; 1. The County	

		<p>to implement four hundred and forty-two (442) projects at total contract sum of Kshs.1,582,225,471, during the year under review, out of which only two hundred and sixty-one (261) projects were completed, one hundred and sixty-nine (169) were on going as at the time of audit in September 2024, thirteen (13) projects had not started while three (3) projects worth Kshs.25,829,592 for Mauko Child Protection Centre, Mortuary at Nambale Sub-county and maternity wing at Nasira dispensary had all stalled and the contractors were not on site.</p>	<p>department of public works to revise the Bill of Quantities since the works to be done were not commensurate with the available budget.</p> <p>The Management further stated that a re-advertisement of the said project is anticipated to be done after the approval of the Supplementary budget</p>	<p>(442) projects at total contract sum of Kshs.1,582,225,471, during the year under review, out of which only two hundred and sixty-one (261) projects were completed, one hundred and sixty-nine (169) were on going as at the time of audit in September 2024, thirteen (13) projects had not started while three (3) projects worth Kshs.25,829,592</p> <p>Mauko Child Protection Centre, Mortuary at Nambale Sub-county and maternity wing at Nasira dispensary had all stalled and the contractors were not on site</p>	<p>Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise</p>	
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					<p>completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
12.	<p><b>2. Delayed Implementation of Projects</b></p> <p><b>2.1 Completion of Administration Block at Onyunyur Vocational Training Centre in Teso North Sub-County</b></p>	<p>The County Government awarded a tender to a local firm for construction of an administration block at Onyunyur Vocational Training College vide contract number BSA/CG/EVT/239/2020-2021 at a contract sum of Kshs.4,997,500 for a period of three (3) months (12 weeks) commencing 24 May, 2021.</p>	<p>The management stated that the delay was occasioned in FY 2022-2023 when the project was not factored as a rollover, this delayed the request of the part payment requested on 23-2-2022 payment which was processed two years later on 28-3-2024.</p>	<p>The Committee observed that—</p> <ol style="list-style-type: none"> <li>1. The matter has not been adequately addressed.</li> <li>2. The Management has been able to justify the reasons for delay since FY 2020/21</li> </ol>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely</li> </ol>	<p>Within 60 days of the adoption of the report.</p>



		<p>A request for extension of project completion date was done vide a letter dated 10 December, 2021 and it was not granted until 10 February, 2022. Site verification of the project on 13 September, 2024 revealed that the project was incomplete.</p> <p>The contractor had been paid Kshs.1,705,225 as per certificate number 01 of 1 February, 2022.</p>	<p>The management further stated that the contractor has since roofed the Administration Block and is working on the finishes.</p>		<p>completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days</p>	
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					<p>of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
13.	<p><b>2.2 Completion of the Construction of County Aggregation and Industrial Park</b></p>	<p>The County Government of Busia through the Department of Trade, Cooperatives, Investment and Industries awarded a tender for the construction of county aggregation and industrial park to a local firm vide tender number <i>BSA/CG/T11C/27/2022/2023</i> at a cost of Kshs.448,960,875. This project was to be co-funded by the County Government and the National Government through the Ministry of Trade and Industrialization equally.</p> <p>The contract period was 28 weeks, commencement</p>	<p>The management stated that the contract commenced on 8th July 2023, after successful execution of works by the contractor, payment request by the contractor could not be honored on time due to delayed signing of intergovernmental agreement between National Government and County Government</p>	<p>The Committee observed that the issue was not adequately addressed.</p>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management</p>	<p>Within 60 days of the adoption of the report.</p>

date was 8 July, 2023 and the anticipated completion date was 27 February, 2024. Extension of the contract period was granted twice on 10 March, 2024 for 18 weeks and on 26 August, 2024 for 150 days. A site visit conducted on 13 September, 2024 revealed that, the project was 30% complete and it was affirmed by the clerks of works and the site engineer. Minutes of the site meeting held on 1 August ,2024 also indicate that the project was 30% complete.

- Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;
2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;
  3. The OAG to keep the matter in view and provide a status update to the Committee in

					the subsequent audit cycle.	
14.	<b>2.3 Completion of Musirira Box Culvert at Busiwabo Ward</b>	<p>The County Government entered into a contract with a local Company vide tender number <i>BSA/CG/PWRT/08/2023-2024</i> for the proposed construction and completion of Musirira Box Culvert at a contract sum of Kshs.3,980,702. The contractor had been paid a total sum of Kshs.3,541,982 as at 30 June, 2024.</p> <p>The project start date was 1 March, 2024 and the contract period was sixteen (16) weeks. The anticipated completion date was 1 July, 2024. However, physical verification conducted on 23 September, 2024 revealed that the project was incomplete as backfilling of the culvert, gabion works and gravelling and site clearance of vegetation</p>	<p>The management stated that the contractor submitted a request for contract time extension on 31st may 2024 as attached.</p> <p>The Project Management team evaluated the reasons and recommended an extension vide letter ref; <i>BSA/CG/PWRT/08/2023 – 2024</i> dated 14th June 2024 of 18 weeks effective 1st July 2024 to 4th November 2024(revised completion date), as detailed in the attached documentation.</p>	The Committee noted that the issue was not adequately addressed.	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization , planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the</p>	Within 60 days of the adoption of the report.

		had not been done. In addition, the road leading to the box culvert was in bad condition. Further, no extension of the contract period has been sought by the contractor.			<p>date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
<b>15.</b>	<b>3. Stalled Projects</b>  <b>3.1 Construction of Maternity and Placenta Pit</b>	The contract for proposed completion of maternity and placenta pit was awarded on 22 June, 2023 at a contract sum of Kshs.9,903,990 with completion period of four (4) months to a local firm.	The Management stated that the contract for proposed completion of maternity and placenta pit was awarded on 22 July, 2023 at a contract sum of	The Committee noted that the issue was not adequately addressed.	The Committee recommends that; 1. The County Executive establishes a project management and monitoring System to help in	Within 60 days of the adoption of the report.

	<p><b>at Apegei Dispensary</b></p> <p>During the period under review, the contractor was paid Kshs.2,932,865.</p> <p>However, physical inspection in the month of September, 2024 revealed that the existing dispensary was not functional and the maternity was built where there were no supporting amenities including water and road network. The works had not been completed, the contractor was not on site and there was no signage to indicate the period in which the project was undertaken and Management failed to carry out monitoring and evaluation of the project</p>	<p>Kes.9,903,990 with completion period of four (4) months to Walji Construction Limited.</p> <p>The Management further stated that the Contractor worked up to the lintel level and requested for a partial payment of Kes 2,932,865 which was certified by Public Works. The same was paid.</p> <p>Default notice was issued on 4/03/2024 after realizing the contract period had elapsed, however, the contractor requested for extension.</p>		<p>proper project conceptualization , planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status</p>	
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					<p>update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
16.	<b>3.2 Disaster Management Center at Samia Subcounty</b>	<p>The County Government awarded a contract for construction of disaster management center at Samia Subcounty at a contract sum of Kshs.9,780,348 to a local firm. The contract period was four (4) months, with commencement date being 3 May, 2024 and ending on 3 September, 2024. Physical inspection of the works in the month of September, 2024</p> <p>however, revealed that the contractor had abandoned the site.</p>	<p>The management stated that the project manager issued a default notice reminding the contractor to resume works within 14 days.</p> <p>In reply to the default notice, the contractor stated that he had stopped the works because there was a challenge of getting water for the works and promised to resume works since water has been restored.</p>	The Committee noted that the issue was not adequately addressed.	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization , planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public</p>	Within 60 days of the adoption of the report.

		<p>The construction of the center was incomplete, the building construction was only at the ground level with no walling structures.</p> <p>In addition, review of payment records revealed that Kshs.4,979,080 or 51% of the contract sum had been paid to the contractor.</p>	<p>The management further stated that the contractor is currently on site to complete the works.</p>		<p>Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent</p>	
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					audit cycle.	
17.	<b>3.3 Disaster Management Center at Busia Town - Phase II</b>	<p>The County Government of Busia awarded a contract for construction of disaster management center at Busia County headquarters at a contract sum of Kshs.6,550,000, to a local firm.</p> <p>The contract period was for 12 (twelve) weeks, with commencement date being 18 April, 2021 and anticipated completion date of 19 June, 2021.</p> <p>Physical inspection of the works in the month of September, 2024 however, revealed that the contractor had abandoned the site, while the construction of the center was incomplete.</p> <p>Further, review of payment records revealed that Kshs.5,552,970 or 85% of the contract sum</p>	<p>The management stated that the disaster management center phase II was a multi-year contract awarded to Majimbo Contractors Limited at a cost of kshs. 8,748,910.</p> <p>In the financial year 2020/2021 procuring entity raised an LSO totaling to kshs. 6,550,000 due to underbudgeted budget.</p> <p>The management further stated that the procuring entity subsequently raised another LSO in the financial year 2021/2022 for the outstanding balance of kshs.2,198,910 totaling to a contract sum of kshs. 8,748,910.</p>	The Committee noted that the issue was not adequately addressed.	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management</li> </ol>	Within 60 days of the adoption of the report.

		<p>had been paid to the contractor.</p>	<p>The project was completed on 27th March 2023 as per the Practical Completion Certificate, handing Over Certificate and minutes and pictorials provided.</p> <p>The ground floor of the building hosts the offices for Directorate of Disaster management and Chief Officer Public works who jointly performs disaster related activities across the county.</p> <p>The management further averred that the signage was in place during the entire construction period but later got damaged and worn out as a result of prolonged rainfall leading to its unavailability during the audit period.</p>		<p>(County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
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18.	<b>3.4 Trailer Park at Mundika</b>	<p>Review of records held at the County Executive revealed that a contract agreement dated 7 June, 2021 was signed between the County Government of Busia and a local firm at a contract sum of Kshs.6,890,400, for construction of a trailer park at Mundika, Bukhayo West ward, Phase 1.</p> <p>The contract period was to take four months from the date of handing over of the site, which was 16 July, 2021. The project completion date was expected to be 21 October, 2021.</p> <p>A total of Kshs.3,593,040, representing 52% of the contract sum had been paid as at the time of audit in October, 2024</p> <p>Physical verification of the project in October, 2024 revealed that the contractor had abandoned</p>	<p>The management stated that after successful execution of works, the contractor requested for part payment.</p> <p>The project management team valued the executed works and certified Kshs 3,593,040.</p> <p>Thereafter, there was a delay in payment of the certified amount due to disbursement challenges.</p> <p>The contractor deserted the site due to lack of funds. Upon payment of the certified amount, the balance to complete the project was not captured in the subsequent budgets.</p>	The Committee observed that the issue was not adequately addressed.	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County</li> </ol>	Within 60 days of the adoption of the report.
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the site and no works were ongoing.

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Regulations,  
2015 within  
60 Days from  
the date of  
adoption of  
this report;
2. The Office of  
the County  
Governor to  
prioritise  
completion of  
stalled  
projects and  
provide a  
budget for  
their  
completion  
and provide a  
status update  
to the Auditor  
General  
within 60  
days of the  
adoption of  
this report;  
and
3. The OAG to  
keep the  
matter in view  
and provide a  
status update

					to the Committee in the subsequent audit cycle.	
19.	<b>4. Unexplained Construction of Designated Parking Areas at Busia Municipality</b>	<p>The County Government of Busia through its county itemized development budget for financial year 2022/2023 through the Department of Lands, Housing and Urban Development, under the programme on urban management and development budgeted for Kshs.100,000,000 for construction of designated parking areas within Busia Municipality. Information available indicates that the main works was to involve the laying of cabros. Physical verification in October, 2024, revealed that works of similar nature were ongoing in Busia Agricultural Training College (ATC) frontage.</p>	<p>The management stated that documentation relating to the works for the construction of designated parking areas at Busia Municipality (Agricultural Training College frontage) has been availed for audit verification.</p>	<p>The Committee observed that the issue was not adequately addressed.</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management</li> </ol>	

However, supporting documents including procurement and payment records for the works that were being done were not provided for audit verification. Further, no supporting documents were provided for audit review in respect to the proposed construction of designated parking areas.

Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;  
2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and

					3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
20.	<b>5. Incomplete Renovation of Busia Stadium</b>	<p>Review of procurement documents from the Department of Sports, Culture and Social Services for the period ending 30 June, 2024 revealed that a local firm was contracted on 19 July, 2023 for the renovation of Busia stadium at a contract sum of Kshs.4,989,800, vide tender No. BSA/CG/SCSS/20/2022/2023.</p> <p>The works involved repair of the perimeter wall, gates and replanting of football court irrigation system.</p>	<p>The Management stated that it has identified and provided the following documents that are needed to shed more light and clarify the above observations.</p> <p>In addition, payment had not been made on the subject Project and hence no Payment details could have been provided for the same.</p>	The Committee observed that the issue was not adequately addressed.	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for</li> </ol>	

As per the site handing over minutes of 10 August, 2023, the commencement date of the project was 14 August, 2023, the contract duration was eight (8) weeks and anticipated completion date was 16 October, 2023.

Further, the site handing over minutes were not signed by the public works officer on site.

A valuation report dated 12 June, 2024 indicates that the value of works done was Kshs.2,043,150, but no payment details were provided for audit verification.

Physical verification of the project in October, 2024 revealed that the project was incomplete, the perimeter wall had collapsed, and no gates repair and replanting of

money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;  
2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General



		football court irrigation system had been done.			<p>within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
21.	<b>6. Unexplained Re-organization of Busia Town</b>	<p>During the financial year 2022/2023 an amount of Kshs.40,000,000 was reallocated to the Department of Lands and Housing under the Urban Development Vote in the September 2022 supplementary budget. Records available indicates that the reallocation was meant for re-organization of Busia Town, including removal of displayed goods and chattels along the road and establishment of modern</p>	<p>The management states that in the financial year 2022/2023, there was no budget for beautification of Busia town.</p> <p>According to the attached supplementary budget of FY 2022/2023, ksh 40,000,000 million was for the renovation of non-residential buildings that is; proposed renovation</p>	The Committee observed that the issue was not adequately addressed.	<p>The Committee recommends that;</p> <p>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act,</p>	

		<p>stall among other strategies.</p> <p>However, the procurement and expenditure documents on how this budget was expended were not provided for audit review.</p>	<p>of Busia County Referral Hospital senior staff quarters, proposed renovation of Malaba Townhall and proposed renovation of Governor's lounge</p>		<p>2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The County Executive establishes a project management and monitoring System to help in proper project conceptualization , planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management</p>	
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					<p>(County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>3. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>4. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
22.	7. Abandoned Project	Information available indicates that the County Government contracted a local firm for construction	The Management states that it had to indulge in a lot of consultation over the	The Committee observed that the issue was not adequately addressed.	The Committee recommends that; 1. The County Executive	Within 60 days of the adoption of the report.

		<p>and equipping of a modern filleting room at Bunyala Fishermen Cooperative Society. Physical inspection of the facility in October, 2024 revealed that the facility had been abandoned, was not in use and was in a dilapidated condition.</p> <p>Further, no supporting documents were provided for audit review in respect to this project.</p>	<p>completion of construction and equipping of a modern filleting room at Bunyala Fishermen Cooperative Society.</p> <p>The management further states that this was due to the creation of the dam in Lake Victoria in Uganda (Jinja) which significantly altered the natural flow of water, leading to a range of effects including: increased water storage capacity, flood control, altered sediment deposition patterns, and potential impacts on shoreline communities. In this case the large volume of water suddenly released from the reservoir resulted in properties being flooded and the modern filleting room</p>		<p>establishes a project management and monitoring System to help in proper project conceptualization , planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of</p>	
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			was one of the buildings that was significantly affected causing the project to stall.		<p>stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
23.	<b>8. Excess Budgetary Allocation to the County Assembly</b>	<p>Review of the County final approved supplementary budget revealed that during the year under review Kshs.981,057,352 was allocated to the County Assembly of Busia.</p> <p>The allocation to the County Assembly was equivalent to 9.6% of the total County revenue budget for the year amounting to</p>	<p>The management stated that it agreed with the findings of the Auditor-General. However, the management wishes to state that the allocation is based on the provision of County allocation of revenue Act (CARA), 2023 which had provided County Assembly of Busia ceilings at Ksh.</p>	<p>The Committee observed that—</p> <ol style="list-style-type: none"> <li>1. the issue was not adequately addressed.</li> <li>2. The actions of the management was contrary to regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the approved expenditures of a County Assembly shall not exceed seven</li> </ol>	<p>The committee observed that the management adhered to the County Allocation Revenue Act which set ceilings for the County Assembly.</p>	

		<p>Kshs.10,203,033,156 which was Kshs.9,221,975,801 and Kshs.981,057,352 for the Executive and Assembly respectively contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the approved expenditures of a County Assembly shall not exceed seven per cent (7%) of the total revenues of the County Government.</p>	<p>890,557,352 as a recurrent budget ceiling. In addition to this the County Assembly was allocated kshs 90,500,000 development to enable the county assembly undertake sensitive infrastructural development projects</p>	<p>per cent (7%) of the total revenues of the County Government.</p>		
24.	<p><b>9. Irregular Outstanding Imprest and Advances</b></p>	<p>Note 11 to the financial statements reflects outstanding imprests and advances balance of Kshs.1,343,500. Review of the imprest register revealed that imprests were issued as from February 2024, but had not been surrendered as at 30 June, 2024.</p>	<p>The management stated that as at the end of the financial year, the imprests had not been surrendered. This was because of the nature of activities for which the imprests were taken had not been completed.</p> <p>The management stated that the imprests have since been surrendered and</p>	<p>The Committee observed that—</p> <ol style="list-style-type: none"> <li>1. the issue was not adequately addressed.</li> <li>2. Regulation 93(5) of the Public Finance Management (County Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after</li> </ol>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the Accounting Officer recovers the outstanding imprests of Kshs.1,343,500 with interest as per provisions Regulation 93 (6) of the Public Finance Management (County</li> </ol>	<p>Within 60 days of the adoption of the report.</p>

			it claimed to have provided the surrender documents for audit verification.	returning to duty station	Governments) Regulation; and 2. The Committee further recommends the sanction and surcharge of the Accounting Officer if he fails to recover outstanding imprests of Kshs.16,525,845 in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015.	
25.	<b>10. Unfavourable Contract Agreement Terms</b>	The County Government awarded a tender to a company for supply, delivery, installation, customization and commissioning of an Integrated Revenue Collection and Management System and a Hospital Information Management System at a	The Management stated that it is currently in active negotiations with Web Tribe Limited to revise and improve the terms of the contract. It stated that its aim was to align the agreement with both the county's operational	The Committee observed that the issue was not adequately addressed.	The Committee recommends that the County Government of Busia should renegotiate the contract to remove unfair clauses, including visa facilitation obligations, high delayed payment penalties, mandatory contractor branding, and the excessive 6% transaction	Within 60 days of the adoption of this report.

	<p>contract sum of Kshs.59,885,232.</p> <p>However, included in the contract agreement and terms of reference are the following clauses which are detrimental to the County Government of Busia:</p> <p>i) Clause 32.1 (b) states that, unless otherwise specified in the special conditions of contract, the procuring entity shall use its best efforts to assist the consultant with promptly obtaining, for the experts and, if appropriate, their eligible dependents, all necessary entry and exit visas, residence permits, exchange permits and any other documents required for their stay in Kenya while carrying out the services under the contract.</p>	<p>requirements and the financial sustainability of the project, while ensuring compliance with the Public Procurement and Asset Disposal Act, 2015.</p> <p>The management stated that it was confident that with these revised terms, the contract will better serve the interests of Busia County residents and improve the efficiency of the revenue collection and hospital management systems. The county executive anticipates concluding the negotiations within the coming months and will provide updates accordingly</p>		<p>fee. Further, the County Executive management should strengthen its contract review mechanisms to ensure future agreements prioritize value for money, protect public interest, and comply with procurement laws and the Legal and procurement experts should be involved in scrutinizing such contracts before signing to prevent similar lopsided terms and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
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ii) Clause 41.1 states that, if the procuring entity had delayed payments beyond thirty (30) days after the due date stated in clause GCC 41.2.2, interest shall be paid to the consultant on any amount due by, not paid on, such due date for each day of delay at the annual rate stated in the special conditions of contract.

iii) Clause 46.1 states that, the procuring entity shall display marks and logos provided by consultant on its marketing publications and materials related to revenue collection and e-payments. The procuring entity may mention the words 'Payments provided by JamboPay' in its marketing campaigns and materials. The procuring entity shall market the revenue collection service/system to its consumers/citizens.

		iv) Further, Part C of the preamble indicates payment to the contractor of 6% of all funds collected as transaction fees which seems to be on the higher side.				
26.	<b>11. Failure to Install Hospital Management System at Subcounty Hospitals</b>	<p>The County Government awarded a tender to a company for supply, delivery, installation, customization and commissioning of an Integrated Revenue Collection and Management System and a Hospital Information Management System at a contract sum of Kshs.59,885,232.</p> <p>However, verification of the implementation of the contract agreement revealed that the hospital information management system was only installed at Busia County Referral Hospital and not at other Sub-County hospitals within the County.</p>	The management stated that in response to the shortfall, it is undertaking a series of corrective measures to ensure the successful rollout of the HIMS across all sub-county health facilities.	The Committee observed that the issue was not adequately addressed.	The Committee recommends that the County Government of Busia should demand full contract compliance from the contractor, requiring the installation of the Hospital Information Management System (HIMS) in all designated Sub-County hospitals as originally stipulated, and withhold any outstanding payments until this obligation is fulfilled and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	The County Executive to submit a progress report on this matter within 60 days of the adoption of this report.

27.	<b>12. Irregular Procurement of Consultancy Services for Busia County Referral Hospital</b>	<p>During the year under review, a contract was awarded to a consultancy company at a contract sum of Kshs.4,980,550 for provision of consultancy services for feasibility study for the Busia County Referral Hospital to be a fully-fledged Level V hospital.</p> <p>However, review of the procurement file revealed that there was no evidence that preliminary financial and technical evaluation of the tenders was undertaken and that regrets letters to the unsuccessful tenderers were sent.</p> <p>Further, review of annual development plan for the financial year 2023/2024 Paragraph 9.1 on performance overview for 2021/2022 reveals that the hospital was upgraded to Level 5 through Gazette</p>	<p>The management confirmed that BCRH is currently not fully pledge level V hospital (refer to KMPDU criteria for level V hospitals) and the same informed the department's decision to procure feasibility study- consultancy services geared at upgrading the hospital to fully fledged level 5 hospital.</p>	<p>The Committee observed that the issue was not adequately addressed.</p>	<p>The Committee recommends that the EACC conducts a thorough investigation into the irregular procurement for feasibility study for the Busia County Referral Hospital to be a fully-fledged Level V hospital totaling Kshs.4,980,550 with a focus on the lack of documented preliminary financial and technical evaluations of the tenders, failure to issue regret letters to unsuccessful bidders and the questionable timing of the study three years after the hospital's upgrade and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	<p>Within 60 days of the adoption of this report.</p>
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		<p>Notice of 17 December, 2021. It was not clear why feasibility study was carried out three (3) years later after the hospital was upgraded. In addition, terms of reference, expected milestones, performance benchmarks to be realized and performance reports on what was done were not provided for audit review.</p>				
28.	<p><b>13. Irregular Procurement of Consultancy Services on ICU Unit at Busia County Referral Hospital</b></p>	<p>During the year ended 30 June, 2024, the Busia County Executive entered into an agreement with a company for provision of consultancy services on installation, commissioning, testing, and training on operationalization of ICU unit at Busia County Referral Hospital at a contract sum of Kshs.4,955,000.</p> <p>However, terms of reference, expected milestones, performance benchmarks to be realized</p>	<p>The Management stated that it had attached the terms of reference which was contained in the file for Olro Company Ltd and final the report.</p>	<p>The Committee observed that the issue was not adequately addressed.</p>	<p>The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 62 of the Public Audit Act CAP 412B and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	<p>Within 60 days of the adoption of this report.</p>

		and performance reports on what was done were not provided for audit review.				
29.	<b>14. Purchase of a Refrigerated Truck</b>	<p>Information available indicates that the County Government of Busia awarded a contract to a local company vide tender number BSA/CG/197/2013/2014 and Local Purchase Order 0670 dated 26 August, 2014 at a contract sum of Kshs.5,800,000 for the supply of a refrigerated truck.</p> <p>Documentary evidence on the method of procurement used and the requisition by the user department were not provided for audit verification.</p> <p>The vendor sued the County Government of Busia for delayed payment vide civil suit number 289 of 2017. The County Government was ordered by the court to pay the</p>	<p>The Management stated that during the time of site visit by the Auditor, the vehicle had gone for major service and normal repair to the garage. Once the service is done the vehicle will be available for inspection. The log book was availed for audit review which belongs to the seller. The county log book delayed because of the court case that was in the chief magistrate's court at Busia Law Courts civil case no. 289 of 2017.</p>	The Committee observed that the issue was not adequately addressed	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The EACC conducts an investigation into the procurement and management of the refrigerated truck to determine why proper procurement procedures were not followed, why the vehicle was never utilized or transferred to the County and why it deteriorated into disrepair despite the significant expenditure of Kshs. 9,738,000;</li> <li>2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against</li> </ol>	Within 60 days of the adoption of this report

		<p>principal amount of Kshs.5,809,460, interest that had accrued over the years of Kshs.3,601,865, and costs of the suit of Kshs.341,980, all totalling Kshs.9,753,305.</p> <p>The County Government of Busia has to date paid the company a total of Kshs.9,738,000 in two instalments of Kshs.4,500,000 vide payment voucher 53734 dated 22 December, 2023 and Kshs.5,238,000 vide payment voucher 54832 dated 20 February, 2024.</p> <p>Physical verification in September, 2024 revealed that the vehicle was parked at the County Commissioner’s Offices in Busia Town, was not in use and was in a dilapidated condition.</p> <p>Further, the truck bears a private registration</p>			<p>the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct;</p> <p>3. The County should immediately take possession of the vehicle, assess its current condition for potential refurbishment or disposal, and implement stricter asset management protocols—including mandatory registration,</p>	
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		<p>number and has not been transferred to the County Government of Busia.</p> <p>In addition, no evidence was provided for audit review on whether the truck had ever been used by the County Government.</p>			<p>regular maintenance checks, and utilization tracking—to prevent similar wastage of public resources in the future and provide a status update to the Auditor General within 60 days of the adoption of this report.</p>	
30.	<b>15. Irregular Award of Tenders to Private Law Firms</b>	<p>The Office of the County Attorney engaged the services of private law firms during the year under review costing Kshs.8,546,00. However, supporting documents including requisitions by the user department to the County Executive Committee, approvals of the requisition by the County Executive Committee, tender invitation advertisements, notification of award of tenders, acceptance of</p>	<p>The Management cited section 16 of the County Attorney Act which requires written approval of the County Executive Committee. Section 16 of the County Attorney Act, 2020 prohibits “a department or public entity” established within a county executive from engaging the services of a consultant “to render any legal</p>	<p>The Committee observed that the issue was not adequately addressed</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 62 of the Public Audit Act CAP 412B and</li> </ol>	<p>Within 60 days of the adoption of this report</p>

		<p>award letters and tender evaluation committee reports were not provided for audit verification. This was contrary to Section 119(3) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall advertise the notice inviting expressions of interest in the dedicated government's advertising tenders' portal and in its own website, or in at least one daily newspaper of nation-wide circulation.</p> <p>Further, justification for use of private law firms and not the services of the County Attorney was not provided contrary to Section 16 of the County Attorney Act, 2020 which states that a department or public entity established within a county executive shall not engage the services of a consultant to render any legal services relating to</p>	<p>services relating to the functions of the County Attorney."</p> <p>The purpose of this section is to protect the "Office" of the County Attorney from having its functions "usurped or encroached upon" by departments or other public entities established within the county executive such as the County Public Service Board or Boards of Municipalities by directly engaging private consultants "to render any legal services relating to the functions of the County Attorney."</p> <p>It is such direct engagement of private consultants by departments or entities such as the County Public Service</p>		<p>provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. the EACC investigates the irregular engagement of private law firms at a cost of Kshs. 8,546,000 with particular focus on the lack of procurement documentation (including tender advertisements, evaluation reports, and award notifications) and the failure to justify why these services were outsourced instead of utilizing the County Attorney's office as</p>	
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		<p>the functions of the County Attorney without the approval of the County Executive Committee.</p>	<p>Board or Board of Municipalities “to render any legal services relating to the functions of the County Attorney” that would require the approval of the County Executive Committee.</p> <p>This section is a replica of section 17 of the Office of the Attorney General Act which prohibits Ministries and Departments in the National Executive from directly engaging consultants to undertake functions relating to the functions of the Attorney General without approval as follows;-“17. Engagement of consultant (1) No Ministry or Department shall engage the services of</p>		<p>mandated by law; and</p> <p>3. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>	
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			<p>a consultant to render any legal services relating to the functions of the Attorney-General without the approval of the Attorney-General.”</p> <p>During the year under review, several departments and entities of the county executive were sued</p>			
31.	<p><b>16. Failure to Prepare and Submit Financial Statements of Municipalities and Hospitals for Audit</b></p>	<p>During the year under review, the County Government did not prepare and submit to the Auditor-General, financial statements for two (2) Municipalities, two (2) County referral hospitals and five (5) Sub- County hospitals.</p>	<p>The Management stated that hospitals have not been preparing financial statements because they were not independent entities and therefore, could not be audited independently but under the department of Health and Sanitation and Busia County Health Services Fund as guided by the Busia County Health Services Fund Act</p>	<p>The Committee observed that—</p> <ol style="list-style-type: none"> <li>1. The issue was not adequately addressed;</li> <li>2. The actions of the management were contrary to section 164 (1) and (4)(a) of the Public Finance Management Act, 2012 which provides that at the end of each financial year, the accounting officer for a county government entity shall prepare financial statements in respect of the entity in</li> </ol>	<p>The Committee recommends that the Busia County Executive in conjunction with the Leadership of Hospitals and Municipalities immediately prepares and submits the Hospitals’ financial statements to the Office of the Auditor-General and in the format as prescribed by the Public Sector Accounting Standards Board as required by the Public Audit Act, 2015 within 30 days of adoption of</p>	<p>Within 60 days of the adoption of the report</p>

			2015 and Amended Act 2021. However, with the new Busia County Health Facilities Financing Act 2024, hospitals have now been recognized as entities and shall prepare and submit their Financial Statements as separate entities	formats to be prescribed by the Accounting Standards Board and within three months after the end of each financial year, the accounting officer for an entity shall submit the entity's financial statements to the Auditor-General	this report and institute mitigating measures to prevent delays in the Financial Year 2024/2025.	
32.	<b>17. Lack of Updated Fixed Assets Register</b>	Annex 6 to the financial statements on summary of non-current assets register reflects a balance of Kshs.10,848,227,766 being the historical value of non-current assets of the County Government as at 30 June, 2024. However, the County Executive lacked a fixed asset register prepared in the format prescribed with minimum requirements of identification or serial number, acquisition date, description of asset, location, class, cost of acquisition, accumulated depreciation, net book	The Management stated that it has an asset register. However, it is not detailed since it excludes assets inherited from former local authorities whose cost, date of acquisition and supplier details could not be established. The Management further stated that it has developed an Asset Management Policy and approved for the provision of budgetary allocation for valuation and	The Committee observed that— 1. The issue was not adequately addressed; 2. The actions of the management were contrary to regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.	The Committee recommends that the; - 1. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;	Within 60 days of the adoption of the report

		value and identification codes with which assets were tagged	coding of all County Assets.		<p>2. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
33.	<p><b>18. Compensation of Employees</b></p> <p><b>18.1 Failure to Observe Ethnic</b></p>	Review of records maintained by Management revealed that the County Executive had three thousand seven hundred and seventy-six (3,776) employees as at 30	The Management stated that considering the combined population of the Luhya sub tribes in the five sub-counties of Busia (Nambale,	The Committee observed that— <p>1. The issue was not adequately addressed.</p> <p>2. the National Cohesion and Integration Act, 2008 states that all</p>	1. The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County	Within 60 days of the adoption of the report

	<b>Diversity in Recruitment</b>	June, 2024. However, it was noted that 3,322 members of staff or 88% are from one dominant ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.	Butula, Matayos, Samia and Bunyala) in relation to the total population in the County, it will seem discriminatory to cap/restrict their employment to a third ( $\frac{1}{3}$ ) of the total population, since all the employment slots are equally distributed among the seven (7) sub counties and their wards on equitable basis. Management is also committed to comply with the recommendations of the National Cohesion & Integration Commission on the matter, albeit progressively	public offices shall seek to represent the diversity of the people of Kenya as a country for the whole nation and not diversity of sub tribes in the sub-counties or county but for the whole nation. 3. The actions of the management were contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.	Government Act on ethnic inclusivity; and 2. The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of the County Government Act, 2012.	
<b>34.</b>	<b>18.2 High Wage Bill Above Allowed Threshold</b>	The statement of receipts and payments reflects revenue totalling Kshs.7,813,249,712 and compensation of	The management stated that the underfunding of Kshs. 1,224,684,178 was due to the late	The Committee observed that— 1. The issue was not adequately addressed.	The Committee recommends that- 1. the management should strictly adhere to the provision of	Within 60 days of the adoption of the report

		<p>employees' payments totalling Kshs.3,085,605,917. The compensation of employees' costs constituted thirty-nine (39%) of the total receipts of the County Executive for the year under review contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations 2015 which provides that the employees costs should not exceed 35% of the County Executive total revenue.</p>	<p>disbursement and under collection of own source revenue distorted the percentage of wage bill calculation resulting to increase in wage bill to 39%. However, had the amount been disbursed in time and the collection at 100% the wage bill percentage would have been 33% as computed. The actual revenue realized during the year was Kshs. 7,997,291,623 out of the budgeted amount of Kshs. 9,221,975,801.</p>	<p>2. The actions of the management were contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations 2015 which provides that the employees costs should not exceed 35% of the County Executive total revenue</p>	<p>paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue;</p> <p>2. the county executive puts in place measures to enhance own source revenue collection to address the high wage bill gap; and</p> <p>the management should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.</p>	
35.	<b>18.3 Non-Adherence to the One-third Basic Salary Rule</b>	<p>Review of the Integrated Payroll and Personnel Database (IPPD) for the year under review revealed that 1,032 (one thousand and thirty-two) employees had net pay</p>	<p>The Management concurred with the observations of the Auditor-General.</p> <p>The management further stated that the</p>	<p>The Committee observed that—</p> <ol style="list-style-type: none"> <li>1. The issue was not adequately addressed.</li> <li>2. The actions were contrary to the requirements of</li> </ol>	<p>The Committee therefore recommends that -</p> <ol style="list-style-type: none"> <li>1. The County Executive should provide to the Auditor General within sixty (60) Days after the</li> </ol>	<p>Within 60 days of the adoption of this report.</p>

		that was less than one-third of their respective basic salaries, contrary to the requirements of Section 19(3) of the Employment Act, 2007 which provides that the total deductions from salaries of employees shall not exceed two-thirds of their respective basic salaries.	issue arose following the enactment of the Finance Act 2024 after the increase of tax deductions. Many staff members had pre-existing financial commitments (loans, insurance, etc.), leading to net salary shortfalls.	Section 19(3) of the Employment Act, 2007 which provides that the total deductions from salaries of employees shall not exceed two-thirds of their respective basic salaries.	<p>adoption of this report a plan of the measures put in place to mitigate on the issue of non-compliance with the one third of basic salary rule as well as comply with the requirements of Section 19 (3) of the Employment Act 2007.</p> <p>2. The county should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</p> <p>3. The Auditor General should continue monitoring the issue in subsequent financial years</p>	
36.	<b>18.4 Irregular Engagement of Staff Above Mandatory Retirement Age</b>	Analysis of IPPD Payroll for the year ended 30 June, 2024 revealed that the County Executive of Busia irregularly engaged five (5) staff despite them having attained the	The management stated that these people are political appointees and are politically aligned to the governor with rare skills to come and	<p>The Committee observed that—</p> <p>1. The issue was not adequately addressed.</p> <p>2. The actions of the management were contrary to Clause</p>	<p>The Committee recommends that the County Executive strictly adheres to section 80(1) of the Public Service Commission Act, 2017, and Section D.21</p>	Within 60 days of the adoption of this report.

		mandatory retirement age of sixty years contrary to Clause D.12 of the Human Resources Policies and Procedures Manual for the Public Service, 2016 which states that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the Government from time to time	assist on advisory and other matters.	D.12 of the Human Resources Policies and Procedures Manual for the Public Service, 2016 which states that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the Government from time to time	of the Public Service Commission Human Resource Policies and Procedure Manual, 2016 by ensuring that all officers retire at the mandatory age of 60 years (65 for persons with disabilities) and prohibiting extensions beyond this age unless under exceptional government-prescribed circumstances and provide a status update to the Office of the Auditor General within sixty (60) days.	
37.	<b>18.5 Irregular Appointment of County Attorney</b>	Review of the appointment letter of the County Attorney dated 18 November, 2022 revealed that, the County Attorney was appointed on a two-year renewable contract contrary to Section 6(1) of the Office of the County Attorney Act, 2020 which states that the term of office of the County Attorney shall be six years.	<p>The Management stated that the County Attorney was nominated by H.E the Governor in October, 2022 and appointed in December, 2022 in the FY 2022/2023.</p> <p>The County Attorney was forwarded to the County Assembly for vetting and approval hearing vide a letter</p>	<p>The Committee observed that—</p> <ol style="list-style-type: none"> <li>1. The issue was not adequately addressed.</li> <li>2. That the actions of the management were contrary to section 6(1) of the Office of the County Attorney Act, 2020 which states that the term of office of the County Attorney shall be six years</li> </ol>	The Committee recommends that the County Government of Busia should rectify the irregular appointment of the County Attorney by aligning the contract terms with Section 6(1) of the Office of the County Attorney Act, 2020, which mandates a six-year term by revoking and replacing with a legally compliant	Within 60 days of the adoption of the report



			<p>dated 17th October, 2022. On Tuesday 25th October, 2022, the Speaker read a message to the County Assembly informing that he had received names of eleven (11) nominee (Ten CECMs and County Attorney) and committed the nominees to the County Assembly's Committee on Appointments.</p> <p>In the Daily (Saturday) Nation newspaper dated 29th October, 2022, the Clerk of the County Assembly placed an advertisement inviting all the eleven (11) nominees including the County Attorney as well as the members of the public to approval hearings.</p> <p>The Committee conducted the</p>		<p>appointment to ensure adherence to statutory requirements and safeguard the independence and continuity of the office and provide a status update to the Auditor General within 60 days of the adoption of this report.</p>	
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			<p>approval hearings between Monday 7th and Wednesday 9th November, 2022 in public and full glare of cameras. The nominee for the position of the County Attorney arrived before the Committee for approval hearing on Wednesday 9th November, 2022 at 12.15pm after which the Committee generously awarded the nominee an average score of 90.7%, found him suitable for appointment to serve as the County Attorney and unanimously recommended his approval for appointment by the County Assembly. At the 9th Sitting of the First Session of the Third County Assembly on 17th</p>			
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			<p>November, 2022, the County Assembly unanimously voted to approve the nomination for appointment of the County Attorney and H.E the Governor, through the County Secretary and by letter dated 18th November, 2022 made an offer to the duly approved nominee for appointment as the County Attorney.</p> <p>The said offer was accepted on 5th December, 2022.</p> <p>As regards the issue of the tenure of the County Attorney, in his letter of acceptance of the offer for appointment dated 5th December, 2022, the County Attorney accepted his appointment on the following terms;</p>			
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			<p>“I hereby write to accept my appointment as the Busia County Attorney subject to the provision of section 6 of the Act which provides that the County Attorney shall hold office for a term of six years.</p>			
38.	<p><b>19. Voided Transactions</b></p>	<p>During the year under review, payments totalling Kshs.2,155,388,788 relating to development and recurrent expenditure were voided as at 30 June, 2024. The highest voided transactions were in the month of June, 2024 amounting Kshs.772,602,862 or 36%. No explanation was provided on why the payments were voided after being approved by the Controller of Budget.</p>	<p>The Management stated that at the end of every financial year it is a requirement that all unpaid items are voided from the system before commencement of a new financial year.</p>	<p>The Committee observed that the issue was not adequately addressed</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Controller of Budget to liaise with the Auditor General to confirm whether the payments were canceled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days of adoption of this report;</li> <li>2. The Office of the County Governor undertakes administrative action</li> </ol>	<p>Within 60 days of the adoption of this report.</p>

					<p>against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of Finance for voiding payments without approval and diverting funds;</p> <p>3. Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved; and</p> <p>4. The Committee recommends that the EACC should expedite investigations on the matter in line with the Controller of Budget Act.</p>	
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39.	<b>20. Unexplained Development and Implementation of Climate Change Policies</b>	<p>During the year under review, the County Government of Busia through the Department of Water, Irrigation, Energy, Natural Resources and Climate Change entered into a contract with a consultancy firm at a contract sum of Kshs.4,000,000 for the development of County Climate Change Finance Policy. Further, the County Government entered into a contract with another consultant for provision of consultancy services on development of Busia County Climate Change Policy at a contract sum of Kshs.5,985,500. However, as at the time of audit in October 2024, there was no evidence that the policies had been approved and adopted for use. Further, there is no justification for incurring costs totalling Kshs.9,985,500 on</p>	<p>The Management stated that Gesterd Professional Services Limited has developed a policy and is complete but it's yet to be tabled to the cabinet. Gesterd Professional Services Limited has not been paid. Brimark Training Consultancy Limited developed a finance policy for Climate Change. The policy is complete and has been submitted to the cabinet for approval before it is forwarded to the County Assembly for enactment. Copy of the two policies is hereby attached for audit verification.</p>	<p>The Committee observed that the issue was not adequately addressed</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the County Government of Busia should immediately demand climate change policies from the two consultants for formal adoption. Further, the County Executive should establish clear policy development guidelines requiring needs assessments, cost-benefit analysis, and stakeholder consultations before commissioning such work and submit a status update to the Office of the Auditor General and the Senate within sixty (60) days from the</li> </ol>	<p>Within 60 days of the adoption of this report.</p>
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		development of two (2) separate policies on climate change.			adoption of this report; and 2. The County Assembly should expedite review and adoption of the completed Climate Change policies to ensure timely climate action, while the executive implements stronger mechanisms to prevent duplication of efforts and wasteful expenditure on overlapping policy initiatives.	
<b>REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
40.	<b>1. Operating Without an Approved Staff Establishment</b>	Review of the June 2024 payroll revealed that during the year under review, the County Government paid 3,814 and 118 employees through the Integrated Payroll and Personnel Database (IPPD) and	The Management stated that Busia County Public Service Board currently uses two key documents as major reference documents guiding staff related matters including the	The Committee observed that the issue was not adequately addressed.	The Committee recommends that the County Executive should expedite development and approval of its staff establishment and a status report be submitted to the Auditor General for verification	Within 60 days of adoption of this report

		<p>manual payrolls respectively, totalling 3,932 employees. However, audit verification carried out revealed that the County Executive of Busia did not have an approved staff establishment during the year, and therefore the optimal staffing levels for all cadres of staff had not been established.</p>	<p>recruitment process and assessment of the County staffing needs.</p> <p>These are the Transition Authority Report on Functions, Organization Structure and Staffing and the Work Analysis Document.</p> <p>The Board, aware of the need for a comprehensive staff establishment document, is currently reviewing the Transition Authority Report on Functions, Organization Structure and Staffing with a view to developing comprehensive staff establishment. Phase I of this process, which involved desk review of existing structures and engagement with all Departments to gather</p>		<p>within sixty (60) days from the adoption of this report.</p>	
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			<p>key information is complete.</p> <p>The Board proposes to move to the next stage of consolidating the information, conducting key informative interviews with key stakeholders, County leadership and engaging with other experts on the matter. The Management remains committed to the process of developing a staff establishment for the County.</p>			
41.	<b>2. Lack of WIBA Insurance Policy for Employees</b>	During the year under review, the County Government of Busia did not procure Work Injuries Benefit Act Insurance (WIBA) Policy for its employees contrary to Section 7(1) of the Work Injuries Benefit Act, 2007 which states that every employer shall obtain and maintain an insurance	<p>The Management stated that a cabinet memo was done of the same Issue and requested for a provision to be included in the next Supplementary budget.</p> <p>The Management further stated that</p>	<p>The Committee observed that—</p> <ol style="list-style-type: none"> <li>1. The issue was not adequately addressed.</li> <li>2. The actions of the management were contrary to section 7(1) of the Work Injuries Benefit Act, 2007 which states that every employer shall obtain and maintain an</li> </ol>	<p>The Committee recommends that the Busia County Executive implement section 7 of the Work Injury Benefits Act, Cap 236 and a status report be submitted to the Auditor General for verification within sixty (60) days from the adoption of this report..</p>	

		policy, with an insurer approved by the Minister in respect of any liability that the employer may incur under this Act to any of his employees.	action has been taken and it's now factored under the compensation of employees in the 1st supplementary budget FY 2024/2025.	insurance policy, with an insurer approved by the Minister in respect of any liability that the employer may incur under this Act to any of his employees.		
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR  
GENERAL ON AUDITED FINANCIAL STATEMENTS OF THE COUNTY EXECUTIVE ELGEYO MARAKWET  
FOR THE FINANCIAL YEAR 2023/2024.**

**Basis for Qualified Opinion**

<b>Audit Query</b>	<b>Concern</b>	<b>Management Response</b>	<b>Committee Observation</b>	<b>Committee Recommendations</b>	<b>Timeline</b>
<b>1. Variances Between Financial Statements and IFMIS Records</b>	Financial statement balances differed with IFMIS records.	-The variances resulted from Journals in IFMIS which did not complete the process due to system errors. -The County Treasury is making a follow up with the National Treasury to offer technical assistance in correction of errors in IFMIS.	Regulation 22(1) c of the Public Financial Management Regulations (County Government) 2015 provides that an accounting Officer shall be accountable to the County Assembly for measures taken to prepare the financial reports that reflect a true and fair financial position of the entity	Management to fast track reconciliation of variances with the National Treasury on timely basis within sixty days from the date of adoption of this report	Sixty days from the date of adoption of this report

<b>2.Unsupported Health Facilities Operational Bank Balances</b>	Reconciliation statements, certificates of bank balances and board of survey reports for 129 health facilities operational bank accounts health facilities were not provided.	The bank statements, bank reconciliation statements, cashbooks, board of survey at the health facilities as at 30 June 2024 have been availed to auditors for review. Sampled copies are attached.	Regulation 90. (1) of the Public Finance Management (County Governments) Regulations, 2015 states that accounting Officers shall ensure bank account reconciliations are completed for each bank account held by that accounting Officer, every month and submit a bank reconciliation statement not later than the 10 <sup>th</sup> of the subsequent months to the County Treasury with a copy to the Auditor-General.	Management should ensure timely preparation of bank reconciliation as prescribed by Regulation 90. (1) of the Public Finance Management (County Governments) Regulations, 2015	Sixty days from the date of this report.
<b>3.Unsupported Pending Bills</b>	-Pending bills increase from Kshs.18,647,689 to Kshs.103,636,606 translating 456% increase.	-The County has prepared a debt repayment plan for the settlement of	Verified pending bills repayment plan provided. Documents in support of pending bills amounting to	• That all County Governments pay verified pending bills amounting to less than Ksh. 1	Sixty Days (60) from the date of adoption of this report

	<p>-Pending bills amounting to Kshs.60,188,747 were not adequately supported.</p> <p>-Pending bills amounting to Kshs.2,119,722 had remained outstanding for more than twelve (12) months at the time of audit .</p>	<p>all outstanding bills</p> <p>-Long outstanding pending bills of Kshs.643,000 out of Kshs.2,119,722 has been paid to date.</p> <p>-The County is committed to clear all pending bills before the end of the financial year 2024/2025.</p>	<p>Kshs.60,188,747 has not been provided. However, the long outstanding pending bills has not been cleared.</p>	<p>billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and</p> <ul style="list-style-type: none"> <li>• Pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which</li> </ul>	
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				<p>the subsequent quarter budget releases will not be done;</p> <ul style="list-style-type: none"><li>• The Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</li><li>• County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County</li></ul>	
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				<p>Governments) Regulations;</p> <ul style="list-style-type: none"><li>• Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</li><li>• County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</li></ul>	
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				<ul style="list-style-type: none"> <li>County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</li> </ul>	
<b>1.Budgetary Control and Performance</b>	<p>-Under funding of Kshs.1,298,269,439 or 22%.</p> <p>-Under-expenditure of Kshs.1,171,362,485 or 20%</p>	The under-performance in receipts is attributed to funds not received by the County Government during the year. The County Government is making up a follow up with the National Treasury on the equitable share and donor funds not received during the year.	Section 104 (1) (i) of the Public Finance Management Act 2012 requires the County Treasury to ensure proper management and control of the finances of the county government and its entities in order to promote efficient and effective use of the	Management should ensure it has in place realistic budget estimates that can be supported with adequate documentation	Immediately



			county's budgetary resources.		
<b>1.Unresolved Prior Year Audit Matters</b>	Prior year auditor's recommendations revealed that several issues were raised by the Auditor General, which remained unresolved as at 30 June, 2024.	The County Government will follow up with the auditor and the County Assembly Public Accounts committee to ensure that all the pending issues are resolved on time.	Section 149(2)(I) of the PFM Act, 2012 which require Accounting Officers designated for County Government entities to resolve any issues resulting from an audit that remain outstanding	The Audit committee of the County should address all the issues on a timely basis as they await parliamentary recommendations.	Immediately
<b>1.Unsupported Expenditure on Legal Services</b>	-Legal services amounting to Kshs.2,730,778 were paid without approval from the Executive Committee in regard to outsourcing of legal Services -Payments were not supported by itemized fee notes and respective	Copies of fee notes, court ruling documents and contract agreement are provided	Section 16 of the Office of the County Attorney Act, 2020 require law firms to be approved by the Executive Committee in regard to outsourcing of legal services	<ul style="list-style-type: none"> <li>•The accounting officer to always ensure to provide all supporting documents during audit.</li> <li>•All outsourced legal services should be approved by the</li> </ul>	Immediately

	status of cases handled, contract agreements, evidence of court sessions attendance, rates applied.			County Executive Committee.	
<b>3.Excessive Budgetary Allocation to the County Assembly</b>	County Assembly was allocated Kshs.706,848,845 which is equivalent to 15.6% of the County Government's total revenue of Kshs.4,522,701,628 instead of the approved allocation of Kshs.316,589,114 or 7% of the County total revenue.	It was ruled in 2014 that the Commission on Revenue Allocation (CRA) annually would recommend to the Senate budget ceilings for County Assembly and the Senate would approve with or without amendments under the County Allocation of Revenue Act (CARA). That has been the practice since then.	Regulation 25 (1)(f) of Public Finance Management (County Governments) Regulations, 2015 states that the approved expenditure of a County Assembly shall not exceed seven 7% per cent of the total revenue of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower	The Management should adhere to Regulation 25 (1)(f) of Public Finance Management (County Governments) Regulations, 2015	Immediately
<b>5.Failure to Adhere to Ethnic Diversity Requirement in Employment</b>	Out of 1563 employees 1479 or 95% were from the local dominant ethnic community. And 24 employees recruited during the year under review were from the	-The dominant community Keiyo and Marakwet constitute over 95% of the County Staff and were inherited by the defunct Local Authorities.	Section 65(1)(e) of the County Government Act, 2012, which requires that at least thirty percent of the vacant posts at entry level should be	Management should ensure that at least a third of their staff composition comes from other ethnic groups.	Immediately

	local dominant ethnic community	<p>-Two employees employed during the year were from less dominant community</p> <p>-The county is making efforts to bridge the existing ethnic composition gap.</p>	filled by candidates who are not from the dominant ethnic community in the County		
<b>7.Conflict in the Law - The Elgeyo Marakwet Equitable Development Act, 2015</b>	Equitable Development Act (EDA Act), 2015 is used by the management and implementation of development projects. However, some sections of the Act conflicts with certain Sections of the National law.	The Executive arm in consultation with County Assembly commits to instituting the process of amending the highlighted conflicting sections of EDA 2015 to conform with other National Laws.	Article 191 of the Kenya Constitution 2010(1)&(2) National legislation prevails over county legislation if-(a) the national legislation applies uniformly throughout Kenya and any of the conditions specified in the clause.	Repeal the Equitable Development Act (EDA Act), 2015 and address the conflicts noted with the law.	Sixty days from the date of adoption of this report
<b>8.Conflict of Interest by Members of</b>	Members of County Assembly of Elgeyo Marakwet were	The Executive arm in consultation with County Assembly	Section (2) County Government Act 2012 the county	Repeal the Equitable Development Act	Immediate ly

<b>County Assembly on the County Executive Functions</b>	involved in the executive functions i.e were members of Ward Development Committees.	commits to instituting the process of amending the highlighted conflicting sections of EDA 2015 to conform to other referenced National Laws to ensure there is separation of powers between the County Executive and the County Assembly	assembly shall not be directly or indirectly be involved in the— (a) executive functions of the county government and its administration; or (b) delivery of services as if the member were an officer or employee of the county government.	(EDA Act), 2015 and address the conflicts noted with the law. included awarding tenders for ward-based contracts	
<b>9.Partial Funding of Projects</b>	Contracts totaling to Kshs.16,504,790 for projects that were not to be executed to completion with a justification that the projects were inadequately allocated funds as enabled by the Elgeyo Marakwet Equitable Development Act, 2015	The County will allocate funds in the subsequent financial years.	No evidence has been availed to show allocation of funds to fully complete the partially funded projects.  Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 procurement proceeding cannot start unless satisfied that sufficient funds to meet the	Management should ensure that it funds projects to completion or if it is a multi-year project it should have well defined phases.  No procurement proceeding should be started unless satisfied that sufficient funds to meet the obligations of the	Immediate ly

			obligations of the resulting contract are reflected in its approved budget estimates Regulation 55 (2) PFM Act (County Government Regulations) 2015	resulting contract are reflected in its approved budget estimates. A project should be funded to completion i.e to utilization by the citizens	
<b>10.Non-Compliance with the 35% Wage Bill</b>	Employee's payments amount of Kshs.2,492,554,613 equivalent to 55% of revenue of Kshs.4,522,701,628. The actual expenditure was in excess of the threshold of 35%	-Compensation to employee's allocation exceeded 35% as set out in PFM Act owing to the various reasons as analyzed in the response. -Strategies highlighted to address this wage challenge by June 2028, as per the Wage Bill and Productivity Conference 2024 resolutions.	Regulation 25(1)(b) of the PFM Act, (County Government) Regulations 2015 which states that the limit set for the county government's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the Act shall not exceed thirty-five percent (35%) of the county government's total revenue	Management should adhere to Regulation 25(1)(b) of the PFM Act, (County Government) Regulations 2015	Continuous
<b>11.Stalled Proposed</b>	-At a contract sum of Kshs.2,400,000. audit	-The work was not	Regulation 138(1) of the Public	The Management should fast track	Sixty days from the

<b>Maintenance of Chepkerengoi Road in Sengwer Ward</b>	<p>revealed that approximately 40% of the works had been done and the contractor was not on site.</p> <p>-Managerial reports and operational plan by the implementation team for the project were not provided</p>	<p>complete due to court injunction. The contractor could not access part of the road in contest hence doing the 40% of the road works.</p> <p>-The departments have issued written instructions to the contractor to work on an alternative route that serves the community and do not pass through the contentious Section.</p>	<p>Procurement and Asset Disposal Regulations, 2020 which states that a review meeting, status report includes executive summary, reports on the performance of the activities and budget by the implementation</p>	the completion of the project.	date of this report
<b>12.Irregular Funding of</b>	-Kshs.8,576,440 was spend on leveling and	-The county government	Fourth Schedule of the Constitution of	The management should ensure	Immediately

<b>National Government Functions</b>	grading of fields in primary schools. -No memorandum of understanding between the two levels of government to enable projects to be undertaken in school.	undertook community infrastructural development in Wards to be used by the communities and schools. -Since there are no community fields, the respective communities identifies and recommends fields to be developed by the County government in primary schools through public participation and Ward development committees (WDC).	Kenya, 2010, which describes the functions of the National Government.	adherence to the provisions of the Constitution in implementation of County projects.	
<b>13.Irregular Payment of College Fees for KMTC Students</b>	-Kshs.14,599,500 incurred under sports department for Kenya Medical Training College (KMTC) college fees yet there's an established County Education Fund. -Management did not provide	-Wards under equitable development act (EDA) set aside money to be used in this program. This is subsequently reflected in Annual Development Plan (ADP).	Section 149(1) of the Public Finance Management Act 2012 stipulates that an accounting officer is accountable for ensuring that the resources of the county Government	Management should ensure that college fee is paid through the education fund as provided by the act avoiding duplication of roles and	Immediately

	evidence on how the vetting for the bursaries was done and no acknowledgements from the beneficiary colleges were obtained for the fee paid.	-Sample minutes used during vetting as evidence on how the beneficiaries were chosen	are used in a way that is— (a) lawful and authorized; and (b) effective, efficient, economical and transparent.	possible loss of funds	
<b>14.Implementation of Projects with no Value for Money</b>	Projects valued at Kshs.139,063,020 implemented during the year revealed that value for money was not realized.	Detailed responses for respective projects is provided in a table.	Section 48(4)(b) of the PPAD Act 2015 states that the inspection and acceptance committee shall ensure that the goods, works and services meet the technical specifications and standards defined in the contract.	The auditor General to verify the projects during the audit of Fy2024/2025 and reported accordingly.	Next audit cycle
<b>15.Non-Adherence to One Third Pay Policy</b>	Audit review of the Integrated Payroll and Personnel Database (IPPD) System revealed that some members of staff were earning less than the minimum allowed net pay.	This was brought about by unexpected and inevitable deductions such as pensions, implementation of NSSF Act ,2013 &	Section 19(3) of the Employment Act, 2007 which states that all deductions which under the provisions of subsection (1), may be made by an	The human resource department should ensure that all members of staff are earning above the minimum salary	Immediately



		affordable Housing Levy.	employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional	allowed by the employment act 2007.	
<b>16.Irregular Implementation of Income Generating Activity Program (IGA)</b>	<p>Implementation of the IGA had the following anomalies;</p> <p>Lack of conceptual framework of IGA Programs</p> <p>Projects funded without assessment</p> <p>Lack of capacity building for IGA programme</p> <p>Absence of well laid monitoring &amp; evaluation framework</p> <p>Failure to follow up on funded projects</p>	<p>-Project conceptualized under the CIDP</p> <p>-Assessment done at ward level by the Ward Development Committees.</p> <p>-Training of project beneficiaries is a continuous process that is carried out routinely by line officers</p> <p>-Development Officers routinely monitor and report on the progress of the groups</p>	<p>Regulation 139(1) of the Public Finance Management Act, 2012 states that regulation approved by the county Assembly shall provide for the administration, control and management of grants, including (a) procedure for the allocation and disbursement of grants including the publication of transparent criteria for the allocation of the grant</p>	<p>To make IGA program sustainable and achieve its intended objectives, the management of county executive should take full ownership and responsibility of the program and set measurable targets for the program, establish a clear implementation strategy to provide guidance</p>	Immediate ly

<b>1.Understaffing of Internal Audit Department</b>	Internal audit function in place with a total staff of six (6) officers against (30) as per the approved staff establishment	-The internal Audit department is under staffed due to budgetary constraint -The County Government intends to gradually recruit more internal audit staff once funds are available	Regulation 155 Public Finance Management (County Governments) Regulations, 2015, The Head of Internal Audit unit in a county government entity shall enjoy operational independence and is well facilitated	Management should ensure that the internal audit is adequately staffed	Sixty days from the date of adoption of this report.
<b>2.Operational Shortcomings in the Audit Committee</b>	Review of the Internal audit function revealed the following; Prior audit matters had not been presented to the Audit Committee Audit Committee held one sitting during the year No evidence of quality audit review and capacity building for the audit committee	The County has initiated mechanism for tracking and follow up on the implementation of resolution of prior audit matters raised. Audit committee held one sitting before they were inaugurated	Regulation 155 Public Finance Management (County Governments) Regulations, 2015, The Head of Internal Audit unit in a county government entity shall enjoy operational independence	Audit Committee should be functional to ensure that they meet, write reports and recommendation for improvement of the internal control systems.	Sixty days from the date of adoption of this report

	functions	The audit committee attended sensitization workshop in Naivasha between 23 <sup>rd</sup> October and 27 <sup>th</sup> October 2023	ce and is well facilitated matters raised		
<b>3.Information and Communication Technology (ICT) Controls and Data Environment</b>	<p>-ICT security policy and disaster recovery plans have neither been developed nor spelt out in the ICT policy.</p> <p>-No formally documented, and approved processes to manage system changes and upgrades</p> <p>-The county lacks ICT Steering Committee.</p> <p>-Lack of an access control system to restrict and monitor access to the server room</p> <p>-Lack of smoke detector and an environmental monitoring system to</p>	<p>-ICT Policy is due for review to include disaster management</p> <p>-The process of establishing an ICT Steering Committee is underway.</p> <p>-Biometric fingerprint scanner has been installed right at the entry point to the ICT office.</p> <p>-The County has initiated Closed-Circuit Television (CCTV) installations at strategic service points.</p> <p>-The county will provide for and</p>	Regulation 110 of the Public Finance Management (County Government) Regulations, 2015 states that the accounting Officer for a county government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity.	should constitute an ICT Steering Committee, install smoke detector and environmental monitoring and control system, a biometric access control system and extend the CCTV camera to the data centre to restrict and monitor access. Amongst other measures	Immediately

	<p>monitor the humidity and temperature in the data centre.</p> <p>-No existing closed-circuit television (CCTV) system extended to the data centre</p>	<p>install a smoke detector and environmental monitoring system</p>			
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE AUDITOR GENERAL'S  
REPORT OF EMBU COUNTY EXECUTIVE FOR FINANCIAL YEAR 2023/2024**

**Basis of Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>					
<b>Audit Query</b>	<b>Audit Findings</b>	<b>OAG's Criteria</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
<b>1.Unreconciled Kenya Power Debt</b>	Kshs. 67,910,595.58 which is owed to Kenya Power however, Kenya Power records show an amount of Kshs.50,973,758.21 resulting to a variance of Kshs. 16,936,837.37.	Regulation 100 of the Public Finance Management (County Government) Regulations, 2015	In line with the auditor's observation, the Embu County Government owe the Kenya Power in terms of pending bills for the use of energy. Our records show an amount of Ksh. 50,973,758.21 as at 31 <sup>st</sup> June 2024,	The Management has not provided the list of the pending bills owed to Kenya power.	3. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents (list of the pending bills owed to Kenya power) to the auditors at the time of audit in accordance

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>4. The Office of the County Governor undertakes administrative action against the accounting officer and any other</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report;</p> <p>5. The Institute of Certified Public Accountants (ICPAK) takes action(s) against the Head of</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>Treasury for late submission of financial statements which constitutes professional negligence pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531 and reports to the Committee within 60 days of the adoption of this report;</p> <p>6. The Office of the County Governor must ensure strict</p>



SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines;</p> <p>7. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					Government s) Regulations, 2015, the County Government prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund.
<b>2.Unreconciled LAPFUND Balance</b>	Kshs.114,051,555.40 in respect to LAPFUND. However, The National Treasury records show that the county owes an	Regulation 100 of the Public Finance Management (County Government)	The County Government has, however, officially requested for a statement from the fund managers for reconciliation purpose.	Evidence of the amount owed to lapfund and its correspondence provided.	1. The Office of the County Governor undertakes administrative action

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
	amount of Kshs.39,360,268 in respect to LAPFUND resulting in an unexplained and unreconciled variance of Kshs.74,691,287.40.	Regulations, 2015	Plans to pay off the bills are underway. Plans to pay off the bills are underway.  <b>Appendix 1.2 Letter to the LAPFUND managers</b>	Detailed analysis of the unreconciled balance for Lapfund as reflected in the financial statements to be provided.	against the responsible officer(s) who failed to provide documents (list of the pending bills owed to Kenya power) to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>(60) days from the adoption of this report;</p> <p>2. The Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>report to the Committee within 60 days of adoption of this report;</p> <p>3. The Institute of Certified Public Accountants (ICPAK) takes action(s) against the Head of Treasury for late submission of financial statements which constitutes professional negligence pursuant to Section 8 (a) and 30 of the Accountants</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>Act CAP 531 and reports to the Committee within 60 days of the adoption of this report;</p> <p>4. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>financial statements in the prescribed timelines;</p> <p>5. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, the County Government prepare and submit to the Controller of Budget, a payment plan, prioritizing</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					payment of pending bills as a first charge on the County Revenue Fund.
<b>3. Incomplete Asset Register</b>	Assets inherited from the defunct municipal councils have not been included in the asset register. Included in the balance of Kshs.12,703,331,982. is Kshs.3,814,395,773 in respect to land. However, the County Executive did not provide a list of all parcels of land owned by the County, their specific locations, approximate size, value, and respective title deeds. Further,	Regulation 136. (1) of the Public Finance Management (County Governments) Regulations 2015	The County Government of Embu received a report of transfer of motor vehicles in May 2024 and is in the process of including these assets in the Asset register after confirming their useful life, all of which have been recorded in a register accordingly. For land and buildings, and other assets, the transfer process is yet to be done thus making asset register incomplete. A comprehensive register will be put in place once	<ul style="list-style-type: none"> <li>• Its an ongoing exercise hence asset register not completed.</li> <li>• Transfer process for land has not been done nor initiated.</li> <li>•</li> </ul>	The Committee recommends that the; - 1. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting



SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
	no title deeds in the name of the County Government were provided for audit.		all assets have been transferred accordingly.		<p>Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</p> <p>2. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>3. Office of the Auditor General should progressively review and report on the matter in the</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					subsequent Financial Years.
<b>Unconfirmed Leasing of Medical Equipment Amount</b>	A leasing of medical equipment amount of Kshs.122,723,404 and Kshs.110,28,298 for the current and comparative year respectively deducted at source. However, no records were provided for audit indicating how the amount deducted at source was treated in the books of the County Executive.	Public Finance Management Act 2012 Section 149(1&2b)	<b>In line with the Auditors observation, an amount of Ksh. 122,723,404 was deducted at source by the National Treasury towards the repayments of specialized medical equipment. This followed an agreement between the National Government and the Ministry of Health (MOH).</b>	The agreement letter between the Ministry of Health and the National government on the leased equipment's was not provided. No debit note from the national treasury in relation to the debit done at source.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					sixty (60) days from the adoption of this report.
<b>Long Outstanding Account Payables</b>	Pending bills balance of Kshs.1,755,700,997 and Kshs.451,352,574. Further, analysis of the schedule of pending bills records reveals that the current pending bills amount to Kshs 2,207,053,571, while the outstanding bills for the last financial	Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015	The management has however endeavored to ensure that pending bills are paid as first charge by preparing Supplementary budget to include them as soon as it is practically possible in the next financial period in line with the cash basis of accounting in Government.	The management response not satisfactory  Non payment of first charge leading to the long outstanding accounts payables.  No report from the previous task force on implementation	The Committee recommends that: 1. that all County Governments pay verified pending bills amounting to less than Ksh. 1

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
	year were Kshs 1,796,117,016. This represents an increase of Kshs.410,936,555 or 23%.			of recommendations.  Housing levy can not be a factor for increase in pending bills.	billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and 2. Resolves that- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governme

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					nts) Regulation s, 2015, County Governme nts prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations</p>



SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>out of the approved budget estimates;</p> <p>v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.
EMPHASIS OF MATTER					
<b>Budgetary Control and Performance</b>	Reflects final receipts budget and actual on comparable basis of Kshs.7,298,577,468	Section 107(2)(b) of the Public Finance	<b>In line with the Auditors observation, the underfunding is attributed to shortfall</b>	Management has not provided a list of rolled over projects and	The Committee recommends that:

### SUMMARY OF UNRESOLVED ISSUES

Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
	and Kshs.6,022,913,829 respectively resulting to an under-funding of Kshs.1,275,663,640 or 17% of the budget. Similarly, the County Executive spent Kshs.6,020,517,257 against an approved budget of Kshs.7,298,577,468 resulting to an under-expenditure of Kshs.1,278,060,212 or 18% of the budget.	Management Act, 2012	<b>in own source revenue and delay in transfer of equitable share from the National Treasury, as well as delay in the transfer of projected Grants from Donors. The Government has put in place stringent measures in place to enhance own source revenue.</b>	evidence that they were included in the subsequent budget estimates and implemented. •	1. The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance

SUMMARY OF UNRESOLVED ISSUES					
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					<p>Management Act, 2012; and</p> <p>2. The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.</p>
OTHER MATTER					
<b>Unresolved Prior Year Audit Matters</b>	In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use	Section 31 (1) of the Public Audit Act, 2015	No response provided.	<b>Issue not adequately addressed</b>	The Committee recommends that the County executive complies with section 53 of the Public

<b>SUMMARY OF UNRESOLVED ISSUES</b>					
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	of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues.				Audit Act, 2015 by acting on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>					
<b>Embu County Revenue Authority</b>	Management did not prepare and submit financial statements for Embu County Revenue Authority	Section 47(1) of the Public Audit Act, 2015	The Embu County Revenue Authority (ECRA) Act was enacted with a view of giving the Authority the Autonomy to manage its operations independently, with an aim of maximizing own source revenue.	The management has not operationalized the revenue authority considering it has a full functional board in place hence hindering service delivery.	The Committee recommends that the Embu County Executive immediately prepares and submits the Embu County Revenue Authority's financial statements to

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Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					the Office of the Auditor-General and in the format as prescribed by the Public Sector Accounting Standards Board as required by the Public Audit Act, 2015 within 30 days of adoption of this report and institute mitigating measures to prevent delays in the Financial Year 2024/2025.
<b>Level 4 Hospitals</b>	The Hospitals' Management did not prepare and submit for audit the annual report and financial	Section 47(1) of the Public Audit Act, 2015	The Embu Level Four hospitals did not prepare and submit financial statements because the budget for	Despite combined budget being prepared, there was a circular issued earlier for	The Committee recommends that the Embu County

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	statements of the following four (4) level 4 Hospitals despite being in operation for the three years 2021/2022, 2022/2023 and 2023/2024		the year under review was prepared combined for the entire health department	preparing the financial statements hence the budget should have been separated at time of budgeting.  Issue not adequately addressed	Executive in conjunction with the Leadership of Level 4 Hospitals immediately prepares and submits the Hospitals' financial statements to the Office of the Auditor-General and in the format as prescribed by the Public Sector Accounting Standards Board as required by the Public Audit Act, 2015 within 30 days of adoption of this report and

SUMMARY OF UNRESOLVED ISSUES					
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					institute mitigating measures to prevent delays in the Financial Year 2024/2025.
<b>Payments to Council of Governors</b>	Payment for Kshs.3,000,000 was paid to the Council of Governors. However, the Management did not provide supporting documents including, legal framework, invoice and contract agreement that formed the basis for the payment.	Section 37 of the Intergovernmental Relations Act, 2012	The Council of Governors made resolution towards subscription by all County governments and communicated the same. On ground of this the County pay the subscription.	<ul style="list-style-type: none"> <li>• No agreement was provided from the Council of Governors on the payment.</li> <li>• Its illegal funding since the body gets money from ministry of devolution.</li> <li>•</li> </ul>	1. The Committee recommends that the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive



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Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>Officer, who continues to make the irregular contribution; and</p> <p>2. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
<b>Late Approval of the Embu County Government Appropriation Act, 2023</b>	Approval from the Speaker of the County Assembly to the County Executive Committee Member granting authority to withdraw from the County Revenue Fund was not provided, CRF bank statements show that debit transactions of Kshs.819,438,640 and Kshs.538,826,546 were made on recurrent and development	Regulation 36 (1) of the Public Finance Management (County Governments Regulations) 2015	The said expenditure was drawn from Exchequer transfers in relation to the financial year 2023/2024, in which period both the receipts and expenditure, were duly supported in the appropriation Act for the period, disclosed in the cash books, ledgers, and in the financial statements presented for audit in the year. As such the Government was not in breach of law and required no communication from the Assembly.	<ul style="list-style-type: none"> <li>• The issue of late approval has not been addressed.</li> <li>• Letter granting withdrawal not provided for confirmation.</li> <li>•</li> </ul>	1. The County Executive must ensure strict compliance with Section 134 of the Public Finance Management Act CAP 412A and Regulation 36(1) of the Public Finance Management (County Governments) Regulations, 2015 in future financial years to

SUMMARY OF UNRESOLVED ISSUES					
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					<p>avoid unauthorized withdrawals and breaches of the law in instances where the County Appropriation Act is not assented to or is not likely to be assented to before the first working day of the financial Year; and</p> <p>2. The Office of the County Governor undertakes</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					within sixty (60) days from the adoption of this report.
<b>Unbudgeted Transfers to the Embu Level 5 Hospital</b>	A total receipt of Kshs.1,013,732,568 which includes transfers to Embu level 5 Hospital amount of Kshs.789,155,691. However, supplementary Appropriation Act, 2024 appropriated a final supplementary recurrent and development budget of Kshs.224,326,400 and Kshs.116,000,000 respectively totalling Kshs.340,326,400 for the Embu Level 5 Hospital resulting to an unbudgeted	Section 164(1), (3) of the Public Finance Management Act (County Governments), 2012	Embu level 5 Hospital spent an amount of Kshs.789,155,691. During the year under review with a budget of ksh.340,326,400 being recurrent budget of Kshs.224,326,400 and development budget of Kshs.116,000,000 respectively. An additional Kshs. 554,926,763 was budgeted for under the	<ul style="list-style-type: none"> <li>• Explanation not adequate enough</li> <li>• The unbudgeted expenditure has not been addressed</li> <li>• The amount used to pay salaries does not agree with the amount in question of Kshs.448,829,291.</li> </ul>	The Committee recommends that the Governor takes administrative action against the accounting officer for the unbudgeted transfer of Kshs.448,829,291 to Embu Level 5 Hospital, which exceeded the appropriated budget of Kshs.340,326,400, in violation of

SUMMARY OF UNRESOLVED ISSUES					
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	transfer of Kshs.448,829,291.				Regulation 46(1) of the Public Finance Management (County Governments) Regulations, 2015.
<b>Stalled Project - Governor's Official Residence</b>	The County Executive entered into a contract for construction of Governor's residence with a firm at a contract sum of Kshs.49,703,439 on 08 March, 2021. The contract period was to run for seventy-two (72) weeks with expected completion date of 8 September, 2022.However, at the time of audit the Governor's official residence was not complete. Request for	Salaries and Remuneration Commission Circular Ref. No. SRC/TS/COG/6/61/48 VOL.II (64) of 20 May, 2019 provides guidelines on construction of official residence of public officers.	As per the auditors' observations the contract was to run up to 8th September 2022, however due to inability of the contractor to complete the project, the project manager terminated the contract on 22nd Aug, 2023. The County Government of Embu plans for a budgetary allocation for funds to complete the residence which will go a long way in ensuring that value for money for the project is realised and that the Governor has a	<ul style="list-style-type: none"> <li>There is no value for money in the construction of the governor's residence.</li> <li>Since the cancelation of the contract nothing has been done to complete the project by either re-advertising or allocating funds towards completion of the Governor's residence.</li> </ul>	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization

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	an engineer's opinion on status of the building were not provided for audit review.		permanent official residence.	•	<p>of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
Compensation of Employees					
<b>i. Failure to Set Expenditure Limit</b>	County of Embu incurred salaries and wages amount of Kshs.2,434,981,502	regulations, 2015 which requires that the wage bill	During the financial year under review the County Government did not meet the	<ul style="list-style-type: none"> <li>Continuous employment increases the</li> </ul>	The Committee recommends that-



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Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
<b>on Salaries and Wages</b>	which translates to 41% of the total receipts of Kshs.6,022,913,829. However, there was no evidence to show that County Executive Member with approval of the County Executive set a limit on the county government expenditure on wages and benefits for its public officers.	should not exceed thirty-five (35) percent of the County Government's total revenue.	threshold on compensation of employee's regulations, 2015 which requires that the wage bill should not exceed thirty-five (35) percent of the County Government's total revenue.	<p>wage bill hence issue can't be solved</p> <ul style="list-style-type: none"> <li>• Growth of the health sector doesn't guarantee increase in wages and salaries across the county.</li> <li>• <b>Issue not adequately addressed</b></li> </ul>	<p>3. the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government ) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue;</p> <p>4. the county executive</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>puts in place measures to enhance own source revenue collection to address the high wage bill gap; and</p> <p>5. the management should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					adoption of this report.
ii. <b>Non Adherence to One-Third Basic Salary Requirement</b>	Review of the monthly payroll records revealed that one thousand three hundred and sixty-six (1,366) employees' salary deductions fell below the one-third (1/3) of the basic salary.	Section E.13(1)(2) of the County Public Service Human Resource Manual May 2013	The Integrated Payroll and Personnel Database (IPPD) is a computerized system which is automated in such a way that no employee can commit more than 1/3 of his/her basic salary. However, there are exceptional circumstances under which this rule can be violated:	<p>The explanation provided not adequate</p> <ul style="list-style-type: none"> <li>• IPPD is not perfect in that it cant have employees earning less than a third.</li> </ul>	<p>The Committee therefore recommends that -</p> <p>4. The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate on the issue of non-compliance with the one third of basic salary</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>rule as well as comply with the requirements of Section 19 (3) of the Employment Act 2007.</p> <p>5. The county should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</p> <p>6. The Auditor General should</p>

SUMMARY OF UNRESOLVED ISSUES					
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					continue monitoring the issue in subsequent financial years
<b>iii. Failure to Remit Payroll Deductions</b>	A total of Kshs.431,803,980, deducted from employee salaries ageing more than two (2) years and not remitted to the respective entities.	Section 19(4) of the employment Act, 2007	In line with the Auditor's observations, the payroll remittances deducted from employees' salaries were in arrears.	Evidence that the amount deducted was arrears was not provided for confirmation. Revenue collection and remittance payroll deductions does not relate at all.	1. The County Executive adheres to Section 22(2)(a) of the Public Finance Management (County Government) Regulations, 2015, which provides that the accounting officer complies with any tax, levy, duty, pension, commitment

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>s and audit commitment s as may be provided by legislation;</p> <p>2. The County Executives engage the relevant entities to formulate a payment agreement to settle the outstanding statutory deductions and provide a detailed status report on the same to the Office of the Auditor-General for subsequent reporting within 60</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>days from the adoption of this report; and</p> <p>3. The Management adheres to Section 19 (4) of the Employment Act, 2007 in regard to remittance of employee remuneration deductions in accordance with the period specified by the relevant bodies.</p>
<b>iv. Unbalanced Staff Ethnic Composition</b>	County Executive of Embu had a total of five hundred and twenty-five (525) However, three	Section 7(2) of the National Cohesion and Integration Act, 2008.	The County Public Service Board recruited 428 employees during the year under review. The ethnic composition	The percentage doesn't comply with the Cohesion and Integration Act where it is stated	3. The county executive should work progressively towards

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	<p>hundred and fifty-two (352) or 60% of employees were from one dominant community.</p> <p>Further, recruitment of nine hundred and eleven (911) employees. established that seven hundred and ninety-nine (799) or 88% of the newly recruited employees were from the dominant community.</p>		<p>of the employees is as shown in the table.</p>	<p>not more than a third should come from one community.</p> <p>The management response is misleading.</p> <ul style="list-style-type: none"> <li>Issue not adequately addressed.</li> </ul>	<p>attaining the requirement of the provisions of Section 65(1)(e) of the County Government Act on ethnic inclusivity; and</p> <p>4. The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of</p>



SUMMARY OF UNRESOLVED ISSUES					
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					the County Government Act, 2012.
<b>v. Unsupported Recruitment</b>	During the year under review, the County Public Service Board of Embu recruited nine hundred and eleven (911) employees in various positions. However, supporting documents such as list of all the applicants for these positions, short list of the applicants, interviewing minutes and summary of the score sheets for the interviewed candidates. In addition, only two hundred and ninety-seven (297) newly recruited employees could be traced both in the payroll and the list of successful	Article 232 (1) of the Constitution of Kenya 2010	The CPSB employed the above four hundred and twenty-eight (428) officers during the year 2023/2024. There were 511 casual employees in the health department who were earlier employed by Hospital Boards. One hundred and six (106) market cleaners were employed on casual terms by the Health department through delegated authority from the Public Service Board. <b>(Letter of delegation attached)</b>	<ul style="list-style-type: none"> <li>The list stated that it has been provided could not be confirmed.</li> <li>Interviewing minutes and scoresheets for various position could not be traced.</li> <li>Issue not adequately addressed.</li> </ul>	The Committee recommends that; <ol style="list-style-type: none"> <li>the County Public Service Board addresses recruitment irregularities by providing missing documents (applicant lists, shortlists, interview minutes, and score sheets) and reconcile the</li> </ol>

SUMMARY OF UNRESOLVED ISSUES					
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	<p> candidates, six hundred and fourteen (614) recruits in the payroll could not be traced in the successful list of candidates </p>				<p> discrepancy where 614 recruits on the payroll could not be traced to the list of successful candidates to the Office of the Auditor General within sixty (60) days from the adoption of this report; and  2. The County Public Service Board should work to </p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					progressively ensure compliance with Section 65(1)(e) of the County Governments Act, 2012, by filling at least 30% of entry-level positions with candidates from non-dominant communities.
<b>Outstanding Imprest</b>	In September, 2024 the Embu executive had an outstanding imprest of Kshs.12,774,887 which had not been surrendered. The	Section 93(5) of the Public Finance Management (County Governments)	However, as at the time of the audit on September 2024 the Embu executive had an outstanding imprest of Kshs.15,124,000 out of which Ksh. 12,979,472	No evidence of the amount deducted was provided for confirmation. The evidence that the imprests have now been	The Committee recommends that; 1. the Accounting Officer

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	outstanding imprest was issued between July, 2023 and 30 June, 2024 and had not been surrendered or accounted for	Regulations, 2015	has duly been surrendered and the balance of Ksh. 2,144,528 is being recovered from the payroll.	surrendered and accounted for not provided.	<p>recovers the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation; and</p> <p>2. sanction and surcharge of Accounting Officer who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					(County Government) Regulations, 2015.
<b>Incomplete Renovation Works at Manyatta Market</b>	A contract sum of Kshs.1,999,004 for renovation works at Manyatta Market was contracted. Examination and physical inspection of the project in September 2024 revealed that the project remained incomplete and had the following anomalies;	Section 149. (1) of the Public Finance Management Act, 2012	The market committee requested for amendment of the bills of quantities to change the raised steel tank platform to concrete slab roof because the space available was too small and building steel platform would lead to congestion. The request was received and considered as the user's feedback is key to successful project implementation.	<ul style="list-style-type: none"> <li>• Approvals towards change of the bills of quantities not provided for confirmation.</li> <li>• Site meeting minutes were not provided.</li> <li>• Evidences whether the project is complete and handed over and in use were not provided.</li> </ul>	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the

SUMMARY OF UNRESOLVED ISSUES					
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					Auditor General within sixty (60) days from the adoption of this report.
<b>Construction of Milk Cooler Shed</b>	An amount of Kshs.1,495,650 paid for construction and installation of a milk cooler shed at Mbui Njeru. However, even though the final certificate had been paid, physical inspection of the building carried out in September, 2024 revealed that the building was not in use. In addition, a Project sign board was not fixed, thus ownership of the Project could not be confirmed.	Section 149. (1) of the Public Finance Management Act, 2012	The Milk cooler shed was constructed in a public land, Plot No. 66 in Mbui Njeru market. All public land is usually surveyed and Development plans developed. Parcels are allocated numbers and registered and these marks the end of the registration, title deeds are usually not issued for public markets and roads.	<ul style="list-style-type: none"> <li>• The physical map of the Mbui Njeru was not provided for audit confirmation.</li> <li>• Evidence of the signage of the project not presented.</li> <li>• No proper public participation done for the project hence unutilized.</li> <li>• Issue not adequately addressed.</li> </ul>	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to

SUMMARY OF UNRESOLVED ISSUES					
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					the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>Irregular Implementation of National Government Functions</b>	County Executive incurred an expenditure amounting to Kshs.2,965,321 to 3 (three) partially complete projects implemented by the National Government, Ministry of Agriculture through Kenya Tea Development Agency and the Ministry of Education. Further, these shared services were not supported by partnership agreements and the county did not have a	Section 149. (1) of the Public Finance Management Act, 2012	Residents requested the County through their Members of County Assembly to help them complete the projects as they will facilitate talent development and growth among. The projects which included, a social hall, and leveling of primary School play grounds are in line with County youth's empowerment programs and will go a long way in creating employment and development of talents among this very important group in our society.	<ul style="list-style-type: none"> <li>• Partnership agreement from the relevant entities with the county government were not provided.</li> <li>• Evidence of public participation with the locals to engage in the project not provided.</li> <li>• Minutes and any letters in regard to the project were not provided.</li> </ul>	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public

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	county shared services platform aligned to national policies, standards and norms.			<ul style="list-style-type: none"> <li>There is clear mandate of projects implemented by all government organs.</li> </ul>	<p>Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Committee recommends that the County Executive immediately formalizes partnership agreements with the National Government, Ministry of</p>



SUMMARY OF UNRESOLVED ISSUES					
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					<p>Agriculture, and Ministry of Education for the three (3) partially completed projects, as required by Section 118 of the County Government's Act, 2012;</p> <p>3. The County Executive should focus on its mandates as outlined in Schedule Four of the Constitution and avoid undertaking projects that fall under the jurisdiction</p>

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Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					of the National Government, unless explicitly agreed upon through formal partnerships. The County Executive to provide a detailed status report on the corrective actions taken, including evidence of partnership agreements be submitted to the Office of the Auditor General within sixty

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					(60) days from the adoption of this report.
<b>Presentation of the Financial Statements</b>	Review of the annual report and financial statements provided for audit review revealed that the County Executive did not indicate the engagement with the County Assembly through its committees and the Senate including number of bills sponsored by the executive and any other matters presented for deliberations.	Section 164(1), (3) of the Public Finance Management Act (County Governments), 2012	In the statements under review, item No.3 (d) and appearing in page xii, has put to right the Embu County Executive engagement with the County Assembly and the Senate. We however remain open to consider any further guidance from the Office of the Auditor General on the Subject.	<ul style="list-style-type: none"> <li>The specific bill sponsored by the executive through the assembly in favour of the public.</li> </ul>	The Committee recommends that the County Executive ensures full compliance with the financial reporting templates issued by the Public Sector Accounting Standards Board (PSASB) and International Public Sector Accounting Standards (IPSAS) by including all required

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					disclosures, such as engagements with the County Assembly and Senate, the number of bills sponsored, and other matters presented for deliberations, in the annual report and financial statements provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE					

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Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
<b>Voided Transactions</b>	Analysis of system payments indicated that seven hundred and sixteen (716) transactions with a value of Kshs.324,525,938 were voided during the year.		The voided transaction was a result of failure to receive June 2024 equitable share from National Treasury.	Evidence of the voided transactions paid in the subsequent financial year was not provided for confirmation.	The Committee recommends that; 5. The Controller of Budget to liaise with the Auditor General to confirm whether the payments were cancelled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days of

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>adoption of this report;</p> <p>6. The Office of the County Governor undertakes administrative action against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of Finance for voiding payments without approval and diverting funds;</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>7. Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved; and</p> <p>8. The Committee recommends that the</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					EACC should expedite investigations on the matter in line with the Controller of Budget Act.
<b>Lack of Ownership Documents</b>	Annex 5 to the financial statements reflects summary of non-current assets register balance of Kshs.12,703,331,982 in respect of fixed assets which includes land with a balance of Kshs.3,814,395,773. However, land ownership documents were not provided for audit.	Regulations 143 (1) of the Public Finance Management Regulations, 2015	<i>As observed by the auditor not all parcels of land do not have ready ownership documents and the County Government is waiting on the report from the intergovernmental relations and technical committee (IGRTC), and the eventual transfer of all assets accordingly, and in particular land.</i>	<ul style="list-style-type: none"> <li>• Its an on- going activity hence not concluded.</li> <li>•</li> </ul>	1. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board



SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</p> <p>2. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>3. Office of the Auditor General should progressively review and report on the matter in the subsequent</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					Financial Years.
<b>Failure to Tag Fixed and Movable Assets</b>	County governments to maintain an updated asset register that records all fixed and movable assets. This includes tagging assets and keeping detailed records such as the cost of acquisition, asset location, and condition.	Public Finance Management Regulations, 2015 paragraph 136	The tagging of the assets will be done after completing all assets identification, and the compilation of an Asset register in order to have sequential numbering of only useful assets.	<ul style="list-style-type: none"> <li>• Its an on-going activity hence not concluded.</li> <li>•</li> </ul>	1. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>the OAG within 60 days of adoption of this report;</p> <p>2. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					of the Auditor General within 60 days of adoption of this Report; and Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.
<b>Fleet Management</b>	During the year under review, the Management failed to maintain and update vehicle register with details of chassis numbers, engine	Regulation 176(1) of the Public Procurement and Assets Disposal	The transfer of motor vehicles and motor bikes from National Government to County Government was done in the month of May 2024. The transfer	<ul style="list-style-type: none"> <li>• Evidence of the KBW 280W being in use not provided.</li> <li>• Its work in progress</li> </ul>	1. County should expedite the process of updating and presenting

### SUMMARY OF UNRESOLVED ISSUES

Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
	<p>numbers, the dates the vehicles were put into use and the dates the vehicles were grounded. In addition, fleet records provided did not include motor vehicle chasis numbers whereas 106 motor vehicles and bikes lacked engine numbers. Further, Management presented a list of two hundred eleven (211) movable assets for audit out of which one hundred and fifty-nine (159) motor vehicles and bikes were grounded and scattered in several yards and hospitals across the County.</p>	<p>Regulations 2020</p>	<p>constituted all vehicles belonging to all the devolved ministries of the National Government despite the conditions of the vehicles. Some vehicles have been grounded long before the County Government came into being, this being the case, the County is in the process of evaluating the fleet management and is working towards achieving this goal. Motor vehicle number KBW 280W has since been redeemed and put back to use.</p>	<p>hence not completed.</p> <ul style="list-style-type: none"> <li>• Issue not adequately addressed.</li> </ul>	<p>their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</p> <p>2. County should adopt and implement</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					<p>the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	OAG's Criteria	Management Response	Committee Observations	Committee Recommendations
					3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.



**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR  
GENERAL ON AUDITED FINANCIAL STATEMENTS OF GARISSA COUNTY EXECUTIVE FOR THE  
FINANCIAL YEAR 2023/24.**

**Basis for Qualified Opinion**

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Timelines
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1.	<b>1.0 Unsupported Locum Payments</b>	An expenditure of Kshs.37,825,560 was incurred in respect of locum wages. However, there was no requisitions from the user department, appointment, approval and posting by the County Public Service Board.	The user department requisitions and approvals by the County Public Service Board have been attached (Annex 1 of response). Their terms of engagement and remuneration were attached in their appointment letters.	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption

					<p>The Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.</p>	of this report.
2.	<b>Unaccounted Pharmaceuticals Supplies</b>	<p>Drugs worth Kshs.107,932,618 distributed to various facilities were not taken on charge.</p> <p>Further drugs worth Kshs. 26,000,000 were not supported by the procurement process from requisition to recording in the store ledgers.</p>	The S11, delivery schedule, S13 and store ledger submitted for audit review (Annex 2 of response)	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>

					Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	
3.	<b>3. Unsupported Finance Costs</b>	A breakdown was not issued for finance costs amounting to Kshs. 4,229,213.	The finance costs are fees that were charged by the bank and they include ledger fees charges and interest charges for the advance salary to the county by the bank. (Annex 3 of response)	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	
4.	<b>4. Unsupported KRA Agency Payments</b>	Details for deductions amounting to Kshs.77,548,949 in respect of KRA agency payments for non-remittance of withholding tax were not provided.	The agency payment is due to late payment of Pay As you Earn (PAYE). Agency notice served to central bank to recovery funds attached. (Annex 4 of response)	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	
5	<b>5.0 Accumulation of Pending Accounts Payables</b>	Pending bills increased by Kshs.1,888,080,377 from Kshs.570,170,549 as at 30 June, 2023. The authenticity of additional pending bills could not be confirmed. There were no explanations for failure to settle the pending bills amounting to Kshs. 2,458,250,926.	The County settled pending bills amounting to Kshs. 570,170,549 in the current financial year out of an amount of Kshs. 2,458,250,926	The Committee observed that the county executive did not address or provide evidence to support the additional pending bills of Kshs. 1,888,080,377. The Committee also observed that the County Executive settled pending bills amounting to Kshs. 570,170,549 in the current financial year out of an outstanding Kshs. 2,458,250,926. The Committee noted with concern that the County Executive	The Committee recommends: 1. that the County Executive pay verified pending bills of at least Ksh. 1 billion by the end of this financial year and the balance by the end of the financial year 2025/2026; and 2. that- i. pursuant to paragraph 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, the County Executive prepares and submits to the Controller of Budget a payment plan prioritizing	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					<p>payment of pending bills as a first charge on the County Revenue Fund, failure to which the Controller of Budget shall be at liberty to deny the approval of budget releases in the subsequent quarters;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by the County Executive to clear inherited pending bills when approving exchequer releases;</p> <p>iii. moving forward, the County Executive to only pay pending Bills contained in their procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance</p>	
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					<p>Management (County Governments) Regulations;</p> <p>iv. the County Executive prepares its supplementary budget in the 3rd Quarter to curb instances of arbitrary re- allocations out of the approved budget estimates;</p> <p>v. the County Executive, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>vi. the County Executive to conduct public participation while</p>	
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					formulating supplementary budgets, failure to which the Controller of Budget shall not approve the supplementary budgets.	
<b>OTHER MATTERS</b>						
6	<b>Budget and Budgetary Controls</b>	There was underfunding of Kshs. 1,633,313,823 or 17% of approved budget. Under-utilization of Kshs. 1,636,673,615 or 17% of the budget.	The under-absorption is due to late exchequer releases from National Treasury.	The Committee observes that the County Executive did not receive exchequer releases from the National Treasury on time.	The Committee recommends that the National Treasury ensures timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.	Continuous
7	<b>Unresolved prior year matters</b>	Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates	The prior year audit matter was addressed to in responses submitted to the Senate.	The committee observed that issues from previous financial years had not been resolved. The Committee further observed that the County Executive was in breach of section 53 of the Public Audit Act (Cap. 412B)	The Committee recommends that the County Executive complies with section 53 of the Public Audit Act (Cap. 412B) by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adoption of this report.	Report back to the senate on the status of compliance with the recommendations within



				and had also ignored the PSASB reporting templates.		sixty (60) days of the adoption of this report.
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>						
8	<b>1.0 Irregularities in Human Resource Management</b> <b>1.1 Non-Compliance with Fiscal Responsibility Principle on Wage</b>	Compensation of employees representing 44% of the total receipts	The Wage bill has reduced from the prior year 57% to 44%. The County endeavours to further reduce the wage bill to 35%.	The Committee observed that the expenditure on compensation of employees exceeded the threshold of 35% prescribed by the Section 107(2) (c) of the Public Finance Management Act (Cap. 412A) and Section 25(1) (b) of the Public Finance Management (County Government) Regulations, 2015.	The Committee recommends that— 1) the County Executive strictly adheres to the provision of paragraph 25(1)(b) of the Public Finance Management (County Government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35% of the county's total revenue; 2) the County Executive puts in place measures to enhance own source revenue collection to address the high wage bill gap; and 3) the County Executive provides to the Auditor General a status report of measures put in	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					place to contain the high wage bill within sixty (60) days of the adoption of this report.	
	<b>1.2 Irregular Payment of Special House Allowances</b>	Fifty-two (52) employees were irregularly paid special house allowances amounting to Kshs.4,832,974 during the year in addition to the regular house allowance applicable for their designations.	The special house allowance was paid to employees in line with SRC circular dated 11 <sup>th</sup> December, 2014. Those earning special house allowance were employed before December 2014.	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					Public Prosecutions for prosecution.	
	<b>1.3 Failure to Maintain Staff Establishment</b>	The County Executive did not have an approved staff establishment in place.	The County is in the process of preparing staff establishment.	The Committee observed with concern that the County Executive was yet to formulate a staff establishment more than a decade since the commencement of the County Government.	The Committee recommends that the County Executive expedites the development and approval of its staff establishment and a status report be submitted to the Auditor General for verification.	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.
	<b>1.4 Non-Adherence to Recruitment Thresholds for Persons with Disabilities</b>	The County Executive had eighty-three (83) persons with disabilities, representing three percent (3%)	The County has established an entire department headed by a chief officer for people living with disability and will make sure more PLWDs are employed	The Committee observed only three percent (3%) of the staff in the County Executive were persons with disabilities. This is below the five percent (5%) threshold provided	The Committee recommends that the County Executive, in coordination with the County Public Service Board, progressively ensures that in future employments, at least five percent (5%) of the staff in the County Executive were persons with	Report back to the senate on the status of compliance with the recommendation

				under Article 54(2) of the Constitution.	disabilities as provided under Article 54(2) of the Constitution. The Committee further recommends that the Auditor General provide status of compliance with Article 54(2) of the Constitution in the subsequent audit cycle.	s within sixty (60) days of the adoption of this report.
	<b>1.5 Irregular Engagement of Casual Employees</b>	Casual employees were engaged continuously for more than three (3) months.	The employees were engaged as casual workers waiting the approval from the county public service board to employ them on permanent terms. (Annex 6 of response).	The Committee observed that the County Executive admitted that it had hired casual workers under pretext as the intention is to employ permanent and pensionable employees, stating that the County Executive was “waiting the approval from the County Public Service Board” to employ the casual workers. The County Executive therefore breached sections	The Committee recommends that the employees engaged as casual workers with the intention of employing them on permanent and pensionable term in breach sections 59(1)(b) and 63(1) of the County Governments Act (Cap. 265) be dismissed forthwith. The Committee further recommends that pursuant to section 63(2)(a) of the County Governments Act (Cap. 265), the respective county chief officer(s) properly requests the County Public Service Board to recruit the employees it requires to	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

				<p>59(1)(b) and 63(1) of the County Governments Act (Cap. 265) by illegally engaging casual workers with the intention of employing them on permanent and pensionable terms thereby usurping the powers of the County Public Service Board.</p>	<p>employ and in accordance with the County human resource policy and the allocation of funds in the budget.</p> <p>That upon receiving a request made pursuant to section 63(2)(a) of the County Governments Act (Cap. 265), the County Public Service Board recruits required employees in accordance with Part VII of the County Governments Act. The Committee also recommends that the County Governor undertakes administrative action against the officer(s) who breached sections 59(1)(b) and 63(1) of the County Governments Act (Cap. 265) by illegally engaging casual workers with the intention of employing them on permanent and pensionable terms and provide a status report to the Auditor-General</p>	
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					within sixty (60) days of the adoption of this report.	
	<b>1.6 Employees Earning Less Than One Third of the Basic Pay</b>	One hundred and sixty-six (166) employees were receiving net salaries that were less than one third of their respective basic salaries	We have taken measures to ensure employee do not overcommit their salaries. Administrative action by transferring the payroll manager. (Annex 7 of response)	The Committee observed that the County Executive is in breach of section 19(3) of Employment Act (Cap. 226).	The Committee recommends that the County Executive forthwith ensures compliance with section 19(3) of Employment Act (Cap. 226). The Committee further recommends that the Auditor General provide status of compliance with section 19(3) of Employment Act (Cap. 226) in the subsequent audit cycle.	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.
	<b>1.7 Employees Retained in Service Beyond the Mandatory Retirement Age</b>	Six (6) employees had reached the mandatory retirement age of sixty (60) years but were retained in the service without any justification	These employees are PLWDs and their retirement age is sixty- five (65) years and that is why they are in payroll despite reaching six (60) years. (Annex 8 of the response)	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section	Report back to the senate on the status of compliance with the recomm

					<p>156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.</p>	<p>endation s within sixty (60) days of the adoption of this report.</p>
	<p><b>1.8 Processing of Salary Outside the IPPD</b></p>	<p>Seven hundred and thirty-five (735) employees were paid using a manual payroll.</p>	<p>These are employees who don't have personal numbers and they include the two hundred fifty-two casual works, one Hundred thirty-six Locum workers and new employees including County chief officers who are</p>	<p>The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap.</p>	<p>Report back to the senate on the status of compliance with the recommendation s within</p>

			waiting personal numbers.		412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	sixty (60) days of the adoption of this report.
9	<b>2.0 Project Status and Implementation</b> <b>2.1 Failure to Label County Projects</b>	Five (5) projects valued at Kshs.93,575,184 were not labelled despite provisions for branding of Kshs.50,000 in the Bill of Quantities	Labeling and branding have now been implemented as evidenced by the attached photographs. See Annex 9.	The Committee observed that the County Executive breached section 32(3)(a) of the Public Procurement and Asset Disposal Act (Cap. 412C) and only complied after the Committee requested for responses to the issues raised by the	The Committee recommends that the County Executive ensures compliance with section 32(3)(a) of the Public Procurement and Asset Disposal Act (Cap. 412C) in all relevant county projects. The Committee further recommends that the Auditor General provide status of verifies compliance as reported by	Report back to the senate on the status of compliance with the recommendations within sixty (60)



				Auditor General on the audit.	the County Executive in the subsequent audit cycle.	days of the adoption of this report.
	<b>2.2 Stalled Projects</b>	Inspection of projects carried out in September, 2024 revealed that seventeen (17) projects with a total contract sum of Kshs.504,292,598 had stalled and the contractors were not on site.	The committee has been appointed to undertake a comprehensive inspection of all stalled projects to determine the reasons for their stagnation and provide the way forward. See Annex 10.	The Committee observed with the concern that the County Executive has seventeen (17) projects with a total contract sum of Kshs.504,292,598 stalled thus losing the county value for money spent.	The Committee recommends as follows: 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report; 2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					<p>budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The EACC to investigate the projects from inception with a view of causing prosecution of the County CEO and the CECM, Finance and Economic Planning for possible loss of funds and provide a status report to the Office of the Auditor General and the Senate within ninety (90) days from the adoption of this report;</p> <p>4. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
	<b>2.3 Completed Projects Not Put into Use</b>	Eight (8) projects valued at Kshs.207,158,971 initiated in the previous financial years were completed in the	The status of the project is as follows.	The Committee observed that the projects has been put to use.	The Committee recommends that the County Governor undertakes administrative action against the	Report back to the senate on the

		year under review but had not been utilized.		The Committee further observed that the county executive did not provide the status to the Auditor-General during the audit process.	officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	status of compliance with the recommendations within sixty (60) days of the adoption of this report.
	<b>2.4 Incomplete Equipping and Extension of Baraki and Maalimin Water Pipeline</b>	A local contractor was awarded a tender for equipping and extension of fifty-six (56) kilometer pipeline between Baraki and Maalimin at contract sum of Kshs.219,827,435.	The contractor resumed to the site a week after verification. The water demand of Maalimin is 114m <sup>3</sup> per day, while the	The Committee observed that the county executive did not provide the status to the Auditor-General	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the	Report back to the senate on the status of complia

		<p>The project is incomplete with only 35km of pipeline laid and two substations not done. Further, the project may not be feasible with three boreholes yielding a total of 66 cubic meters while the collector can only carry 22 cubic meters. In addition, the distance between the two substations is 24km and the ground is inclined.</p>	<p>pipeline discharges 22m<sup>3</sup> per hour, totaling 220m<sup>3</sup> per day. This pipeline was designed eight years ago when the demand was significantly lower. An additional booster station was installed between the substations to shorten the distance between the two substations. See Annex 11.</p>	<p>during the audit process.</p>	<p>Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigate breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.</p>	<p>in line with the recommendations within sixty (60) days of the adoption of this report.</p>
	<p><b>2.5 Incomplete Construction of Garissa County Referral Hospital Medical Records Offices</b></p>	<p>Construction of Garissa County Referral Hospital Medical Records Offices at a contract sum of Kshs.11,859,01 had completion date of September, 2024. However, an inspection conducted in September, 2024 revealed</p>	<p>The contractor requested for an extension which was granted. Attached is the certificate of Practical Completion Certificate and the Final Inspection</p>	<p>The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in</p>	<p>Report back to the senate on the status of compliance with the</p>

		that an estimated 60% of the works had been completed but the contractor was not on site.	Report. See Annex 12.		accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	recommendations within sixty (60) days of the adoption of this report.
	<b>2.6 Incomplete Construction of Parking and Fencing at Qorahey</b>	The demolition and construction of parking and fencing at Qorahey market in at a contract sum of Kshs.19,467,404. The project was supposed to be completed by 30 June, 2024. The project inspection conducted in September, 2024 revealed that the project was	An approved extension of the project period was granted. The project is complete and all works as per the contract specifications. All relevant supporting documents, including the Practical	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance	Report back to the senate on the status of compliance with the recommendation

		incomplete and the contractor was not on site.	Completion Certificate, Handover, are attached See Annex 13		Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	s within sixty (60) days of the adoption of this report.
	<b>2.7 Incomplete Fencing of Agricultural Training Centre</b>	Fencing of the Agricultural Training Centre at a contract sum of Kshs.27,365,320 had a completion date of 28 April, 2024. Project inspection conducted in the month of September, 2024 revealed that portions of the perimeter wall had collapsed due to the impact of flooding. Also, there was encroachment by the local	Following the subsidence of the floods, the contractor requested for extension of time. The project engineer, alongside the inspection team, assessed the damage and agreed with the contractor that the encroached area needed to be cleared	The Committee observed that the project was still incomplete and verification by the Auditor-General indicated that the contractor was still not on site.	The Committee recommends that the County Executive forthwith ensures that the project is completed as per the contract terms. The Committee further recommends that the Auditor General provide status of compliance in the subsequent audit cycle	Report back to the senate on the status of compliance with the recommendations within sixty

		community and the contractor was not on site.	before resumption of works. Despite the clearance of the encroached area and the formal invitation to resume work, the contractor failed to return to the site. See Annex 14.			(60) days of the adoption of this report.
	<b>2.8 Upgrading to Bitumen Standard of Bulla Madina - Dobale Road</b>	Upgrading to bitumen standards of Bulla Madina-Dobale Road at a contract sum of Kshs.39,219,843 with an expected completion date of 16 October, 2024. Inspection conducted in September, 2024 revealed that the road was in the base stage with estimated progress of work at 70%. However, the contractor was not on site.	The project is complete and has been inspected for compliance with the contract specifications and quality standards. Attached herewith are the Practical Completion Certificate, Final Inspection Report which details the final status of the project. See Annex 15	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	
10	<b>3.0 Irregular Operation of Bank Accounts</b>	The County operated irregularly three (3) County Payroll accounts held in three (3) commercial banks.	The salary accounts were operated because, the IFMIS system is not integrated with the payroll system. The County Government has taken corrective measures to close the salary accounts. See Annex 16	The Committee observed that the County Executive had written to two commercial bank requesting closure of salary accounts. The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.



					where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	
11	<b>4.0 Failure to Transfer Functions to Established County Entities</b> <b>4.1 Procurement of Food Donations</b>	The County procured foodstuffs worth Kshs.34,471,550 for flood victims. However, Management did not explain why the donations could not be procured and managed by the existing Garissa County Emergency Fund.	There is a separate budgetary allocation for donations and emergency response under the finance budget. See Annex 17	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the</p>	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					matter to the Director of Public Prosecutions for prosecution.	
	<b>4.2 Procurement of Street Lighting for Garissa Township Municipality</b>	The County engaged local contractors for solarization and street and street lighting in Garissa Township at contract sums of Kshs.23,996,688 and Kshs19,496,178. respectively. The functions lie within the Mandate of the municipality.	The budget for the execution of these projects was allocated under the Department of Urban Development, the municipalities were actively involved in the implementation process. The municipalities were responsible for project inspection to ensure that the contractors adhered to the agreed standards and specifications.	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					Public Prosecutions for prosecution.	
	<b>4.3 Procurement of Items for Garissa Water and Sewerage Company and Masalani Water Supply Project from Recurrent Vote</b>	<p>The County procured aluminum sulphate and laboratory items worth Kshs.9,582,000 and Kshs.12,0834,281 on behalf of Garissa Water and Sewerage Company and Masalani Water Supply Project respectively. Management did not explain why the items could not be procured by the respective water companies.</p>	<p>The Garissa Water and Sewerage Company encountered financial challenges that hindered its ability to procure essential. The County Government allocated a budget for this item which was incorporated in the procurement plan.</p>	<p>The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>

12	<b>5.0 Irregular Payments to the Frontier Counties Development Council</b>	The County Executive paid Kshs.3,000,000 to Frontier Counties Development Council. As a result, the payment made to the entity for undisclosed services provided	This is a subscription paid to the regional blocks	The Committee observed that the transfer to the Frontier Counties Development Council (FCDC) amounting to Kshs.3, 000,000 to fund their operational expenses contravened section 37 of the Intergovernmental Relations Act (Cap. 265F)	The Committee recommends that the County Executive forthwith stops the irregular payments to the Frontier Counties Development Council (FCDC)) and further recommends the surcharge of any officer who continues to make the irregular contribution. The EACC should oversee the recovery of all the public funds irregularly transferred to the Frontier Counties Development Council (FCDC)) by the Governor. This is in line with the Resolution of the Senate.	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.
13	<b>6.0 Failure to Submit Financial Statement for County Entities</b>	Management did not prepare and submit to the Auditor-General financial statements of Garissa Rural Water and Sewerage Company for the financial year ended 30 June, 2024.	This is a newly formed corporation whose board members were yet to be appointed and was not operational during the year.	The Committee observed that the county executive did not provide a charter to confirm when the Water company was established. The Committee observed that the county executive	The Committee recommends that the County Executive complies with section 164(4)(a) of the Public Finance Management Act. The Committee recommends that the County Governor undertakes administrative action against the	Report back to the senate on the status of compliance with the recommendation

				<p>did not provide the documents to the Auditor-General during the audit process.</p>	<p>officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.</p>	<p>s within sixty (60) days of the adoption of this report.</p>
14	<p><b>7.0 Failure to Publish and Publicize Procurement Contracts</b></p>	<p>Management did not provide evidence to confirm that procurement contracts entered into during the year were published on the County</p>	<p>The County Executive published all contracts. Attached is a copy of attached contracts. See Annex 18.</p>	<p>The Committee observed that the county executive did not provide the documents to the Auditor-General</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the</p>	<p>Report back to the senate on the status of complia</p>

		Executive's notice boards and website as required.		during the audit process.	Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	nce with the recommendation s within sixty (60) days of the adoption of this report.
15	<b>8.0 Failure to Implement E-Procurement</b>	The County had not implemented e-Procurement system hence goods, works and services were procured through manual procurement system.	The failure of the current e-procurement system significantly affected the procurement process that resulted in delays that necessitated use of	The Committee observed that the County Executive breached regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020.	The Committee recommends that the County Executive strictly complies with regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020.	Report back to the senate on the status of compliance with the

			manual system. See attached Annex 19.			recommendations within sixty (60) days of the adoption of this report.
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
16	<b>1.0 Failure to Appoint County Chief Officers</b>	The County Executive did not have chief officers for all its departments. Departmental directors were designated to act as chief officers for the departments.	The county government of Garissa has substantive chief officers recruited by the county public service board and vetted by the assembly. See Annex 20	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	
17	<b>2.0 Lack of Substantive County Public Service Board Chairman</b>	The contract for the Chairperson of the County Public Service Board expired in February, 2024. However, as at September, 2024 when the audit was carried out, a substantive chairperson to the Board had not been appointed.	The county is in the process of recruiting a suitable person for the position	<p>The Committee noted that the County Executive had not demonstrated steps taken to appoint the Chairperson of the County Public Service Board.</p> <p>The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.</p>	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.



					Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	
18	<b>3.0 Unconfirmed Existence of County Motor Vehicles</b>	Motor vehicles inventory for the year under review was not provided for audit. As a result, it was not possible to confirm the total number of County vehicles deployed to various County departments and their condition.	The motor vehicle inventory is hereby attached for review. See Annex 21	The Committee observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers,	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.	
19	<b>4.0 Ineffective Internal Audit Unit and Audit Committee</b>	The County Executive has not established an Audit Committee. Further, during the financial year under review the department did not submit any report.	The county government had advertised the recruitment of audit committee members through the county public service board and the board is still in the process of recruiting. See Annex 22.	The Committee observed that the County had advertised for the recruitment of members of the audit committee but the internal audit is not yet functional. The Committee further observed that the county executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) or (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

					matter to the Director of Public Prosecutions for prosecution.	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF KAKAMEGA COUNTY EXECUTIVE  
FOR THE FINANCIAL YEAR 2023/2024**

**Basis for Qualified Opinion**

<b>No</b>	<b>Audit Query</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
1	<b>Accuracy of Cash and Cash Equivalents Unsupported Unpresented Cheques</b>	The bank reconciliation statements for the month of June, 2024 for operations account, development account, recurrent account reflects balances of Kshs.259,627,667, Kshs.676,917,047 and Kshs.807,287,978 respectively, in respect of unpresented cheques which were not supported by schedules indicating dates when they eventually presented	Management have again provided support schedules for unrepresented cheques indicating dates when they were presented for your audit review.	The management did not provide the OAG the relevant documents to support the bank statements.	1) The Institute of Certified Public Accountants (ICPAK) takes action(s) against the Head of Treasury for failure to do bank reconciliations which constitutes professional negligence pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531 and reports to the Committee within 60 days of the	60 days from the date of the adoption of this report

					<p>adoption of this report.</p> <p>2) The Office of the County Governor (CEO) undertakes administrative action against the responsible officer(s) who fails to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of</p>	
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					<p>this report; and</p> <p>3) The County Executive to identify the training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within sixty (60) days of the adoption of this report.</p>	
2	<b>Receipts in Cash Book not Recorded in Bank Statements</b>	<ul style="list-style-type: none"> <li>Receipts in cash book not recorded in bank statements balances of Kshs.256,593, 126, Kshs.670,654, 440 and</li> </ul>	Failure to bank the receipts promptly was because they were received towards the end of the Financial Year 2023/2024, i.e. 30 <sup>th</sup> June 2024 and posted in the cash	1. The management did not provide the OAG the relevant documents to support the bank statements.	1) The ICPAK takes action(s) against the Head of Treasury for failure to do bank reconciliations which constitutes professional negligence	60 days from the date of the adoption of this report

		<p>Kshs.781,055, 620 respectively</p> <ul style="list-style-type: none"> <li>• No explanation was provided for failure to bank the receipts promptly.</li> </ul>	books as at 30 <sup>th</sup> June 2024	<p>2. The county did not meet its own-source revenue targets.</p>	<p>pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531 and reports to the Committee within 60 days of the adoption of this report.</p> <p>2) The Office of the County Governor (CEO) undertakes administrative action against the responsible officer(s) who fails to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60)</p>	
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					<p>days from the adoption of this report; and</p> <p>3) The County Executive to identify the training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within sixty (60) days of the adoption of this report.</p>	
3	<b>Unconfirmed Outstanding Imprests and Advances Balance</b>	<ul style="list-style-type: none"> <li>Management did not maintain an updated imprest register indicating details of payees and amounts, imprest warrant number, date</li> </ul>	<ul style="list-style-type: none"> <li>The initial imprest register that was provided was indeed missing some of the information as stated by the auditor. Management has corrected the a normally</li> </ul>	The outstanding imprest amount of Kshs.18,325,045 had not been surrendered and no documents were provided to the auditor for verification. This was contrary to Regulation 93 (5) of the Public Finance and	<p>1) The recovery of the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation; and</p>	60 days from the date of adoption of this report



		<p>of issue, due date and date of surrender</p> <ul style="list-style-type: none"> <li>• Imprest of Kshs.18,325,045 remained outstanding, no explanation provided for failure to have the imprests recovered as at 30 June, 2024 although the balances were due for surrender by that date.</li> </ul>	<p>by including all the necessary information.</p> <ul style="list-style-type: none"> <li>• The outstanding imprests of Kshs.18,325,045 are held by staff who had disciplinary issues and were dismissed from employment and removed from the County payroll. Management is in the process of recovering this money from them and has already written demand notices to them for recovery.</li> </ul>	Management (County	2) The sanction and surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015 within 60 days from the date of adoption of this report.	
<b>OTHER MATTER</b>						

4	<b>Budgetary control and performance</b>	<ul style="list-style-type: none"> <li>• Under-funding of Kshs.2,813,177,256 or 18% of the budget.</li> <li>• Under-expenditure of Kshs.2,802,532,824 or 18% of the budget.</li> </ul>	<ul style="list-style-type: none"> <li>• There was a shortfall of own source of revenue of Kshs, 850,310,954 that was not collected</li> </ul>	<p>1) there was under-utilization of appropriated funds by the County Executive as a result of delay in exchequer releases by the National Treasury; and</p> <p>2) the county did not meet its own-source revenue targets.</p>	<p>1) the National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012.</p> <p>2) The Office of the County Governor puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.</p>	Continuous
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	<b>Pending Accounts Payable</b>	Some of the pending accounts payable relate to the period between 2015/2016 and 2022/2023 and Management did not explain why old pending bills had not been paid	<ul style="list-style-type: none"> <li>• Pending bills dating back to FY2016/2017 because of the following reasons:</li> <li>• Long and tedious process of verification of the authenticity of the authenticity of the pending bills.</li> <li>• Inadequate budgetary provision surmounted with scarce resources and many competing needs</li> <li>• Delays in exchequer disbursements from the National treasury causing</li> </ul>	<p>The management did not provide clear evidence on how it intends to clear pending bills.</p> <p>The management had breached Section 41(2) of PFM County Governments Regulation, 2015</p>	<p>1) All County Governments pay verified pending bills amounting to less than Kshs. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2025/2026.</p> <p>2) That;</p> <p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015,</p>	60 days after the date of adoption of this report
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			cashflow challenges		County Governm ents prepare and submit to the Controller of Budget, a payment plan, prioritizin g payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequen t quarter budget releases will not be done;	
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					<div><div>ii.</div><div>the Controller of Budget takes into considerat ion the efforts made by a county governme nt to clear inherited pending bills when approving exchequer releases;</div></div> <div><div>iii.</div><div>County Governm ents shall only pay pending Bills contained in their respective procurem ent plans pursuant to Regulatio n 50 (2) &amp;</div></div>	
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					<div>iv. (3) of the Public Finance Management (County Governments) Regulations; pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</div> <div>v. pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management</div>	
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					<p>ent (County Governm ents) Regulatio ns; vi. pursuant to Regulatio n 50 (2) &amp; (3) of the Public Finance Managem ent (County Governm ents) Regulatio ns;</p>	
6	<b>Unresolved prior year matters</b>	<ul style="list-style-type: none"> <li>In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and</li> </ul>	<ul style="list-style-type: none"> <li>Management has implemented most of the recommendati on given by the auditor in the prior year matters, this is well illustrated in the audited financial</li> </ul>	The management had solved most of the audit queries.	The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	Continuous

		Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management did not resolve the issues or give any explanation for the delay in resolving the issues	statements of FY 2023/2024 under Annex number 9. Management is awaiting the auditors' resolutions.			
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>						
7	<b>Non-Compliance with Law on Ethnic Composition of Staff</b>	Review of records maintained by Management revealed that the County Executive had 6,688 employees as at 30 June, 2024. However, it was noted that 6,077 members of staff or 91% are from one dominant ethnic community	Majority of these employees were employed before Section 65(1)(e) of the County Governments Act 2012 came into operation and they were later on inherited from the defunct Local Authorities and Devolved Ministries by the County Government.	6,077 or 91% members of the staff were from the dominant ethnic community, contravening Section 65(1)(e) of the County Government Act 2012	<ol style="list-style-type: none"> <li>1) the County Executives should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of County Government Act on ethnic inclusivity.</li> <li>2) The Standing Committee on NCEORI to</li> </ol>	60 days from the adoption of this report



					explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.	
8	<b>High Wage Bill Above Allowed Threshold</b>	The compensation of employees' payments constitutes forty-five per cent (45%) of the total receipts of the County Executive for the year under review contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the payments should not exceed 35% of the County	Management acknowledges the auditor observation on the above subject matter. However, the management was slightly above the threshold provided by the above section of the law.	The management failed to explain the measures put in place to address the huge wage bill, contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.	<ol style="list-style-type: none"> <li>1) the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue.</li> <li>2) the county executive puts in place measures to enhance own source revenue collection in order to address</li> </ol>	60 days from the date of adoption of this report

		Executive total revenue			high wage bill gap.	
9	<b>Non-Adherence to the One-third Basic Salary Rule</b>	Review of the Integrated Payroll and Personnel Database (IPPD) for the year under review revealed that one thousand and fifty-five (1,055) employees had net pay that was less than one-third of their respective basic salaries, contrary to the requirements of Section 19(3) of the Employment Act, 2007	<p><b>Reason No. I</b></p> <ul style="list-style-type: none"> <li>It has been established that some of the staff captured in the report as having less than a third of their pay had either been interdicted or suspended.</li> </ul> <p><b>Reason No. II</b></p> <ul style="list-style-type: none"> <li>The introduction of the new mandatory statutory deductions rates for NSSF, SHA and Housing Levy to all staff at the beginning of the financial year over-committed pay slips</li> </ul>	One thousand and fifty-five (1,055) employees had net pay that was less than one-third of their respective basic salaries, contrary to the requirements of Section 19(3) of the Employment Act, 2007.	<p>1) The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate the issue of non-compliance with the one-third of basic salary rule as well as compliance with the requirements of law.</p> <p>2) The county should configure its IPPD system such that it</p>	60 days from the date of adoption of this report

					<p>can lock out commitments beyond the accepted thresholds.</p> <p>3) The Auditor General to keep the matter in review in the subsequent audit cycle.</p>	
10	<b>Delayed and Stalled Projects</b>	<ul style="list-style-type: none"> <li>During the year in relation to ten (10) on-going projects some dating back to the period 2014/2015 costing Kshs.7,244,942,214 at the department of Health Services.</li> <li>These projects had stalled at various stages of implementation and no reasons were given for their stalling despite their</li> </ul>	<ul style="list-style-type: none"> <li>The previous regime was too ambitious and really overcommitted on development projects since most of these projects are heavy capital intensive and cannot be implemented effectively as anticipated due to the County Government's limited resources leading to inadequate</li> </ul>	No documentary evidence was provided to show the current status of the project, contrary to Section 108(3) of the Public Finance Management Act, 2012.	<p>1) The Management establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as</p>	60 days from the date of adoption of this report

		<p>contract period having lapsed.</p> <ul style="list-style-type: none"> <li>• During the year under review, Management initiated projects costing Kshs.527,298,68</li> </ul> <p>8. No explanation was provided on why Management commenced new projects without completing the already existing incomplete and stalled projects.</p>	<p>budgetary allocation to complete them as scheduled.</p> <ul style="list-style-type: none"> <li>• Consistent delays in exchequer disbursements to County Governments by the National Treasury leading to delay in settlement of raised certificates by contractors hence their withdrawal from project sites.</li> </ul>		<p>provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015.</p> <p>2) The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report</p>	
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					3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
11	<b>Other Delayed and Stalled Projects Mumias Slaughter House</b>	Mumias Slaughter House at contract sum of Kshs.19,649,884 for a contract period of six (6) months, on 3 March, 2023. Review of the project status and physical verification conducted on 2 September, 2024 revealed that certified works to date amounted to Kshs.7,999,928 and the slaughter house had already been put to use with unfinished toilets, unfixed doors, incomplete flooring, uninstalled fire	<b>The delay in completion of the project was as a result of several factors which includes:</b> <ul style="list-style-type: none"> <li>• The contractor took long to take up the site due to resource, material and equipment mobilization.</li> <li>• Delay in getting approval from state agencies e.g NEMA license. The stalling of works on the above project</li> </ul>	1) No documentary evidence was provided to show the current status of the projects, contrary to Section 108(3) of the Public Finance Management Act, 2012. 2) No evidence of payment of Kshs. 7,431,917 to the contractor to complete works	1) The Management establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance	60 days from the date of adoption of this report

		<p>protection services, unworked cold room, undelivered elevated steel water tank and incomplete fencing works as per the bills of quantities.</p>	<p>was occasioned by a delay in settling the certificate of payment raised by the contractor of Kshs.7,431,917 due to delays in exchequer release by the National Treasury</p>		<p>Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015.</p> <p>2) The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report</p> <p>3) The EACC to investigate the project from</p>	
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					<p>inception with a view of causing prosecution of The Office of the County Governor and the CECM, Finance and Economic Planning for possible loss of funds and provide a status report to the Office of the Auditor General and the Senate within sixty (60) days from the adoption of this report; and</p> <p>4) The OAG to keep the matter in view and provide a status update to the Committee in</p>	
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					the subsequent audit cycle.	
7	<b>Implementation of Road Projects</b>	<p>Ingotse-Navakholochebuyus Road and Butali-Malekha Road at a contract sum of Kshs.448,491,907 and Kshs.257,868,967 respectively. However, the respective project status reports indicate that the projects were behind their completion schedules at 40% and 22% respectively, despite the County Executive having spent a total of Kshs.216,439,820 on both projects as at the time of audit in September 2024.</p>	<p>Delay in relocation of services by service providers; Delayed response to relocate power poles by Kenya Power, from the proposed road corridor led to inconveniences to the contractor which contributed to delayed delivery of the project.</p> <p>Delayed response from the Kenya forest Services to approve felling of trees located within the proposed corridor; Request and reminders to the Chief conservator to approve felling of trees along the stretch. Bunyala Forest Reserve have not been responded to. The first request</p>	<p>1) Management failed to provide relevant documents to resolve pending matters with government agencies.</p> <p>2) Management did not provide minutes of meeting between Deputy County Commissioner and the County and its resolutions and follow up.</p> <p>3) Management failed to provide a list of areas and stretch</p>	<p>The Ethics and Anti-Corruption Commission to cause the investigation of the accounting officer and the responsible officers for the possible loss of public funds with a view to instituting the prosecution of the culpable officer(s) for the offences.</p>	60 days from the date of adoption of this report



			<p>was made on 17th March, 2022.  A meeting chaired by the deputy County Commissioner was convened and another letter done by Forest station manager- Bunyala reference B/12/1/20 Dated 23/10/2023 on the same subject matter but to-date no response has been received hence has significantly delayed progress and completion of works.  Land encroachment/ acquisition issues; A pending land court case affecting 0.5km section of the road has led to suspension of construction works within that section. This has in turn contributed to delayed delivery.</p>	<p>of the road that was encroached and details of court cases.</p> <p>4) Management failed to provide explanation on why payment request amounting to Kshs. 41 million was not paid despite having budgetary provision to settle the bills.</p>		
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8	<b>Rehabilitation of Kilimani Secondary School Water Supply</b>	<p>The rehabilitation of water supply within Likuyani Sub-County at a contract sum of Kshs.4,089,406. As at the time of audit in September 2024, the contractor had been paid a sum of Kshs.3,057,006 or 75% of the contract sum.</p> <p>Field verification conducted on 6 September, 2024 revealed that the project was incomplete with marker posts not fixed, no signpost erected and branding of the tank had not been done as per specification in the bills of quantities.</p>	<p>Management has noted and states that the identified uncompleted works were actually completed except branding of the water tank however due to insecurity the sign post and marker post was vandalised. At the time the auditors were on the site the vandalised sign post and marker post had not been replaced.</p>	<ol style="list-style-type: none"> <li>1) The works remained incomplete over three years</li> <li>2) Management failed to demonstrate commitment to complete the stalled project</li> </ol>	<p>The Ethics and Anti-Corruption Commission to cause the investigation of the accounting officer and the responsible officers for the possible loss of public funds with a view to instituting the prosecution of the culpable officer(s) for the offences</p>	<p>60 days from the date of adoption of this report</p>
9	<b>Completion of Construction of St. Monica Mungoma</b>	<p>Construction of a water supply project within Likuyani Sub-County at a contract sum of</p>	<p>Management has recalled the contractor back on site to complete the remaining works</p>	<ol style="list-style-type: none"> <li>1) No documentary evidence was provided to</li> </ol>	<p>The Ethics and Anti-Corruption Commission to cause the investigation of the accounting</p>	<p>60 days from the date of adoption of this report</p>

	<b>Water Supply Project</b>	<p>Kshs.18,906,411. As at the time of audit in September 2024, the contractor had been paid a sum of Kshs.15,935,009 or 84% of the contract sum and progress of work was at 85% complete. Field verification conducted on 6 September, 2024 revealed that the project was incomplete with marker posts not fixed no site camp, water pipes were not connected to the newly installed water tank, no water pumps were installed and two (2) signposts were not erected. The new tank was not installed at the newly acquired land as required by the bill of quantities.</p>	<p>and is awaiting the response from the contractor failure to management will institute the process of terminating the contract. The land that was purchased was meant for construction of the intake works not for storage tank (Elevated Storage Tank). This due to design of the project which was to serve more people at the upper side of the intake. The tank was constructed at St. Monica Primary School (public land after the consent of the school management). This was necessitated to enable distribution of water to a wide coverage by gravity, unlike if the tank would have been</p>	<p>show the current status of the project, contrary to Section 108(3) of the Public Finance Management Act, 2012.</p> <p>2) The management did not explain why the acquired land failed to meet the bill of quantities' specifications for the water intake and storage tank construction</p> <p>3) No police abstract was provided to verify the vandalism.</p>	<p>officer and the responsible officers for the possible loss of public funds with a view to instituting the prosecution of the culpable officer(s) for the offences</p>	
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			installed at the intake site.			
10	<b>Milk Processing Plant Project</b>	<p>Proposed construction of milk processing plant in Malava Sub-County through contract No. 732853-2018/19 signed on 16 September, 2019. The original expected date of completion was 20 November, 2020 which as per the progress report No. 10, dated 19 June, 2024 was revised to 31 October, 2023 for a contract period of 202 weeks. As per the progress report No. 10 dated 19 June, 2024, the contract period had lapsed but the project was incomplete and had stalled at 76.5% with total amount paid to date amounting to</p>	<p>The project was not completed within the initial desired timeframe due to:</p> <ul style="list-style-type: none"> <li>• Insufficient budgetary allocations as a result of scarce resources with too many competing needs.</li> <li>• Delays in settling raised certificates of payments due to non or delays in exchequer disbursements by the National Treasury.</li> <li>• The contractor requested for extension of the contract period which was granted by the accounting</li> </ul>	<ol style="list-style-type: none"> <li>1) The management did not provide an adequate explanation for ensuring project completion.</li> <li>2) The management engaged in procurement irregularities, including failing to eliminate a non-compliant bidder at the preliminary evaluation stage and not following proper evaluation procedures.</li> </ol>	<ol style="list-style-type: none"> <li>1) The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</li> <li>2) The Office of the County Governor undertakes administrative actions against the officers who</li> </ol>	60 days from the date of adoption of this report.

		<p>Kshs.54,253,997 out of the total contract sum of Kshs.108,091,679 or 51%. Review of the procurement process revealed that out of the four (4) submitted bids, one (1) bidder in respect of quote number 728079 was eliminated on the basis of lack of single business permit, which upon confirmation on the Integrated Financial Management System (IFMIS) portal, the permit was attached contrary to evaluation committee's observation. Further, no evidence was provided for audit review on whether due diligence on</p>	<p>officer until 30<sup>th</sup> September, 2024</p> <p><b>Irregular elimination of Dirass Construction and General Supplies Company on the basis of failure to submit a single business permit</b></p> <p>Dirass Construction and General Supplies Company did submit a single business permit as one of the key requirements in the tender document though the document</p>		<p>failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</p> <p>3) The EACC initiates an investigation with view of prosecuting the Head of Procurement for failing to comply with the various provisions of the Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of goods and services</p>	
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		winning bidder was conducted.				
11	<b>Supply, Installation, Delivery and Commission of an Electronic Board Management System(e-cabinet)</b>	delivery and commissioning of an electronic board management system (e-cabinet) to a local contractor at a cost of Kshs.6,426,400. The project was to be completed within three (3) months from the date of the commencement of the contract. Information available indicate that from the date of commencement of the contract, the contractor had only submitted inception report and paid 20% of the contract amount on 30 June, 2023. However, as at the time of audit in	Reasons for delay in project implementation by approximately 1 year and 2 months The reasons for delay in implementing the above project are threefold: Lack of the supporting infrastructure in terms of the hardware required to efficiently deploy the system. The hardware required comprise an IPAD Pro fitted with a magic keyboard and a Stylus pencil to enable easier navigation and signing of electronic documents. Delays in payment to the system vendor for raised	1) The management did not carry out a needs assessment or infrastructure support, leading to the acquisition of software before the necessary hardware  2) The user department failed to prepare a detailed analysis of specification requirements, resulting in incomplete project implementat	The Ethics and Anti-Corruption Commission to cause the investigation of the accounting officer and the responsible officers for the possible loss of public funds with a view to instituting the prosecution of the culpable officer(s) for the offences	60 days from the date of adoption of this report.

		<p>September, 2024 no further progress on work done was provided, the project completion period had lapsed and the project was</p>	<p>invoices of Kshs.3, 200,000 due to cash flow challenges. The main sale agreement clause B and 5.3 clearly provided for compensation of Kshs.5,500,000 to Mr. David Nderitu Gacau of ID No.14462196 who had leased a portion of the land approximately 20 acres for three years and grown sugarcane. The lease agreement was on file and a copy has been provided for your further audit review. Management acknowledges the typing error on the letter of acceptance. However, the correct title number is Kakamega/Nzoia-10/69 as evidenced by the official land</p>	<p>ion due to a lack of critical hardware.</p>		
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			<p>search report from the Ministry of Lands.</p> <p>Management has initiated the completion of the beaconing process and signage has been labelled accordingly. The process of obtaining land ownership documents could not commence until settlement of the full consideration for the land. The vendor was paid in full by end of September 2024 and the process of ownership transfer is now ongoing.</p>			
12	<b>Lack of Owners hip Documents and Lease Agreement for Aggregation Center Land</b>	Purchase of a parcel of land in Likuyani Sub-County at a total sum of Kshs.133,500,000, out of which Kshs.5,500,000 was to be paid into a different bank	The main sale agreement clause B and 5.3 clearly provided for compensation of Kshs.5,500,000 to Mr. David Nderitu Gacau of ID No.14462196 who	1) The management did not provided proof of a lease agreement to justify the payment	1. Sanctions as outlined in Section 62(2) of the Public Audit Act, 2015 against the responsible officer(s) who failed to provide the documents to	60 days from the date of adoption of this report



		<p>account belonging to a lessee of a portion of the land for the cultivation of maize and sugarcane. Lease agreement between the owner of the parcel of land and the alleged lessee was not provided for audit review. In addition, the mode of payment under clause 5 of the sale agreement did not explicitly indicate whether the payments were to be made once or in instalments although the County Government made a payment of Kshs.33,000,000 on 23 February, 2024. sThe letter of acceptance from the land seller dated 30 October, 2023 refers to title No.</p>	<p>had leased a portion of the land approximately 20 acres for three years and grown sugarcane. The lease agreement was on file and a copy has been provided for your further audit review. Management acknowledges the typing error on the letter of acceptance. However, the correct title number is Kakamega/Nzoia-10/69 as evidenced by the official land search report from the Ministry of Lands. Management has initiated the completion of the beaconing process and signage has</p>	<p>of Kshs. 5.5 million to Mr. David Nderitu Gacau.</p> <p>2) No title deed in the name of the County Government of Kakamega has been provided.</p>	<p>the auditors and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; and</p> <p>2. the OAG follow up the matter in the subsequent audit exercise.</p>	
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		Kak/Nzoia/69 and not Kakamega/Nzoia-10/69 indicated in the signed contract	been labelled accordingly. The process of obtaining land ownership documents could not commence until settlement of the full consideration for the land. The vendor was paid in full by end of September 2024 and the process of ownership transfer is now ongoing.			
13	<b>Unexplained Procurement of Fertilizers</b>	The contract price on the addendum was Kshs.661,080,000 (120,000 bags of planting fertilizer at Kshs.2,816 per 25kg bag and 120,000 bags of top-dressing fertilizers at Kshs.2,693 per 25kg bag), thereby occasioning increase in price of Kshs.132,120,000		<p>No evidence was provided that nutrient content performance tests were conducted.</p> <p>The management admitted to the non-submission of the variation report to PPRA and acknowledged that variations were not based on consumer</p>	1) The Kenya Institute of Supplies Management (KISM) takes action(s) against the Head of procurement in Kakamega County for professional misconduct pursuant to Section	60 days from the date of adoption of this report

		<p>or 25% of the contract price. However, no evidence was provided to show that a report on the variation was submitted to the Authority as required by Section 139(5) of the Public Procurement and Asset Disposal Act, 2015.</p> <p>procurement of the farm inputs for the year 2022/2023 was for 90,000kgs each for planting and top-dressing fertilizers, while the addendum to the main contract had 120,000kgs each for planting and top-dressing fertilizers. No justification was provided on the variation of the requisitioned quantities of fertilizers.</p>		<p>price indices from KNBS.</p>	<p>23(1)(d)(i) of the Supplies Practitioner Act 2007 and provides an update to the Committee within 60 days of adoption of this report.</p> <p>2) The EACC initiates an investigation with view of prosecuting the Head of Procurement for failing to comply with the Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of goods and services.</p>	
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14	<b>Failure to Prepare and Submit Financial Statements of Hospitals for Audit</b>	During the year under review, the County Government did not prepare and submit to the Auditor-General, financial statements for County referral hospitals and Sub-County hospitals. This was contrary to Section 164 (1) and (4)(a) of the Public Finance Management Act, 2012	Financial statements were submitted late due to the following underlying challenges faced in preparation i) Capacity of human resource personnel in the Level 4 and 5 Hospitals. ii) financial records not well updated which required time to update and prepare the financial statements. Being the first financial statements to be prepared each Hospital was required to prepare and submit three sets of financial statements i.e. for 2021/2022, 2022/2023 and	The management did not submit some financial statements on time, while others were not submitted at all.	1) The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report
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			2023/2024 which took time		<p>2) The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3) That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing</p>	
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					the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF KIRINYAGA COUNTY EXECUTIVE  
FOR THE FINANCIAL YEAR 2023/2024.**

Basis for Qualified Opinion

**SUMMARY OF UNRESOLVED ISSUES**

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Timeline
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1	<b>Variances Between Financial Statements Balances and Integrated Financial Management Information System (IFMIS) Report</b>	Comparison of Financial Statements and IFMIS Report reflects unexplained variances in the following account balances- Compensation of employees Kshs.6,574,634; Use of Goods and Services - Kshs.65,572,322; Acquisition of Assets- Kshs.(19,297,322) and Other Payments Kshs.(64,576,000)	<ul style="list-style-type: none"> <li>▪ The National Treasury had not loaded all the CBK statements in the IFMIS as at 30th June and this contributed to the variances identified during the audit</li> <li>▪ Adjusted IFMIS reports (statement of receipt and payments, Trial balance) provided.</li> <li>▪ The Public Sector Accounting Standards provides the use of actual payments detail/ledgers report when preparing the trial balance and subsequent financial statement under cash basis of accounting.</li> <li>▪ IFMIS payment details report to support financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▪ The variance in each account balance has not been explained or supported.</li> <li>▪ The adjusted trial balance is not supported by journal vouchers with sufficient explanation, authorization, and documentation.</li> </ul>	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 Days from the date of adoption of this report.

			figures have been attached			
<b>2. Use of Goods and Services</b>						
<b>2.1</b>	<b>Irregular Payment of Revenue Collector's Allowances</b>	Payments amounting to Kshs.4,301,100 paid to revenue officers at various rates for breakfast allowances, working during weekend period, working in non-official working hours and taxi services payments were not supported by approved Policy to guide on the basis of rate of payment.	<ul style="list-style-type: none"> <li>▪ Allowances to revenue officers was based on the rates provided by SRC for lunches.</li> <li>▪ The county has written to SRC seeking the latest guidelines on the payment of allowances to revenue officer working beyond the official working hours.</li> </ul>	The approved policy for the payment of allowances has not been justified or provided	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 Days from the date of adoption of this report.
<b>2.2</b>	<b>Unsupported Training Expenses</b>	<p>Training Expenses payments of Kshs.3,778,000 had the following anomalies;</p> <ul style="list-style-type: none"> <li>•Facilitation request memo done after the interviews were conducted- Kshs.660,000</li> <li>•List of participants not provided- Kshs.600,000</li> </ul>	List of participants, training correspondence and relevant supporting documents provided	<ul style="list-style-type: none"> <li>▪ The requisition for the conference package is dated 7<sup>th</sup> August 2023, while the interviews were conducted between March and June 2023.</li> <li>▪ The number of participants in some invoices exceeded the number of participants on the attendance list.</li> </ul>	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 Days from the date of adoption of this report.



		<ul style="list-style-type: none"> <li>•Evidence of work done not provided-Kshs.450,000</li> <li>•List of participants not provided-Kshs.120,000.</li> <li>•Evidence of fifty (50) participants not provided-Kshs.750,000.</li> <li>•Evidence of participants and facilitators not provided-Kshs.657,000.</li> <li>•Expected or results report not provided-Kshs.540,000</li> </ul>				
<b>3</b>	<b>Lack of Ageing Analysis for Payables.</b>	•Account payables included Kshs.587,410,045 due to suppliers for	The aging analysis for pending account payables has been provided.	▪ Pending bills increased by 48% during the year, with an ageing analysis	1. All County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end	60 Days from the date of

	<b>Long Outstanding Pending Bill</b>	<p>goods, works and services translating to an increase of 48% for the year and was not supported by an ageing analysis.</p> <ul style="list-style-type: none"> <li>•Other pending staff payables amounting to Kshs.22,824,601 was not supported by an ageing analysis.</li> <li>•pending bill status report at the time of audit was not provided.</li> </ul>		<p>provided for pending account payables and staff payables; however, no evidence of payments for these pending bills was provided.</p>	<p>of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and</p> <p>2. That-</p> <p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited</p>	<p>adoption of this report.</p>
		<p>Pending bills balance of Kshs.1,229,536,760, include long outstanding debt balance of Kshs.827,767,929 which did not form a first charge.</p>	<ul style="list-style-type: none"> <li>• Long outstanding pending bill amounting to Ksh. 827,767,929 represents the eligible pending bills amount as contained in OAG report 1 and OAG report 2 on the pending bills.</li> <li>• The County Government has been allocating Kshs 100 million every Financial Year for the settling of this amount</li> </ul>	<p>There is no evidence provided to confirm that the pending bill of Kshs. 827,767,929 was given priority as the first charge to the budget. Only Kshs. 100 million was allocated.</p>		

					<p>pending bills when approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p> <p>v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease</p>	
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					<p>until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>	
4	<b>Non-Disclosure of Bank Balances.</b>	<p>•Kshs.62,500,000 held at a Commercial Bank was not disclosed in the financial statement and the authority to open commercial bank account was not provided for audit.</p> <p>•Variance of Kshs.742,415 on account of FLOCCA Funding was not explained being the difference between amount of Kshs.</p>	<p>•Kshs.62,500,000 expensed in the executive financial statement under acquisition of assets as shown in the IFMIS payment details report.</p> <p>• CECM finance approval to open bank accounts provided.</p> <p>• The total amount transferred from the Consolidated Revenue Fund (CRF) to the FLOCCA special purpose account was Ksh. 134,432,040, as evidenced by the bank statement.</p>	<ul style="list-style-type: none"> <li>▪ The Kshs. 62,500,000 transfers to a commercial bank should not have been expensed but instead included in bank balances.</li> <li>▪ Authority to open a bank account has been provided.</li> <li>▪ The funds were to be utilized through a Special Purpose Account opened at the Central Bank of Kenya (CBK), in accordance with the</li> </ul>	<p>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	60 Days from the date of adoption of this report.

		<p>134,432,040 transferred from County Revenue Fund to County executive and Kshs.133,689,625 reflected in the financial statement.</p> <p>•Similarly, Variance of Kshs.75,000 on account of DANIDA Funding was not explained being the difference between Kshs.15,402,000 transferred to County Executive from County Revenue Fund and Kshs.15,477,000 reflected in the financial statement.</p>	<ul style="list-style-type: none"> <li>• The balance of ksh.75,000 was accounted for as miscellaneous receipt in the audited financial statement.</li> <li>• The total amount incurred under DANIDA amounted to Ksh.15,477,000 as per the audited financial statements.</li> </ul>	Intergovernmental Agreement on the Establishment of County Aggregation and Industrial Parks.	<p>2. Accounting Officer should ensure that all bank balances are accurately disclosed in the financial statements.</p> <p>3. The Accounting Officer should adhere to the financial arrangements outlined in the Intergovernmental Agreement on the Establishment of County Aggregation and Industrial Parks.</p>	
<b>Other Matters</b>						
	<b>Unresolved Prior Year Matters</b>	<p>As at 30 June 2024, Management had not resolved the issues the audit report of the previous year under the Report of the Financial Statements, Report on lawfulness and</p>	<ul style="list-style-type: none"> <li>•The prior year's audit issues were listed as per the template provided by PSASB in the audited financial statement</li> <li>•Action taken on those issues provided.</li> </ul>	The committee noted that Various prior-year audit issues remained unresolved as of 30 June 2024	the County Executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Office of the Auditor General within sixty (60) days of the adoption of this report.	60 Days from the date of adoption of this report.

		Effectiveness in the use of Public Resources and Report of Effectiveness of Internal Controls, Risk Management and Governance.				
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>						
<b>1. Irregularities in Human Resource Management Practices</b>						
<b>1.1</b>	<b>Non-Adherence to Fiscal Responsibility Principle on Wage Bill.</b>	<ul style="list-style-type: none"> <li>•The statement of receipts and payments reflects Kshs.2,613,372,430 as payment for compensation of employees which translates to 49% of the County Executive's total receipts of Kshs.5,356,680,031 exceeding 35% allowable limit provided in the PFM (County Government) Regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Payments for Compensation of employees for the year under review went up due to the phase 1 of salary review by the Salary Review Commission (SRC).</li> <li>• Amount include payment of final tranche of arrears to medics who had been dismissed in the year 2019 and consequently reinstated by the Court.</li> <li>• The percentage of the total revenue spent on payment of emoluments decreased from 44 percent in FY 2022/2023 to 42.87 percent in FY 2023/2024.</li> </ul>	The County Executive's wage bill during the FY 2023/2024 stood at 49% of its total receipts which was above the threshold of 35% stipulated under section 25(1) of the Public Finance Management (County Government) Regulations, 2015.	<ol style="list-style-type: none"> <li>1. The management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue.</li> <li>2. The county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap.</li> <li>3. The management should provide to the Auditor General a status report of measures put in place to contain the high wage bill</li> </ol>	60 Days from the date of adoption of this report.

					within sixty (60) days of the adoption of this report.	
1.2	<b>Non-Compliance with the One Third of Basic Salary Rule</b>	Review of payroll records revealed that two hundred and forty-nine (249) employees with basic pay of Kshs.11,261,061 earned less than a third of basic salary.	<ul style="list-style-type: none"> <li>▪ Change of taxation policy by introduction of new PAYE tax bands effective January 2021. This change had the effect of increasing the PAYE levied on individual officers.</li> <li>▪ Introduction of the Housing Levy Fund requires each employee to pay 1.5% of gross monthly salary to the Fund.</li> <li>▪ Implementation of the National Social Security Fund Act</li> </ul>	The Committee observed that some of the county staff were earning less than a third of their basic pay contravening Section 19 (3) of the Employment Act 2007.	<ol style="list-style-type: none"> <li>1. The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate the issue of non-compliance with the one-third of basic salary rule as well as compliance with the requirements of law.</li> <li>2. The county should configure its IPPD system such that it can lock out commitments beyond the accepted thresholds.</li> <li>3. The Auditor General to keep the matter in review in the subsequent audit cycle.</li> </ol>	60 Days from the date of adoption of this report.
1.4	<b>Non-Compliance with the Law on Staff Ethnic Diversity</b>	•County Executive had employed two thousand three hundred and fifty-seven (2,357) members of staff, out of which two	<ul style="list-style-type: none"> <li>•County inherited Staff from the former local authorities and National Government staff performing devolved functions.</li> <li>•Majority of the positions falling vacant are at the</li> </ul>	There was a lack of ethnic diversity, as 92% of the staff members belong to the predominant ethnic community in the county, contrary to	<ol style="list-style-type: none"> <li>1. The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the</li> </ol>	60 Days from the date of adoption of this report.

		<p>thousand two hundred and sixty-seven (2,267) or 92% of the members of staff are from the dominant ethnic community in the County.</p>	<p>lower levels therefore attracting high numbers of local candidates.</p> <ul style="list-style-type: none"> <li>•The open nature of competitive positions where knowledge of the topography and geographical features of the county is a factor</li> <li>•Highly skilled multi-ethnic staff opting to move to the National Government, or other Counties especially urban Counties or Home Counties.</li> </ul>	<p>Section 7 of the National Cohesion and Integration Act, 2008</p>	<p>County Government Act on ethnic inclusivity.</p> <p>2. The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of the County Government Act, 2012.</p>	
<b>2 Ineffective Management of Contracts</b>						
<b>2.1</b>	<b>Construction of a Three Storey Medical Complex in Kianyaga Sub County Hospital</b>	<ul style="list-style-type: none"> <li>•The initial contract period of 98 weeks expired on 28 August, 2023 from the commencement date of 12 October, 2021. The contract period was extended by 61 weeks from 29 August, 2023 to 29 November, 2024. As at the time of audit in the month of September, 2024, payments of Kshs.216,723,995</li> </ul>	<ul style="list-style-type: none"> <li>• Payments of Kshs. 216,723,995 relates to the Main Contract/ Builder's works whose current completion status is at 87% as evidenced by the progress report.</li> <li>• Stoppage of work due to nonpayment was not attributed to underfunding of the approved budget.</li> <li>• Negotiation reports for procurement of CCTV, Generator, medical gases, PABX, Solar Water heating provided.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The management has provided a progress report indicating a completion status of 87%.</li> <li>▪ There is no evidence of a contract extension since the last approved contract period expired on November 29, 2024. While negotiation reports have been submitted, proof of the current payment</li> </ul>	<p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government)</p>	<p>60 days from the date of adoption of this report</p>



		<p>had been made, translating to 75% of the contract sum of Kshs. 288,867,930. According to implementation status report the completion status was at 70% implying that the project is behind schedule and payment may have made for works not executed.</p> <ul style="list-style-type: none"> <li>•The contractor vide letter dated 24 April, 2024 wrote to the project implementation committee on stoppage of works due to non-payment. The Management attributed the nonpayment to underfunding of the approved budget.</li> <li>•on 14 August, 2023, subcontracts valued at Kshs.137,508,864 which include; CCTV &amp; access</li> </ul>	<ul style="list-style-type: none"> <li>• Delays in the completion of the Main Works by the Main Contractor, the subcontractors work could commence.</li> </ul>	<p>status remains pending.</p>	<p>Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</li> <li>3. Further investigation of the subcontract's procurement process is recommended in view of identifying the irregularities in the procurement process;</li> <li>4. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</li> </ol>	
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		<p>control, Installation of medical gases system, Installation of I.P.P.B.X Telephone instruments &amp; structured cabling works and Installation of solar water heating system were awarded to the contractor of the main works through direct procurement however, no evidence of negotiation with the Supplier.</p> <p>•At the time of audit, in September 2024 the contracts had not been implemented.</p>				
<b>2.2</b>	<b>Construction of Three Storey Medical Complex at Kimbimbi Sub County Hospital.</b>	<p>•Initial contract period of 98 weeks contract expired on 28 August, 2023 from the commencement date of 12 October, 2021. The contract was extended for 61 weeks from 29</p>	<p>Payments made amounting to Kshs.202,050,708, relate to payments made to the Main Contract/ Builder's works whose current completion status is at 85% as evidenced by the progress report.</p>	<ul style="list-style-type: none"> <li>▪ The management has provided a progress report indicating a completion status of 87%.</li> <li>▪ There is no evidence of a contract extension since the last approved contract period</li> </ul>	<p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for</p>	<p>60 days from the date of adoption of this report</p>

		<p>August, 2023 to 29 November, 2024. As at the time of audit, payments amounting to Kshs. 202,050,708 had been made translating to 70% of the contract sum of Kshs.288,867,930. However, according to implementation status report the completion status was at 70% implying that the project is behind schedule and payment may have made for works not executed.</p> <p>•On 14 August, 2023, subcontracts valued at Kshs.137,508,864 which include; CCTV &amp; access control, Installation of medical gases system, Installation of I.P.P.B.X Telephone instruments &amp; structured cabling</p>		<p>expired on November 29, 2024. While negotiation reports have been submitted, proof of the current payment status remains pending.</p>	<p>money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</li> <li>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</li> </ol>	
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		<p>works and Installation of solar water heating system were awarded to the contractor of the main works through direct procurement however, no evidence of negotiation with the Supplier.</p> <p>•At the time of audit, September 2024 the contract had not been implemented</p>				
2.3	<b>Incomplete Ndaba Dispensary at KagaiWard</b>	<p>•The construction contract was awarded at a contract sum of Kshs.12,837,700 with project start date of 22 May, 2021 and completion date on 15 March, 2022 had since expired and no evidence of extension.</p> <p>•Payments of Kshs.7,585,032 had been made as at the time of audit in the</p>	<p>• The contract was terminated on 30th October 2024, due to non-performance.</p> <p>• The remaining work has since been reassessed and included in the 2024–2025 financial year supplementary budget.</p> <p>• The procurement process for this works is currently ongoing.</p>	<ul style="list-style-type: none"> <li>▪ The project's termination letter was provided.</li> <li>▪ The supplementary budget for the 2024–2025 financial year was provided, but evidence of reassessment and ongoing procurement processes was not submitted.</li> </ul>	The Accounting Officer shall ensure that the contractor is surcharged for liquidated damages due to a delay in the completion of the project	60 days from the date of adoption of this report

		<p>month of September, 2024.</p> <ul style="list-style-type: none"> <li>•physical works were at 67% completion level at the time of audit month of September 2024.</li> </ul>				
3	<b>Incomplete Hospital Management Information System (HMIS)</b>	<ul style="list-style-type: none"> <li>•Integrated Hospital Management Information System costed Kshs.27,203,450.</li> <li>•Implementation status provided indicates that only Kerugoya County Referral Hospital is fully automated yet other health facilities such as Kianyaga, Kimbimbi and Sagana Sub- County Hospitals are not yet they had been included in the contract and budgeted for.</li> </ul>	<ul style="list-style-type: none"> <li>• The system has not yet been rolled out to the other hospital facilities since the construction works of the Kimbimbi Kianyaga and Sagana Sub -County hospitals are not yet completed.</li> </ul>	Despite the project being budgeted to cover multiple health facilities (Kerugoya, Kianyaga, Kimbimbi, Sagana), only Kerugoya County Referral Hospital was fully automated. This raises concerns about the utilization of the allocated Kshs. 27,203,450, as funds may have been diverted, underspent, or mismanaged.	The Accounting Officer must ensure that the contract sums attributable to the installation of the system at the subcounty hospital are disbursed only upon its full installation.	60 days from the date of adoption of this report
4	<b>Ineffective Utilization of Public Resources for</b>	Expenditure of Kshs.66,212,341 was incurred on legal cases in the year	<ul style="list-style-type: none"> <li>• The County has fully established legal department with County Attorney and</li> </ul>	The Committee observed that the list of services rendered and the lawyers procured	1. The Accounting Officer should ensure the prudent use of public resources by utilizing the services of	

	<b>Legal Expenditure.</b>	under review despite the County Executive having an established Legal Department with qualified staff capable of representing the County on legal matters	<p>Solicitor and two other employees in the department</p> <ul style="list-style-type: none"> <li>Certain legal matters necessitate the engagement of external attorneys who possess specialized expertise in particular fields. These were the services which were outsourced by the County.</li> <li>The expenditure amounting to Kshs 66,212,341 was inclusive of legal fee pending bills amounting to Ksh.38,905,600.</li> </ul>	was not provided. The Committee further noted that county governments use legal services as a conduit for siphoning funds, claiming that County Attorneys are incapable of handling legal matters.	<p>the County legal departments rather than outsourcing, unless it is justifiable.</p> <p>2. <b>The County Executive utilizes the Office of the County Attorney to advise on the county's legal fees status, liabilities and court representation. The county should provide evidence of compliance with the County Attorneys Act within 60 days of the adoption of this report</b></p>	
5	<b>Delay in Construction of a Fire Station Project</b>	<ul style="list-style-type: none"> <li>The project was contracted at a contract sum of Kshs.50,782,580 with the commencement date was on 28 September, 2021 and the completion date of 8 April, 2022, translating to contract period of 28 weeks which had expired and no evidence for</li> </ul>	<ul style="list-style-type: none"> <li>The County fire station was approved and awarded during the financial year 2021/2022 under the Kenya Urban Support Program (KUSP). concluded in the fiscal year 2022/2023, making way for its successor, the KUSP II program</li> <li>Disbursement of funds has been inconsistent since the beginning of project, leading to persistent</li> </ul>	There is no evidence of a contract extension. The contract completion period has expired, yet the project remains incomplete.	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County	60 days from the date of adoption of this report

		<p>extension was provided.</p> <ul style="list-style-type: none"> <li>•At the time of physical verification in the month of September, 2024 the project was at 88% completion level with value of work done amounting to Kshs.44,714,691.</li> <li>•Physical verifications indicated four (4) roller shutter doors that act as entrance to the building had not been installed and the external wall to the premise were left open leading to susceptibility to security risk, three (3) flush doors and four (4) windows had already been damaged and the project had stalled.</li> </ul>	<p>delays that have impeded the progress of the project.</p> <ul style="list-style-type: none"> <li>• Procuring entities were instructed to secure their own funding to finalize any incomplete projects after the closure of the KUSP program</li> </ul>		<p>Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</li> <li>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</li> </ol>	
<b>6 Construction of County Aggregation and Industrial Parks (CAIP)</b>						
<b>6.1</b>	<b>Proposed Construction of County</b>	The proposed Construction of County Aggregation	<ul style="list-style-type: none"> <li>• The amount of Kshs.250,000,000 was not fully transferred to the</li> </ul>	<ul style="list-style-type: none"> <li>▪ The County did not comply with the Treasury Order</li> </ul>	1. The Accounting Officer should ensure that the county's contribution of	60 days from the date of

	<p><b>Aggregation and Industrial Parks</b></p>	<p>and Industrial Parks (CAIP) was awarded to a local contractor at a contract sum of Kshs.499,988,904</p> <ul style="list-style-type: none"> <li>•The approved budget for County Aggregation and Industrial Parks was Kshs.500,000,000. Out of which Kshs.250,000,000 was to be funded by the Ministry of Investments, Trade and Industry (National Government) and Kshs.250,000,000 by County Government. However, the amount of Kshs.250,000,000 was not fully transferred to the Special Purpose Account (SPA) despite disbursement approval of funds by the controller of budget.</li> </ul>	<p>Special Purpose Account (SPA) primarily because the National Government only disbursed 62,500,000 which was subsequently transferred to SPA on 21st May 2024.</p> <ul style="list-style-type: none"> <li>• The County also transferred its part of counter funding to SPA amounting to Ksh.184,741,803.</li> <li>• Pursuant to section 119(1) of the PFM Act 2012, there was authority to open the project account at commercial bank from CECM finance as evidenced by the attached letter.</li> <li>• Delays in the construction of the County Aggregation and Industrial Parks (CAIP) have been caused by unforeseen site conditions, adverse weather, and funding delays. The project site is prone to flooding, which, combined with bad weather conditions, has significantly affected construction progress.</li> <li>• Project has fallen behind schedule, with the initial contract period of 28</li> </ul>	<p>issued by the Controller of Budget to transfer its designated Counter Funding of Kshs. 250,000,000. Instead, only Kshs. 184,741,803 was transferred.</p> <ul style="list-style-type: none"> <li>▪ Authority to open bank Account provided.</li> <li>▪ The County did not adhere to the financial arrangements for operating the Project's activities through the Special Purpose Account held at CBK.</li> <li>▪ The contract period was extended by 39 weeks, shifting the completion date from March 26, 2024, to December 24, 2025.</li> <li>▪ According to the progress reports, the overall completion stood at 65%.</li> </ul>	<p>Kshs. 250,000,000 for the project, as requisitioned and approved by the Controller of Budget, is fully transferred to the Special Purpose Account held at the Central Bank of Kenya (CBK).</p> <p>2. The Accounting Officer should comply with Article 3(c) on financial arrangements of the Intergovernmental Agreement on Establishment of County Aggregation and Industrial Parks.</p>	<p>adoption of this report</p>
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		<ul style="list-style-type: none"><li>•An amount of Kshs.62,500,000 was irregularly deposited on 27 May, 2024 to a commercial bank account opened at a local bank instead of operating the activities of the project on the designated special purpose account at Central Bank of Kenya contrary to Article 3(c) on financial arrangements and Regulation 82(1) of the Public Finance Management (County Government) Regulations, 2015.</li><li>•According to physical inspection in the month of September, 2024 and project progress report dated 17 September, 2024, the overall project</li></ul>	<p>weeks elapsing by 45 weeks, translating to 161% of the initial timeframe.</p> <ul style="list-style-type: none"><li>• contract period was extended by 39 weeks, moving the completion date from 26th March 2024 to 24th December 2025.</li><li>• As of 13th March 2025, the overall completion stood at 65%, while total payments paid to date amount to Kshs. 258,327,615.60, representing 52% of the contract sum</li></ul>			
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		<p>completion status of work physically completed was at 30%. However, the completion status was behind schedule since the initial contract period had elapsed by 45 weeks against the approved contract period of 28 weeks translating to 161% of lapsed initial contract period and the contract period was extended by 39 weeks from the initial completion date of 26 March, 2024 to 24 December, 2024.</p> <p>•According to the interim certificate No. 3 dated 21 June, 2024 the total work certified was Kshs.116,578,660 representing 23.3% of contract sums.</p>				
6.2	<b>Tender for Extra Works</b>	<p>•Extra works was initiated by a request</p>	<p>• Geotechnical survey was not carried out prior to</p>	<p>▪ Management explained that the</p>	<p>1. The County Executive establishes a project</p>	<p>60 days from the</p>

	<p><b>for the Proposed Construction of County Aggregation and Industrial Parks</b></p>	<p>for variation by the contractor on 3 August, 2023 citing abnormalities in depth ranges of excavations from 1.5m to maximum of 3m.</p> <ul style="list-style-type: none"> <li>•The project manager (Director of Public Works) via a memo dated 8 August, 2023 wrote to the Accounting Officer of Trade citing that no geotechnical survey was carried out prior to the design of the project.</li> <li>•Extra works were approved and awarded by contracting the main contractor at a contract sum of Kshs.91,868,580 without a budgetary allocation.</li> <li>•Audit of CIT Minutes dated 21 May, 2024 noted that</li> </ul>	<p>the design of the project however trial pits were dug and investigated to assess the physical and chemical properties of the soil and rock which is an alternative to geotechnical survey.</p> <ul style="list-style-type: none"> <li>• The Project designs and Bills of Quantities were developed by the Ministry Investments, Trade and Industry in uniform for all counties oblivious of the County's' site specific details such as soil type/quality and topography which could affect project implementation.</li> <li>• According to a Trial Pit survey done on the site revealed the ground has silted clay soil to depths of 3meters. According to the BQ the bulk excavation was indicated as to excavate from existing ground level to 1.5meters. Hence the need for variation from 1.5m to 3m</li> <li>• Other justification for variation were as follows: The Contractual scope for</li> </ul>	<p>project designs and Bills of Quantities were uniformly developed by the Ministry of Investments, Trade, and Industry for all counties. As a result, a geotechnical survey was not conducted prior to the project design.</p> <ul style="list-style-type: none"> <li>▪ The Ministry of Investments, Trade, and Industry has not yet confirmed how the additional works amounting to Kshs. 91,868,580 will be financed.</li> </ul>	<p>management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</li> <li>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</li> </ol>	<p>date of adoption of this report</p>
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		<p>the Ministry of Investments, Trade and Industry had not clarified how the additional costs for the extra works were to be financed.</p> <ul style="list-style-type: none"><li>•An amount of Kshs.72,875,362 had been paid as at 30 June, 2024 out of the County's project contribution budget of Kshs.250,000,000.</li></ul>	<p>the Boundary wall was 514 LM as per the original BQ while the total scope of required was 804LM which was less by 290LM and the need to enhance security by intridung an electric fence and razor wire to the masonry boundary wall</p> <ul style="list-style-type: none"><li>• Based on the technical reports and pursuant to the Public Procurement and Disposal Act 2015, sections 103(d), 139 (1)(4)(6) and 151 (e) the procuring entity duly tendered for the additional works separately at a total cost Kshs.91, 868, 580. This decision was made to prevent project delays and mitigate potential cost escalations that could arise from halting the project.</li><li>• According to the CAIPS manual, the additional works costs were to be shared equally between the National Government and the County government.</li><li>• The County wrote to the Ministry of Investments,</li></ul>			
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			Trade, and Industry to seek advice and guidance for the approval of the proposed budget for the extra works and payment structure as per the cited justifications by the Contract Implementation Team (CIT) which was not responded to.			
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
<b>1</b>	<b>Lack of internal Audit Reports</b>	<ul style="list-style-type: none"> <li>•There was no evidence of internal audit reports for the audit assignments carried out during the year under review despite approved budget allocation of Kshs.1,718,200 for internal audit function.</li> <li>•No approved Internal audit plan was provided</li> </ul>	<ul style="list-style-type: none"> <li>• The internal audit department undertook additional internal audit activities that were not initially included in the annual internal audit workplan.</li> <li>• Absence of a duly constituted and approved audit committee within the County at that time, which is responsible for approving internal audit workplans.</li> <li>• the internal auditors were engaged in other internal audit activities while awaiting the approval of the audit committee.</li> </ul>	No evidence of internal audit reports	<ol style="list-style-type: none"> <li>1. The county Executive expedites sufficient staffing of the audit committee to enhance oversight over public resources and provide a status report to the Auditor General within sixty (60) days from the adoption of this report.</li> <li>2. The Salaries and Remuneration Commission (SRC) to review the compensation framework for Audit Committee members since the low sitting allowances may not attract seasoned professionals to the county Audit Committees</li> </ol>	60 days from the date of adoption of this report

2	<b>Lack of Valuation Report and Ownership Documents</b>	<ul style="list-style-type: none"> <li>•The non-current asset balance of Kshs. 6,340,569,358 includes balance of Kshs.53,102,895 for Kamweti Land whose ownership details were not provided for audit.</li> <li>• Further, the title deeds and valuation reports were also not provided.</li> </ul>	<ul style="list-style-type: none"> <li>•The Kamweti land is fully owned by the County as evidenced by the attached copy of green card and search.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Copy of green card and search provided.</li> <li>▪ Title deeds and valuation report were not provided.</li> </ul>	<ol style="list-style-type: none"> <li>1. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</li> <li>2. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</li> <li>3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</li> </ol>	60 Days from the date of adoption of this report
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE AUDITOR GENERAL'S  
REPORT OF KISUMU COUNTY EXECUTIVE FOR FINANCIAL YEAR 2023/2024.**

**Basis for Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timeline</b>
<b>REPORT ON FINANCIAL STATEMENTS</b>						
<b>1</b>	<b>Inaccuracies in Compensation of Employees</b>	<ul style="list-style-type: none"> <li>• Kshs.4,462,912,350 in respect of compensation of employees is at variance with the payroll ledger amount of Kshs.5,009,494,983.</li> </ul>	<ul style="list-style-type: none"> <li>• Kshs.238,422,534 Salary payments for the City of Kisumu (Self reporting entity).</li> <li>• Outstanding Salaries for June 2024 totalling to Kshs.468,959,958 which remained unpaid as of 30 June 2024 due to inadequate funding.</li> <li>• Salary Payments relating to the FY 2022/2023 amounting to Kshs.160,799,859, which were settled during</li> </ul>	<ul style="list-style-type: none"> <li>• The treatment of the prior year's employee costs is contrary to the cash basis accounting standard. Additionally, the remittances cannot be verified due to the absence of bank statements and IPPD by-products.</li> <li>• The employee cost for the City of Kisumu has not been supported by any evidence.</li> </ul>	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to	60 Days from the date of adoption of this report.



			the period under review due to delays in fund disbursement.		<p>the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of the responsible</p>	
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					<p>Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.</p> <p>4. The Committee advised the Head of Treasury to be diligent and adhere to provided</p>	
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					accounting standards.	
<b>2</b>	<b>Use of Goods and Services</b>					
<b>2.1</b>	<b>Unsupported Domestic Subsistence Allowances</b>	<ul style="list-style-type: none"> <li>Per diems of Kshs.3,381,000 were not supported with details of the nature of activities, requisitions, budgets and subsequent approvals.</li> <li>Imprests issued for travels totalling to Kshs.5,330,000 were supported with less days than the approved.</li> </ul>	<ul style="list-style-type: none"> <li>Kshs.7,281,000, which has been accounted for using the supporting documents as attached with back-to-office reports, attendance schedules, work tickets, and invitation letters.</li> <li>Management has strengthened internal controls to ensure strict adherence to Section C.17(3) of the HR Policies &amp; Procedures Manual for Public Service (2016).</li> </ul>	The Management has not provided evidence to support the response regarding Kshs. 3,381,000. However, supporting documents for Kshs. 700,000 have now been provided and reviewed.	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days	60 Days from the date of adoption of this report.

					<p>from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their</p>	
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					prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.	
<b>2.2</b>	<b>Unaccounted for Fuel</b>	<ul style="list-style-type: none"> <li>• Work tickets provided for audit review revealed discrepancies in the fuel drawn.</li> <li>• Payments were based on an expired contract agreement.</li> <li>• Kshs.1,000,000 paid for could</li> </ul>	<ul style="list-style-type: none"> <li>• Payment of Kshs.1,000,000 was processed on 10 November 2023 but supplier recorded on 24 January 2024 due to delays in reconciling their records.</li> </ul>	<ul style="list-style-type: none"> <li>• Management has provided a handwritten document that is neither referenced nor authenticated.</li> </ul>	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to	60 Days from the date of adoption of this report.

		<p>not be traced in the supplier statement.</p> <ul style="list-style-type: none"> <li>• Work tickets for fuel expenditure totalling Kshs.2,767,789 were not provided.</li> </ul>	<ul style="list-style-type: none"> <li>• The contract agreement has been renewed and provided as well as fuel register and corresponding work tickets.</li> </ul>	<ul style="list-style-type: none"> <li>• The response regarding fuel expenses of Kshs. 1,000,000 is unclear.</li> <li>• Management has supported and provided a contract dated April 2024 with Seasons Energy.</li> </ul>	<p>the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <ol style="list-style-type: none"> <li>2. Management should rationalize/rotate the staff within the transport department.</li> <li>3. The internal audit function should carry out frequent internal reviews in the</li> </ol>	
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					transport department. 4. Management should implement a robust tracking system for fuel procurement and usage.	
<b>2.3</b>	Unsupported Legal Expenses	Expenditure amounting to Kshs.22,496,355 was not supported with documents such as such as list of pending legal cases, outstanding legal fees per case, contract agreements, procurement records.	Legal fees paid following court rulings against the County, which were mandatory and not subject to procurement or contractual agreements. Supporting documentation, including a breakdown of pending legal fees per case, case statuses, and payments made, has been provided.	The unsupported legal expenses lack the necessary documentation. Management has not provided evidence for all expenses, including their status, attorney instructions, and/or fee notes, as the explanations provided are not verifiable.	1. Sanctions as outlined in Section 62(2) of the Public Audit Act, 2015 against the responsible officer(s) who failed to provide the documents to the auditors and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; and	60 Days from the date of adoption of this report.

					2. The EACC initiates an investigation with the view of causing prosecution of the accounting officer for the possible loss of Kshs. 22,496,355 whose expenditure was incurred as legal fees without proper documentation and approvals.	
3	<b>Transfers to Other Government Agencies</b>	Examination of receiving entities records revealed AIA collection of Kshs.475,159,612 during the year resulting to a variance of Kshs.11,207,609.	Variances have been corrected with JV and bank statements provided to support timing differences.	The ledgers provided still show a higher amount allocated to the hospitals than what was reported at the respective facilities: Kisumu East, Muhoroni, and Nyakach Hospitals.	1. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and	60 Days from the date of adoption of this report.



				<p>The City of Kisumu transfer has not yet been reconciled, and a variance remains in the respective financial statements.</p>	<p>reliable reconciliations of the financial statements in the prescribed timelines; and</p> <p>2. The County Executive to identify the training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within sixty (60) days of the adoption of this report.</p>	
4	<b>Inaccuracies in Cash and Cash Equivalents</b>	Review of the bank reconciliation statements revealed unreconciled items including receipts in bank statements not	<ul style="list-style-type: none"> <li>• The cashbooks are now updated.</li> <li>• The bank balances relating to</li> </ul>	<ul style="list-style-type: none"> <li>• The cashbook has not yet been updated with the receipts from</li> </ul>	<p>1. The Office of the County Governor undertakes administrative action against</p>	60 Days from the date of adoption of this report.

		in cashbook, variance in the figure reported in the financial position.	commercial banks totaling to Kshs.7,236,579 have been disclosed as required in the amended Financial Statements.	<p>the bank statements.</p> <ul style="list-style-type: none"> <li>Balances on unspent funds should ideally be recognized as receivables. Furthermore, the THS-Department of Health has not been disclosed, while the Kisumu ABDP has been disclosed at a varying amount of Kshs. 862,059.</li> </ul>	<p>the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary</p>	
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					<p>procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. The County Executive to identify the training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within sixty (60) days of the adoption of this report.</p>	
	<b>Other Matter</b>					

<b>1</b>	<b>Budgetary Control and Performance</b>	Under-funding of Kshs.3,849,401,058 or 31% of the budget.	Underfunding resulted from a shortfall in revenue streams.	The Committee noted that delays in receiving exchequer releases from the National Treasury and under-collection of own source revenue hindered optimal program implementation and effective budget execution.	<ol style="list-style-type: none"> <li>1. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate; and</li> <li>2. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.</li> </ol>	Continuous
<b>2</b>	<b>Unresolved prior year matters</b>	Management has not resolved the issues or given satisfactory explanation for	All prior year matters were resolved as indicated in the	The Committee observed that the County executive did not take action	The Committee recommends that the County executive	60 Days from the date of adoption

		failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.	financial statements under other disclosures.	on issues raised in the Report of the Auditor General for previous financial years	complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	of this report.
	<b>Other Information</b>					
	<b>Audit of Performance Information</b>	The Management did provide evidence of tests to ascertain viability, quality and suitability of the cows before procurement. Further, a comprehensive project implementation status report was not provided.	The viability, sustainability, and quality of the cows were ensured by sourcing the animals from reputable breeder farms as a quality control measure.	The documents presented do not adequately address the issue, as there are gaps in the provided information. The due diligence report dated February 26, 2024, recommended procuring cattle from Nakuru and Alalau; however, the procurement	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides	60 Days from the date of adoption of this report.

				<p>details and relevant records have not been provided. Additionally, the status report from July 2024 indicates that the number of animals at KDDC is 22, following the death of 10 animals since April. These losses are significant. Furthermore, the actual number of dairy cattle cannot be confirmed at this time.</p>	<p>a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
	<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>					
<b>2</b>	<b>Non-compliance with the law on fiscal responsibility – Wage bill</b>	<p>Compensation of employees representing 52% of the total receipts</p>	<p>This was primarily due to insufficient own-source revenue collection, which disproportionately skewed the wage bill ratio.</p>	<p>The Committee observed that the expenditure on compensation of employees exceeded the threshold of 35% prescribed by the</p>	<p>1. The management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county</p>	<p>Continuous</p>

				<p>Section 107(2) (c) of the Public Finance Management Act, 2012 and Section 25(1) (b) of the Public Finance Management (County Government) Regulations, 2015.</p> <p>The wage bill may become unsustainable unless effective measures are implemented to control its growth and enhance the collection of county-generated revenue.</p>	<p>government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue;</p> <p>2. The county executive puts in place measures to enhance its own source revenue collection to address the high wage bill gap; and</p> <p>3. The management should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty</p>	
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					(60) days of the adoption of this report.	
3	<b>Irregular Payments to Members of County Assembly and Staff</b>	Imprest totaling Kshs.4,172,000 paid to County Executive staff members to facilitate County Assembly Budget and Appropriation Committee and Secretariat members.	These meetings were for stakeholders convened by the County Executive and required the participation of Members of the County Assembly (MCAs), who were formally invited to contribute to the preparation of the FY 2024/2025 Budget.	Management has yet to provide any official engagement documents between the Assembly and the Executive.	The accounting officer surcharges and recovers in full monies paid to officers as imprest for events fully funded by the County in breach of regulation 93(3) of the Public Finance Management (County Governments) Regulations, 2015	60 Days from the date of adoption of this report.
4	<b>Irregular Payment to Machine Based Staff Allowances</b>	Kshs.2,384,450 was paid in respect to machine-based staff allowances with no justification on why staff were getting extra payments for performing their normal duties.	The machine-based lunch allowance of Kshs.2,384,450 was paid to staff engaged in machine-based road projects while working away from their designated workstations.	The expenditure on meal allowances is irregular and inconsistent, and management has not provided justification for these payments. Additionally, the allowances are not aligned with the	The Committee recommended that the EACC initiate an investigation with the view of causing prosecution of the accounting officer for payment of excess allowances to staff, far above	60 Days from the date of adoption of this report.



				respective job groups.	the Salaries and Remuneration Commission's authorized rate, without relevant requisitions and approvals, contrary to Article 226(5) of the Constitution of Kenya, 2010.	
5	<b>Irregularities in Procurement</b>	<ul style="list-style-type: none"> <li>• Payments of Kshs.928,000 and Kshs.2,699,235 were made for provision of documentary services for the State of County address by the Governor and provision of event management services for 2023 Finance Bill which were conducted outside IFMIS.</li> <li>• Review of payment</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement was conducted outside IFMIS due to the delay in uploading the approved FY 2023/2024 budget into the system.</li> <li>• The procurement for event management and logistical support followed the Request for Quotations (RFQ) method as per the law.</li> </ul>	<p>Procurement conducted outside the IFMIS system deviated from the provisions of the Public Procurement Act.</p> <p>The procurement of event management services for the county public stakeholder feedback session was not evaluated in accordance with procurement procedures.</p>	<p>1. The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a</p>	60 Days from the date of adoption of this report.

		<p>voucher no.863988 amounting to Kshs.2,998,500 indicated that the committee did not carry out the preliminary and financial evaluations.</p> <ul style="list-style-type: none"> <li>• During the year under review, Management made a payment of Kshs.2,998,780 for provision of catering services during the World Food Day and World Rabies Day whose records suggested that due process was not followed in the procurement as requisition to procure came after the delivery of the services.</li> </ul>	<ul style="list-style-type: none"> <li>• Management acknowledges the audit issue regarding the procurement of catering services before proper requisition.</li> <li>• The delay in delivering uniforms and stationery was procedurally addressed through a contract extension that was sought and approved before the lapse of the initial delivery period.</li> </ul>	<p>Management acknowledges the error of proceeding with procurement without a formal requisition.</p> <p>Regarding the procurement of uniforms, the firm requested an extension via a letter dated March 20, which was subsequently approved by the Chief Officer.</p>	<p>status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <ol style="list-style-type: none"> <li>2. EACC investigate the irregular award of the tender with a view of prosecuting the responsible officer(s) if found culpable; and</li> <li>3. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s)</li> </ol>	
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		<ul style="list-style-type: none"> <li>Management paid Kshs.2,996,800 for inspectorate uniforms and Kshs.2,307,424 for office stationery supplies whose deliveries were made beyond thirty (30) days after issuance of Local Purchase Orders.</li> </ul>			pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.	
6	<b>Procurement Using Un-Prequalified Suppliers</b>	Hiring of excavator machine for Miriu Ogenga Stream-Kabonyo was from a firm not prequalified under the required category.	For the procurement for Hiring of Excavator for Miriu-Ogenya Stream in Kabonyo Kanyagwal, was reserved for AGPO. The Contractor dully submitted an NCA certificate and was in the registered list of suppliers under AGPO.	The documents to support the response are not provided for audit review.		
9	<b>Delayed Execution of Consultancy</b>	Consultancy services for a training needs	The contract for consultancy services for	The policy supporting the	The Office of the County Governor undertakes	60 Days from the date of

	<b>Services on Training Policy</b>	analysis at a cost of Kshs.2,920,000 whose no approved policy document, key approvals or progress reports were provided for audit.	development of training needs analysis was valid. The final Training Policy document was formally adopted by the Cabinet.	response has not been provided.	administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	adoption of this report.
<b>12</b>	<b>Failure to Rotate Service Providers</b>	Review of records revealed that the County Executive awarded travel agency and air ticketing contracts to five (5) service providers from the list of ten (10) registered/	The limited rotation among suppliers was due to cash flow constraints, which led to many listed firms declining to offer services on credit.	Failure to rotate was non-compliant with the procurement Act. However, the audit is cognisant of the prevailing circumstances.	1.The County management should strive to promote rotation and fairness in selecting legal firms and thorough vetting be done when prequalifying	60 Days from the date of adoption of this report.

		pre-qualified suppliers.			based on meritocracy. 2.Management should comply with Section 103(1) of the Public Procurement and Asset Disposal Act, 2015 which provides conditions under which direct procurement method may be used if it is the most preferred method	
13	<b>Unsupporte d Framework Agreements</b>	In supply and delivery of medical items through framework agreement Management did not provide value for money assessment reports.	Prior to contract award, a comprehensive market survey was conducted to benchmark prices against prevailing market rates, including the Kenya Medical Supplies Authority (KEMSA) pricing structure. At the time of the audit, a	The value for money reports and/or market surveys have not been provided.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance	60 Days from the date of adoption of this report.

			formal annual value-for-money assessment report had not been finalized since the contract was still within its first year.		Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
14	<b>Poor Contracts Administration</b>	Management entered into various contracts with different contractors for a contract period of twelve (12) weeks which were incomplete without extensions.	<ul style="list-style-type: none"> <li>Sampled projects remained incomplete due to exogenous factors, and no payments had been initiated. Additionally, some projects had been suspended due to unfavorable weather conditions.</li> <li>The contractors who failed to fulfill their contractual obligations were issued with</li> </ul>	The termination letters were provided and verified. However, the status of these projects remains unconfirmed hence value for money cannot be confirmed.	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public	60 Days from the date of adoption of this report.

			<p>termination notices, resulting in the termination.</p>		<p>Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the</p>	
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					<p>adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
15	<b>Idle Health Facilities</b>	Physical verification in the month of September, 2024 revealed that the facilities were complete but remained idle. Further, there was evidence of vandalization of electrical works in the Hospital and the compounds were in a state of neglect.	Dago Kotiende-rectification of all the electrical works that were stolen, mobilized all necessary basic equipment, the compound has been cleared and the Security of the facility has been improved the facility is now operational.	Physical verification will be carried out on 24 March 2025.	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as	60 Days from the date of adoption of this report.
16	<b>Delay in Implementation of Contracts</b>	Review of records provided revealed that the County Executive entered into eleven (11) contracts whose	County has submitted the PMC appointment letters and site meeting minutes to the Auditor for	The status of the projects and requisite documents to confirm the same		



		support on site meetings to hand over the site and/or assess the implementation of the project were not provided.	verification, confirming that the committees actively monitored project implementation.	have not been provided.	provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;	
18	<b>Irregular Termination of Contracts</b>	The management wrote to the County Attorney seeking for professional advice on termination of procurement projects.	The contractors who failed to fulfill their contractual obligations were issued with termination notices, resulting in the termination.	The termination letters were provided and verified. However, the status of these projects remains unconfirmed hence value for money cannot be confirmed.	2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within	

					60 days of the adoption of this report; 3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle	
20	<b>Pending Bills</b>	<ul style="list-style-type: none"> <li>• Pending bills schedule provided reflects pending bills totaling to Kshs.2,743,140, 069 resulting to an unreconciled balance of Kshs.7,194,650.</li> <li>• Pending bills amounting to Kshs.1,493,858, 913 which should have been paid as a first charge were still outstanding as at 30 June, 2024.</li> </ul>	<ul style="list-style-type: none"> <li>• Some bills were inadvertently excluded during the compilation of the supporting schedule for financial reporting. A comprehensive review and reconciliation of the pending bills have been conducted.</li> <li>• Delays in settling of bills were attributed to budgetary constraints and</li> </ul>	<ul style="list-style-type: none"> <li>• The revision financial statements is a post balance sheet event. The Management is required to disclose the same in subsequent periods.</li> <li>• The errors noted and corrected imply internal quality control on the financial</li> </ul>	1. All County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and 2. That- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management	60 Days from the date of adoption of this report.

		<ul style="list-style-type: none"> <li>• Payments totaling Kshs.10,917,576 paid during the year under review were not listed or disclosed as part of the pending bills in the audited financial statements for the prior years.</li> <li>• Pending bills totaling to Kshs.20,263,671 were over paid by Kshs.3,853,727.</li> </ul>	<p>prioritization of critical expenditures.</p> <ul style="list-style-type: none"> <li>• The earlier figure of Kshs.2,735,945,419 was erroneous and was corrected in the amended financial statements.</li> <li>• Kshs.10,917,576 were payments were related to bills identified post-financial statement preparation for the prior years.</li> </ul>	statements was not duly done.	<p>(County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving</p>	
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					<p>exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p> <p>v. County governments, in consultation with</p>	
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					the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.	
<b>21</b>	<b>Contingent Liability</b>	<ul style="list-style-type: none"> <li>Contingent liabilities register reflects a balance of Kshs.2,157,868,</li> </ul>	Contingent liabilities are now supported by a detailed contingent liabilities list, which	Management has provided schedules in support of debt owed to	1. The County Executive to make a provision in its budget for	60 Days from the date of adoption

		<p>820 resulting to an unexplained and unreconciled variance of Kshs.1,168,965,584.</p> <ul style="list-style-type: none"> <li>• Further, the contingent liabilities were also not supported by relevant documentary evidence.</li> </ul>	has been provided in accordance with the reporting template.	<p>LAPTRUST and pension scheme of Kshs.216,525,571 as well as NSSF of Kshs.558,980,792 and Medallion list of Kshs.11,820,000. However, the schedules are not verifiable and no primary records have been provided. Schedules for Court Case Against County of Kshs.2,157,868,820 and LAPFUND of Kshs.381,639,221 were not provided.</p>	<p>contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</p> <p>2. Sanctions as outlined in Section 62(2) of the Public Audit Act, 2015 against the responsible officer(s) who failed to provide the documents to the auditors and provide a status report to the Office of the Auditor General within sixty (60) days</p>	of this report.
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					from the adoption of this report.	
22	<b>Unexplained Voided IFMIS Transactions</b>	IFMIS payments transactions revealed that 4,127 transactions valued at Kshs.2,667,105,751 were voided during the year under review.	These transactions, which had reached the internet banking stage, were voided to clear the system as per National Treasury guidelines and facilitate the uploading of the new budget for the 2024/2025 financial year.	Management has not provided justifiable reasons for voided transactions whose commitments were done in 2nd quarter.	<ol style="list-style-type: none"> <li>1. The Committee requests the Controller of Budget to liaise with the Auditor General to confirm whether the payments were canceled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days of adoption of this report.</li> <li>2. The Office of the County Governor undertakes administrative</li> </ol>	60 Days from the date of adoption of this report.

					<p>action against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of Finance for voiding payments without approval and diverting funds.</p> <p>3. Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other</p>	
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					activities not initially approved. 4. The Committee recommends that the EACC should expedite investigations on the matter in line with the Controller of Budget Act.	
23	<b>Regularity of Human Resource Management Practices</b>				5.	
23.1	<b>Lack of an Annual Recruitment Plan</b>	Human Resource Department did not prepare and submit the recruitment plans to the County Public Services Board.	Annual Recruitment plan is by-product of approved Staff establishment. The County Government of Kisumu developed and operationalized staff establishment in August 2023.	The County is yet to formulate and implement an annual recruitment plan as required by HR manual.	The Committee recommends that the County Executive provide evidence to show compliance to the rules set by the County Public Service Board in relation to recruitments.	Continuous

<b>23.2</b>	<b>Lack of Human Resource Plans and Policies</b>	County lacked approved key policy manuals for Human Resource Management, including a customized scheme of service, career progression guidelines and Human Resource Plans.	County had a customized HR policy and Procedures manual but did not have a customized career progression guideline.	Final HR manual verified and confirmed adopted. However, it has not prepared and provided annual work plans.	The county Executive strictly adheres to the Human Resource Policies and Procedures Manual and submits a status report of the adherence within sixty (60) days from the adoption of this report.	Continuous
<b>23.3</b>	<b>Irregular Promotion of County Staff</b>	Payroll records revealed instances where thirty-nine (39) employees of the County Executive were promoted by two (2) or more job groups within a year. The basis of these unusual promotions was not supported by documentary evidence.	The first two staffs in the table below were new appointments. An adhoc Committee on Confirmations, Promotions and Re-designations which worked on the requests as per attached appointment letter and report. The recommendations were approved by CHRAC and submitted to the CPSB for action.	<ul style="list-style-type: none"> <li>• The appointment of the two staff was supported with relevant documents.</li> <li>• The promotions and re-designations of the 38 officers was not supported by the sufficiently. Only invitations for interviews and</li> </ul>	1. Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status	60 Days from the date of adoption of this report.

				<p>appointment by the Authorising Officer were provided. Requisite documents such as vacancies, interview reports were not provided.</p>	<p>report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The County Public Service Board to reverse the unlawful promotions, enforce strict compliance with merit-based evaluations and undertake administrative action against the responsible officer(s) for the irregularities and submit a status update to the Auditor General and the Senate within 60 days of adoption of this report.</p>	
<b>23.4</b>	<b>Irregular Payment of</b>	The supporting documents revealed	The delay in processing of	The Management is yet to effect	1. The Senate notes that the	60 Days from the

	<p><b>Salaries Outside the IPPD</b></p>	<p>salary payments amounting to Kshs.210,009,458 were processed through the manual payroll which is prone to errors.</p>	<p>unified payroll number (UPN) by the State department for public service leads to the payment of salaries outside IPPD pending allocation issuance/reactivations of UPN.</p>	<p>audit recommendations as this matter has recurred in the last three years.</p>	<p>process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;</p> <p>2. The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status</p>	<p>date of adoption of this report.</p>
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					<p>update to the Auditor General within 60 days of adoption of this report;</p> <p>3. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and</p> <p>4. the Auditor General to</p>	
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					monitor the matter in the subsequent audit cycle.	
23.6	<b>Non-Compliance with a Third of Basic Salary Rule</b>	Four hundred and fourth-nine (449) officers totalling to Kshs.3,831,569 were less than the calculated one third of their respective basic pay.	The introduction of the new levies and taxes by the government i.e. affordable housing levy, NSSF & SHIF, occasioned the drop below the 1/3 rule.	The deductions of the net salaries beyond the threshold are contrary to the HR Policies. Further, the Management has not supported the response with any evidence.	1) The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate the issue of non-compliance with the two-third basic salary rule as well as comply with the requirements of law; 2) The county should configure its IPPD system such that it can lock out commitments beyond the accepted thresholds; and	Continuous

					3) The Auditor General should continue monitoring the issue in subsequent financial years.	
23.7	<b>Employees on Acting Capacity Beyond Stipulated Period</b>	Thirteen (13) members of staff had been appointed in acting capacity. The members of staff had acted for more than six (6) months.	The officers acted beyond six months since the county had not recruited staff to fill the substantive posts due to budgetary constraints.	Management is yet to fill the positions with substantive appointments.	1. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees,	60 Days from the date of adoption of this report.

					<p>contracted workers, acting positions and a platform for management of county human resources; and</p> <p>2. the Auditor General to monitor the matter in the subsequent audit cycle.</p>	
23.8	<p><b>Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution</b></p>	<p>Four thousand and fifty-six (4,056) out of four thousand six hundred and thirty-two (4,632) were members of the dominant community.</p>	<p>The Kisumu County Public Service Board is an equal opportunity employer, the minority, marginalized groups, and persons with disabilities who meet the minimum requirements are encouraged to apply for any advertised position.</p>	<p>There was no ethnic diversity among employees of county executives as employees were mainly drawn from the dominant community in the county.</p>	<p>1) The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County Government Act on ethnic inclusivity.</p> <p>2) The Standing Committee on National Cohesion and</p>	<p>Continuous</p>



					Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.	
23.9	<b>Staff Recruitment</b>	The approved staff establishment revealed that the optimum staffing level allowed for these were exceeded.	The County proposed optimal staffing numbers as per CARPS Report (2014) requires that the department of Agriculture, Livestock and Fisheries should have a total of 864 staff while department of Medical Services, Public Health and Sanitation should have a total of 2821 staff.	The response by Management does not address the issue raised.	<p>1. The county Executive should expedite development and approval of its staff establishment and a status report should be submitted to the Auditor General for verification within sixty (60) days of the adoption of this report.</p> <p>2. The county Executive submits a status report to the OAG on the progress of</p>	60 Days from the date of adoption of this report.

					the audit on staff establishment, payroll and the County's measures to ensure compliance with the law	
24	<b>Irregularities in Imprests Management</b>	Unsurrendered imprests of Kshs.5,151,666 as at 30 June 2024.	Un-surrendered imprests have since been surrendered and accounted for. Internal controls will be enforced to ensure that no multiple imprests are issued.	The imprests of Kshs.5,151,666 should have been surrendered within the stipulated time.	<p>1. The Committee recommends that the Accounting Officer(s) recover the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation.</p> <p>2. The Committee further recommends the sanction and surcharge of Accounting</p>	60 Days from the date of adoption of this report.

					Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015.	
<b>25</b>	<b>Salary Bank Account</b>	KCB had been overdrawn up to Kshs.3,004,716,885 during the year under review.	The County entered into an indicative term sheet/ agreement together with the approval from the county assembly for early salary processing with KCB as a temporary measure taken solely to ensure the timely payment of staff salaries.	The Management has not provided evidence details and authorization of any agreement between the County Executive and the Bank for the overdraft facility.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the	60 Days from the date of adoption of this report.

					adoption of this report.	
26	<b>Unauthorized Inter-Accounts Transfers</b>	Review of the deposit bank statement revealed that the Management transferred Kshs.7,455,150 to recurrent account. However, there was no authorization for the inter-account transfers.	The transfer of Kshs. 7,455,150 from the Deposit Account, which was a temporary borrowing to address urgent operational needs caused by cash flow constraints during the period under review.	<ul style="list-style-type: none"> <li>The Management has provided evidence of the CEC, Finance indicating approval to transfer the funds on various dates of Kshs.18,724,140. However, transferred amount of Kshs.3,255,150 and Kshs.4,200,000 are yet to be supported with authorization.</li> </ul>	<p>1.The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p> <p>2.The Office of the Auditor General conducts a special inquiry on all bank accounts</p>	60 Days from the date of adoption of this report.

					<p>belonging to the county government, to confirm all statuses of the accounts relating to deposits and withdrawals and report to the Committee within 60 days of the adoption of this report.</p>	
27	<p><b>Construction of Governor's Residence</b></p>	<p>The cost of construction was beyond the threshold.</p>	<p>The County had to inject additional funds to meet the cost of the auxiliary works.</p>	<p>The constructions were necessary. The Management should have sought authority from SRC.</p>	<p>1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the</p>	<p>60 Days from the date of adoption of this report.</p>

					<p>Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in</p>	
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					the subsequent audit cycle.	
	<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>					
<b>1.</b>	<b>Management of Hired Car Services</b>	Kshs.4,169,800 was paid to a firm in respect of car hire. There was no documentary evidence to confirm that the transport officer approved the hiring.	Available vehicles were not in good state at the material time prompting the management to hire.	Management has not provided evidence of involvement and subsequent approval by the transport officer.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 Days from the date of adoption of this report.
<b>2.</b>	<b>Lack of functional internal</b>	<ul style="list-style-type: none"> <li>Understaffing of thirteen (13) officers in the audit function.</li> </ul>	<ul style="list-style-type: none"> <li>The County has strategically deployed qualified</li> </ul>	<ul style="list-style-type: none"> <li>The Audit Committee was appointed</li> </ul>	1) the county Executive expedites sufficient staffing	60 Days from the date of adoption

	audit department	<ul style="list-style-type: none"> <li>• Management has not provided evidence of implementation of the audit recommendations.</li> <li>• Unit reports both functionally and administratively to the accounting officer thus denying the unit independence while discharging its duties.</li> <li>• Audit Committee did not publish an annual report.</li> </ul>	<p>personnel from within its existing workforce to support the internal audit function.</p> <ul style="list-style-type: none"> <li>• The County Treasury is committed to ensuring that all departments develop and implement comprehensive audit recommendation action plans.</li> <li>• The audit committee has since been appointed.</li> <li>• The Audit Committee will be encouraged to publish an annual report assessing the independence,</li> </ul>	<p>on 16 January 2025.</p> <ul style="list-style-type: none"> <li>• The deployment of the staff to internal audit is a temporary solution. Qualified and experienced personnel should be recruited.</li> <li>• Management has not provided any report on implementation of audit recommendations.</li> </ul>	<p>of the audit committee to enhance oversight over public resources and provide a status report to the Auditor General within sixty (60) days from the adoption of this report.</p> <p>2) the Salaries and Remuneration Commission (SRC) to review the compensation framework for Audit Committee members since the low sitting allowances may not attract seasoned professionals to the county Audit Committees.</p>	of this report.
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			performance, and competence of the internal audit function			
3.	<b>Lack of risk management policy</b>	Management operated without a risk management policy framework	County Executive acknowledges the lack of Risk Management Policy at the time of audit. Risk Management Policy is being developed and will be submitted for approval.	The policy is critical for identifying operational and other risks. No draft document provided to prove actual status.	1) the Accounting Officer should put in place a risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the Auditor General. 2) the Auditor General to closely monitor the development, documentation and communication of these policies within the county entity in the subsequent audit cycles.	60 Days from the date of adoption of this report.

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF KWALE COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/2024.**

**Basis for Qualified Opinion**

<b>Audit issue</b>	<b>Key issue</b>	<b>Management Response</b>	<b>Committee Observation</b>	<b>Committee Recommendation s</b>
<b>1. Inaccurate Expenditure on Acquisition of Assets</b>	<ul style="list-style-type: none"> <li>The opening balance of pending accounts payable at the beginning of the year of Kshs.268,178,249 differs with the pending bills paid during the year of Kshs. 988,846,682 resulting to variance of Kshs. 720,668,433.</li> </ul>	<ul style="list-style-type: none"> <li>The actual payment of Kshs. 988,846,682 constitute pending bills and pending commitments.</li> </ul>	Reconciliation and update of the pending bills register to ensure accuracy and avoid omissions	<ol style="list-style-type: none"> <li>All county Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and</li> <li>EACC to investigate the procurement process and implementation of the 22 ICT Centres in the County.</li> </ol>

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
				<p>3. Pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p>

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
				<p>4. The Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>5. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County</p>

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
				<p>Governments) Regulations;</p> <p>6. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p> <p>7. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until</p>

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
				<p>completion of the existing projects; and</p> <p>8. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>
<p><b>2. Unsupported Voided Transactions</b></p>	<ul style="list-style-type: none"> <li>IFMIS transactions amounting to Kshs.425,440,277 were voided.</li> <li>Supporting documents including voided payment vouchers, requests to void payments, the National Treasury approval and</li> </ul>	<ul style="list-style-type: none"> <li>The voided transactions were as a result of Non-payment of vouchers at end of financial year which were not paid due to delays in disbursement</li> </ul>	<ul style="list-style-type: none"> <li>Preparation of realistic plans which can be supported by the County Government budget.</li> <li>The County Executive to</li> </ul>	<ul style="list-style-type: none"> <li>The OAG to audit the voided transactions amounting to Kshs. 425,440,277 and ascertain if the money was lawfully applied</li> </ul>

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
	Exchequer requisitions to the Controller of Budget were not provided.	<p>of funds from National Treasury</p> <ul style="list-style-type: none"> <li>The voided payments were reported as pending bills and included in the budget for FY 2024-2025</li> </ul>	<p>ensure that Exchequer requisitions are done in good time</p> <ul style="list-style-type: none"> <li>Exchequer requisitions to The Office of the Controller of Budget to confirm the time the requests were made have not been attached.</li> </ul>	<p>and deserving beneficiaries were paid.</p> <ul style="list-style-type: none"> <li>The OAG to recommend appropriate action arising from the audit of the voided transactions.</li> <li>The CKB should give the Controller of budget visibly of the payments made on the IB system for efficient tracking and prevention of voided transactions.</li> </ul>
<b>3. Irregular Charge on the Cash Vote</b>	<ul style="list-style-type: none"> <li>Payments totalling to Kshs.1,315,790,267 were made on the cash vote instead of the line items as budgeted</li> </ul>	<ul style="list-style-type: none"> <li>Payment made on cash vote due insufficient budget</li> </ul>	The County Executive to prepare realistic budgets that can be adequately	<ul style="list-style-type: none"> <li>The County should set realistic budgets and carry out supplementary</li> </ul>

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
		<ul style="list-style-type: none"> <li>Subsequently all these payments were expensed through various journals</li> </ul>	financed by available funds.	budget where necessary
<b>4. Budgetary control and performance</b>	<ul style="list-style-type: none"> <li>Revenue shortfall of Kshs.3,720,148,888 or 28% of the budget.</li> <li>Expenditure of Kshs.9,392,698,890 against the actual receipts of Kshs.9,448,307,309 resulting to under expenditure of Kshs.55,608,419.</li> <li>Constrained delivery of services to the residents of Kwale County Executive</li> </ul>	<ul style="list-style-type: none"> <li>The underfunding was as a result of late disbursement of funds from National Treasury</li> </ul>	Management has explained the circumstances leading to under performance	The County Executive to prepare realistic budgets aligned to ability to generate and utilize funds
<b>5. Unresolved Prior Year's Audit Matters</b>	<ul style="list-style-type: none"> <li>several issues were raised under Report on the Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources.</li> </ul>	Not responded		The accounting officer to ensure that all prior year audit matters are addressed appropriately



Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
	<ul style="list-style-type: none"> <li>Management had not resolved the issues or provided explanation for failure to implement the recommendations.</li> </ul>			
<b>1. Compensation of Employees</b> <b>1.1. Non-compliance with the Law on Ethnic Composition in Recruitment and Overall Staff Composition</b>	<ul style="list-style-type: none"> <li>One hundred and sixteen (116) employees were recruited during the financial year out of which, one hundred and two (102) or 88% were from the dominant ethnic community in the County</li> </ul>	<ul style="list-style-type: none"> <li>Board has adopted strategies that promote diversity, equity and inclusion while adhering to legal and ethnic standards</li> </ul>		<ol style="list-style-type: none"> <li>The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County Government Act on ethnic inclusivity.</li> <li>The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure</li> </ol>

<b>Audit issue</b>	<b>Key issue</b>	<b>Management Response</b>	<b>Committee Observation</b>	<b>Committee Recommendations</b>
				progressive compliance with section 65(1)(e) of the County Government Act, 2012.
<b>1.2. Failure to Meet Recruitment Thresholds for Persons with Disabilities</b>	<ul style="list-style-type: none"> <li>The County Executive recruited one hundred and sixteen (116) employees during the year. However, no persons living with disability were recruited</li> </ul>	<ul style="list-style-type: none"> <li>Applications from this group of people did not meet the minimum requisite qualification for the job advertised</li> </ul>	Management has provided an explanation on failure to achieve the recruitment objective.	The County Executive to continuously endeavor to attract Persons Living With Disabilities to join its service
<b>2. Irregular Payment to the Council of Governors</b>	<ul style="list-style-type: none"> <li>Kshs.4,000,000 paid to the Council of Governors for devolution conference registration expenses</li> </ul>	<ul style="list-style-type: none"> <li>Payment was based on the Resolution of Council held on 2<sup>nd</sup> May, 2023</li> </ul>	<ul style="list-style-type: none"> <li>Management has not explained the basis for the payment</li> </ul>	<ul style="list-style-type: none"> <li>The irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to</li> </ul>

<b>Audit issue</b>	<b>Key issue</b>	<b>Management Response</b>	<b>Committee Observation</b>	<b>Committee Recommendation s</b>
				<p>make the irregular contribution</p> <ul style="list-style-type: none"> <li>• The EACC to recover any further irregular contribution within 60 days of adoption of this report.</li> </ul>
<b>3. Lack of Ownership Documents for Construction of Early Childhood Development Education (ECDE) Centres</b>	<ul style="list-style-type: none"> <li>• Kshs.34,096,300 incurred on construction of ECDE centres</li> <li>• Management did not provide ownership documents for land on which the centers being constructed including title deeds, leases or memorandum of understanding for use on pieces of land.</li> </ul>	<ul style="list-style-type: none"> <li>• The process of regularizing land ownership for the twenty-nine (29) institutions highlighted in this audit is at different stages</li> </ul>	No documents attached to support the management response as evidence of action taken and the stage of processing.	The County to fast track the processing of title deeds to safeguard the public funds so far spent on the projects.
<b>3.1. Construction of Wholesale Market at Kombani</b>	<ul style="list-style-type: none"> <li>• contract sum of Kshs.105,911,142 and contract period ending on 2 May, 2022.</li> </ul>	<ul style="list-style-type: none"> <li>• the Contractor moved to court to stop any operations of the market</li> <li>• police</li> </ul>	<ul style="list-style-type: none"> <li>• Issue on contract variation has not been addressed</li> </ul>	Management to provide funds for completion of the project in the budget to avoid loss of funds

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
	<ul style="list-style-type: none"> <li>The contract sum was later varied to Kshs.118,061,980.</li> <li>Terminated on 2 November, 2021 with total payments to the contractor of Kshs.95,308,265 including Kshs.9,530,826.</li> <li>The payment was not supported with the final acceptance of goods, works or services delivered by the contractor before termination of the contract and final project appraisal</li> <li>Field inspection of the facility carried out in the Month of October 2024 revealed that the market had been vandalized</li> </ul>	<p>interference as a result of the court order.</p> <ul style="list-style-type: none"> <li>the incidences of vandalism have been reported at the <u>Kombani police</u> station and are under active investigation</li> </ul>	<ul style="list-style-type: none"> <li>Issue on non-supporting of payment not addressed</li> <li>Issue on payment of retention before termination of contract has not been addressed</li> <li>Issue on Value for money has not been addressed</li> </ul>	<p>already incurred in the project</p>
<p><b>3.2. Proposed Construction of Maji Moto Eco</b></p>	<ul style="list-style-type: none"> <li>Kshs.22,457,225 was spent on proposed construction of Maji Moto Eco Resort.</li> </ul>	<ul style="list-style-type: none"> <li>All payments certificate were backed up by certificate of</li> </ul>	<ul style="list-style-type: none"> <li>Reasons for variation before 12 months had</li> </ul>	<p>Management to provide funds for completion of the project in the</p>

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
<b>Resort Phase III</b>	<ul style="list-style-type: none"> <li>• The Department of ICT and Tourism entered into a contract for the project with a local contractor on 30 March, 2021 with a contact period of 120 days.</li> <li>• The contract sum was varied from Kshs.22,457,225 to Kshs.27,643,827, on 23 June, 2021 representing an increase of Kshs.5,186,602 or 23% of the contract sum.</li> <li>• Kshs.3,233,328 was paid under Certificate No. 6 of 16 December, 2022, which was not supported by itemized measured works.</li> <li>• The contract period had ended on 7</li> </ul>	<p>values to show the works that were being paid</p> <ul style="list-style-type: none"> <li>• Project on-going</li> </ul>	<p>elapsed has not been responded to.</p> <ul style="list-style-type: none"> <li>• Certificate of itemized measured works has not been provided as indicated in the response</li> <li>• There was no evidence to show that the project is on-going</li> </ul>	<p>budget to avoid loss of funds already incurred in the project</p>

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
	<p>August, 2021 yet as at the time of the audit in August, 2023, the contractor was still on site, without an approved extension of contract period and the project was incomplete.</p> <ul style="list-style-type: none"> <li></li> </ul>			
<p><b>3.3. Fruit Processing Plant Phase III</b></p>	<ul style="list-style-type: none"> <li>The project was implemented in phases but the master plan and the implementation plans were not provided for audit review.</li> <li>Phase one of the project was completed in 2021, the buildings were idle and had started falling apart.</li> <li>monthly progress reports were not prepared by the Project</li> </ul>	<ul style="list-style-type: none"> <li>All payments to the contractor were made based on comprehensive measurement of works</li> <li>There was a valid contract extension for the project as per the extension of contract vide letter dated 15<sup>th</sup> May 2023</li> <li>There was a supplementary budget allocation in the year under review</li> </ul>	<ul style="list-style-type: none"> <li>Certificate of measured works has not been provided as indicated in the response</li> <li>No response on monthly progress reports has not been provided</li> <li>Request and approval of contract extension has not been provided</li> <li>Issue on variation of 1,016% has not been responded to</li> </ul>	<p>Management to provide funds for completion of the project in the budget to avoid loss of funds already incurred in the project</p>

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
	<p>Implementation Committee</p> <ul style="list-style-type: none"> <li>• The terminated project phase was not appraised before making the final payment.</li> <li>• Bills of Quantities issued to second contractor differed from the original Bills of Quantities as it had the bulk store wall surface increased from 48 m2 to 487.6 m2, or a 1,016%.</li> <li>• Audit inspection carried out on 22 August, 2023 revealed that the second contractor invoiced and was paid for items worth Kshs.3,735,310 which had not been delivered or executed and Kshs 4,200,000 for material in site.</li> </ul>	<ul style="list-style-type: none"> <li>• The project has since been re-tendered and the Contractor is on site</li> </ul>	<ul style="list-style-type: none"> <li>• So far value for money has not been achieved</li> </ul>	

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
	<ul style="list-style-type: none"> <li>The construction was not in progress and the contractor was on site, three months after the lapse of the contract period and without a valid contract extension</li> </ul>			
<b>3.4. Incomplete Construction of Governor's Residence</b>	<ul style="list-style-type: none"> <li>The project's estimated cost of Kshs.149,216,375 exceeded the Salaries and Remuneration Commission (SRC) set ceiling of Kshs.45,000,000, vide Circular Ref. No SRC/TS/COG/6/61/48 II of 3 May 2019, by Kshs.104,216,375.</li> <li>The County unsuccessfully sought approval for ratification of the exceeded budget ceiling from SRC on 28/11/2019 citing that the contract had been entered into</li> </ul>	<ul style="list-style-type: none"> <li>At the time of guideline were issued, the county government of Kwale had already bought land through funds disbursed</li> <li>Report from the office of the controller of budget on value for money paved way for resumption of the project</li> <li>the contractor made claims of Ksh 27,613,984 arising from interest on delayed payments</li> <li>The County and the Contractor did an</li> </ul>	<ul style="list-style-type: none"> <li>The works are still incomplete</li> <li>Unutilized budgeted amount of Kshs. 11,000,000</li> <li>Issue on lack of value for money not responded to</li> </ul>	<p>Management to provide funds for completion of the project in the budget to avoid loss of funds already incurred in the project</p>



Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
	<p>before the SRC guidelines</p> <ul style="list-style-type: none"> <li>• The County through letter dated 6/12/2021 to the contractor issued notice of termination of contract following the recommendation of the Director of Public Works</li> <li>• On 4 July, 2020 the contractor made a claim of Kshs.27,613,984, arising from, interest on delayed payments of Kshs.3,669,3751</li> <li>• On 10 March, 2022 the contractor wrote to the County giving early warning of a situation threatening to delay the works and or suspension of contract activities due to delay in payment of claims amounting to Kshs.27,613,984</li> </ul>	<p>assessment of the works and resolution were made and the contractor was paid his dues</p>		

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
	<ul style="list-style-type: none"> <li>• As at the time of audit on August, 2023, the contractor had been paid Kshs.119,789,114.</li> <li>• The contractor had abandoned the site</li> <li>• In the financial year 2023/2024, a total of Kshs.11,000,000 was allocated to the project although</li> <li>• no construction works were done and the contractor was not on site.</li> <li>•</li> </ul>			
<b>4.5 Delays in the Construction of Twin Workshop in Mwabila Technical and Vocational Training Center</b>	<ul style="list-style-type: none"> <li>• The contract duration had expired and no request for extension had been submitted by the contractor for approval.</li> <li>• At the time of audit inspection in October, 2024, the project was still at 88% level of</li> </ul>	<ul style="list-style-type: none"> <li>• There was an error in computing the value of wiring works</li> <li>• This overpayment has since been refunded by the contractor</li> <li>• the contractor requested for</li> </ul>	Management agrees with the audit observation that there was overpayment and the funds are yet to be refunded	Management to provide funds for completion of the project in the budget to avoid loss of funds already incurred in the project

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
	<p>completion and one hundred and eighty (180) days past due date.</p> <ul style="list-style-type: none"> <li>The payment made to the contractor include Kshs.250,000 for KPLC connection, however, field inspection revealed that the TVC was not connected to electricity.</li> <li></li> </ul>	<p>extension of the project due to financial constraints and this was approved</p>		
<p><b>1. DORMANT BANK ACCOUNT</b></p>	<ul style="list-style-type: none"> <li>balances held in (3) bank accounts of Kshs.4,254 with last transactions between May 2022, and March 2023 an indication of no activities for a prolonged period of time.</li> </ul>	<p>The polytechnic account was opened for receiving conditional grant for supporting vocational training centers by National Government.</p>	<p>No supporting documents have been attached to show action taken.</p>	<p>The County to close the dormant bank accounts within 60 days</p>

Audit issue	Key issue	Management Response	Committee Observation	Committee Recommendations
		<p>The grant was stopped but we have now reintroduced it this financial year.</p> <p>ASDSP is also a conditional grant account, County has initiated the closure procedures</p>		
<b>2. Lack of Approved County Staff Establishment</b>	<p>The County Government carried out various human resource functions without an approved County staff establishment to guide on the vacancies for appointments, promotions, resignations, and planning on employee development.</p>	<ul style="list-style-type: none"> <li>• The Board was using drafts of the two documents</li> <li>• The Board approved all the County Government organization structures on 18<sup>th</sup> November, 2024</li> </ul>	<p>Evidence of approval of staff establishment has not been provided.</p>	<p>The County Executive to have and approved County Staff Establishment within 90 days</p>



**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF LAIKIPIA COUNTY EXECUTIVE FOR  
THE FINANCIAL YEAR 2023/2024.**

**Basis for Qualified Opinion**

<b>Audit Query</b>	<b>Concern</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendation</b>
Unsupported Payments on the Supply of Fuel, Oil, and Lubricants	<ul style="list-style-type: none"> <li>Kshs.13, 391, 205 Spent on fuel, oil, and lubricants without supporting evidence of fuel register, detailed order, and work tickets.</li> </ul>	<ul style="list-style-type: none"> <li>The fuel consumption support documents being; detailed orders, invoices, work tickets, and fuel registers, are hereby attached-</li> </ul>	<ul style="list-style-type: none"> <li>The detailed order work tickets and invoices have been provided.</li> <li>Summary of vehicles and consumption hasn't been done</li> <li>Some vehicles reflect number plates that do not belong to the county</li> <li>Pricing of fuel as observed is Kshs.24 above EPRA gazetted prices for the region</li> </ul>	<ul style="list-style-type: none"> <li>EACC to investigate the expenditure of Kshs.13, 391, 205 spent on fuel, oil, and lubricants without supporting evidence of fuel register, detailed order, and work tickets.</li> </ul>
2.1 Variance on Basic Wages for Temporary Employees	<ul style="list-style-type: none"> <li>Unreconciled variance of Kshs.7,534,674 between IFMIS</li> </ul>	<ul style="list-style-type: none"> <li>The variance of Kshs 7,534,674 between the line item of</li> </ul>	<ul style="list-style-type: none"> <li>Payment vouchers, IFMIS extracts have not been provided to</li> </ul>	<ul style="list-style-type: none"> <li>All staff compensations be processed through the Integrated Payroll and</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
	Payment records and the financial statements	compensation of temporary employees (Kshs 159,312,438) and the analysis of IFMIS payment details relating to the same expenditure category (Kshs 166,847,112) is a result of transactions entered in 10 <sup>th</sup> July 2023 and relating to the FY 2022/23 appearing in the IFMIS payment details.	support the response.	Personnel Database (IPPD) system for accountability
<b>2.2 Misclassification of Casual Workers' Payments</b>	<ul style="list-style-type: none"> <li>• Payments amounting to Kshs.35,602,667 made to temporary employees were misclassified as current grants hence understating the wage bill by a similar amount</li> </ul>	<ul style="list-style-type: none"> <li>• County-level 4 hospitals gained financial semi-autonomy in the 2nd half of FY 2023/24 (January 2024).</li> </ul>	<ul style="list-style-type: none"> <li>• The evidence of certified financial statements not provided to confirm the self-reporting aspect of these hospitals</li> </ul>	<ul style="list-style-type: none"> <li>• All staff compensations be processed through the Integrated Payroll and Personnel Database (IPPD) system for accountability</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
		<p>Vide FIF Act of 2023.</p> <ul style="list-style-type: none"> <li>Before the semi-autonomy, hospital expenditure was incurred under the Health departmental expenditure.</li> <li>The Kshs.35,602,667 was paid via the FIF CBK account to separate Hospital facilities expenditure from Health department Expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>A list of these semi-autonomous hospitals not provide</li> </ul>	<ul style="list-style-type: none"> <li>EACC to investigate the expenditure of Kshs.35,602,667 made to temporary employees which the county could not support/ reconcile.</li> </ul>
<b>EMPHASIS OF MATTER</b>				
Budgetary control and performance	<ul style="list-style-type: none"> <li>underfunding of Kshs.1,690,289,330 or 24% of the budget.</li> </ul>	<p>The underfunding and under-expenditure of the budget were due to:</p> <ul style="list-style-type: none"> <li>Non-disbursement of</li> </ul>		<ul style="list-style-type: none"> <li>Management should set realistic targets on their own source revenues and external funding</li> </ul>



Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
	<ul style="list-style-type: none"> <li>under-expenditure of Kshs.1,820,314,966 or 26% of the budget</li> </ul>	<p>exchequer releases by the National Treasury amounting to Kshs 428,659,722.</p> <ul style="list-style-type: none"> <li>Non-disbursement of conditional grants amounting to Kshs 629,802,964</li> <li>Under-realization of own source revenue and the coming to effect of the (F.I.F) Appropriation in Aid law which resulted in an amount of Kshs 294,793,469 Budgeted under Own source revenue but realized as A.I.A</li> </ul>		<ul style="list-style-type: none"> <li>Improve mechanisms for debt recovery to boost their revenues</li> <li>The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
<b>1. Late release of exchequer</b>	<ul style="list-style-type: none"> <li>• Kshs.423,822,066 received by the County Government from The National Treasury on 28 June, 2024.</li> <li>• Kshs.585,852,379 were disbursed by The National Treasury after the closure of the financial year</li> </ul>	<ul style="list-style-type: none"> <li>• Throughout the FY, the County Executive experienced substantial delays in disbursement of monthly equitable share from the National Treasury, with the month of June spilling into the next financial year having been disbursed on 28th July 2024. This impacted negatively on services delivery</li> </ul>		<ul style="list-style-type: none"> <li>• The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</li> </ul>
<b>OTHER MATTER</b>				
<b>Unresolved prior-year matters</b>	<ul style="list-style-type: none"> <li>• Management has indicated that some of the issues have been resolved. However, they remained unresolved as the Senate and County Assembly had not</li> </ul>	<ul style="list-style-type: none"> <li>• The County Executive has always endeavored to resolve prior year issues and enhance prudent utilization of public funds and service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>• Management to follow up on senate recommendations and implementation of prior year matters</li> </ul>	<ul style="list-style-type: none"> <li>• The Audit committee of the County should address all the issues on a timely basis as they await Senate recommendations.</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
	deliberated on the same.	We hope that the Senate will soon deliberate on all County Executive Management Responses and give further direction.		
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>				
<b>2.0 Compensation of Employees</b>				
<b>2.1 Over-Expenditure on Temporary Employees' Wages</b>	<ul style="list-style-type: none"> <li>• Paid wages exceeded the approved budget by Kshs.17,317,623</li> </ul>	<ul style="list-style-type: none"> <li>• The variance of Kshs 7,534,674 between the line item of compensation of temporary employees (Kshs 159,312,438) and the analysis of IFMIS payment details relating to the same expenditure category (Kshs 166,847,112) is as a result of reclassification of expenditure relating</li> </ul>	<ul style="list-style-type: none"> <li>• Management should spend within the approved budget or where necessary do a supplementary budget</li> </ul>	<ul style="list-style-type: none"> <li>• Management should spend within the approved budget or where necessary do a supplementary budget</li> <li>• EACC to investigate the over expenditure of Kshs.17,317,623 spend on employees wages.</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
		to Hospitals' casual workers.		
<b>2.2 Non-Compliance with the Law on Fiscal Responsibility on Wage Bill</b>	The wage bill is 20% above the PFM Act recommended of 35%	<ul style="list-style-type: none"> <li>The County Government inherited a bloated wage bill from Former Local authorities and the National Government. E.g., devolved departments of Trade, Infrastructure, Agriculture and Health.</li> <li>Nanyuki and Nyahururu Hospitals serve other counties hence the high wage bill</li> <li>Trying to downsize</li> </ul>	<ul style="list-style-type: none"> <li>The effort the management is putting in place to reduce the wage bill inadequate</li> <li>55% wage bill is too high. Management should reduce the wage bill to acceptable levels</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>That the County Executive strictly adhere to the provision of paragraph 25(1)(b) of the PFM Act (county government) regulations, 2015 which stipulate that the county wage bill should not exceed 35 percent of the county total revenue.</li> <li>The management develops and updates its staff establishment and ensures that all staff compensations are processed through the IPPD system for accountability</li> <li>That the County Executive provide to the Auditor General the measures put in place to contain the county higher wage bill within sixty (60)</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
				days from the adoption of this report.
<b>2.3 Non-Compliance with a Third of Basic Salary Rule</b>	<ul style="list-style-type: none"> <li>Seven hundred and thirty-three (733) employees earned net salaries of less than a third (1/3) of their basic salary</li> </ul>	<ul style="list-style-type: none"> <li>Affordable Housing Levy (AHL) introduced in 2023 (and further operationalized in 2024 by the Act and Regulations) caused these salaries to go below a third for employees who already had existing payslips commitments</li> <li>Management to ensure all employees are left with at least</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing levy led to deductions to below a third of the basic salaries. However, the staff had other payslip deductions that were not statutory- and could be settled outside the payslip</li> </ul>	Management to comply with Section 19(3) of the Employment Act, 2007 which states that the total amount of deduction from the wages of an employee shall not exceed two-thirds (2/3) of such wages

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
		<p>a third of their basic pay as they arrange to settle their extra obligations outside payroll</p>		
<p><b>2.4 Non-Compliance with Regulation and Guidelines on Acting Positions</b></p>	<ul style="list-style-type: none"> <li>Management paid two (2) of its staff members acting allowance for eleven (11) months against regulations on acting appointments</li> </ul>	<ul style="list-style-type: none"> <li>The management is in the process of addressing the issue of the two acting appointments in the cause of FY 2024/2025. Advertisement of the jobs has been done to facilitate filling of those positions by April 2025</li> </ul>		<ul style="list-style-type: none"> <li>Management should comply with Section C.14(1) of the Public Service Commission, Human Resource Policies and Procedures Manual for the Public Service of 2016 C.14 (1) which states that acting allowance will not be payable to an officer for more than six (6) months.</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
<b>2.5 Non-Compliance to the Law on Ethnic Composition</b>	<ul style="list-style-type: none"> <li>Seventy-one (71%) of employees were from the dominant ethnic community in the County.</li> <li>Further the Management had a total of seventeen (17) directors out of which fourteen (14) or 82.4% were from the dominant Community</li> </ul>	<ul style="list-style-type: none"> <li>This issue of Ethnic diversity is a historical issue, where the bulk of the staff establishment was inherited from the defunct local authorities &amp; other devolved functions from the National Government</li> <li>This scenario cannot be rectified instantly</li> <li>Deliberate measures are being implemented by the County Public Service Board toward achieving the right balance progressively during the current recruitment</li> </ul>	<ul style="list-style-type: none"> <li>Management is in agreement with the audit observation</li> </ul>	<ul style="list-style-type: none"> <li>Management to comply with Section 7 (2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one-third of its staff from the same ethnic community. Further, the County Governments Act provides that not more than 70% of officers recruited at entry level shall be from the dominant community in a County</li> </ul>
<b>3.0 Irregularities in the Procurement and Delivery of</b>	<ul style="list-style-type: none"> <li>Kshs. 96,297,500 spent for the supply of ten (10) dialysis beds, ten (10) dialysis</li> </ul>	<ul style="list-style-type: none"> <li>The dialysis machines and beds (10 for Nyahururu County Referral</li> </ul>	<ul style="list-style-type: none"> <li>Evidence on the delivery of the two repaired-faulty beds and</li> </ul>	<ul style="list-style-type: none"> <li>Management should always ensure that value for money is</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
<b>Dialysis Equipment</b>	<p>machines, one (1) water treatment plant to Nyahururu Level 4 Hospital and five (5) dialysis beds and five (5) dialysis machines to Nanyuki Teaching and Referral Hospital</p> <ul style="list-style-type: none"> <li>• Nyahururu- 2 beds were faulty (returned to the supplier) and one broke down with no replacement</li> <li>• Nanyuki- 2 sets of dialysis beds and machines were not delivered</li> <li>• inspection and acceptance committee certificate, signed professional opinion, and approved user requisition were not provided for audit</li> </ul>	<p>Hospital; 5 for Nanyuki Teaching and Referral Hospital; and 1 Water Treatment Plant for Nyahururu CRH) are available and in use at the hospital. All the Renal Dialysis machines are in good working condition</p>	<p>replacement of the broken one in Nyahururu hospital not provided</p> <ul style="list-style-type: none"> <li>• The two sets that were missing in Nanyuki Hospital, no evidence to confirm that the were finally delivered</li> </ul>	<p>achieved in the procurement exercise</p> <ul style="list-style-type: none"> <li>• EACC to investigate on the tendering process with the tender sum of Kshs. 96,297,500 spent for the supply of ten (10) dialysis beds, ten (10) dialysis machines, one (1) water treatment plant to Nyahururu Level 4 Hospital and five (5) dialysis beds and five (5) dialysis machines to Nanyuki Teaching and Referral Hospital</li> </ul>
<b>6.0 Irregular Payment to the Council of Governors</b>	<ul style="list-style-type: none"> <li>• Management made payments totaling Kshs.3,000,000 to the Council of</li> </ul>	<ul style="list-style-type: none"> <li>• The Council of Governor's legal fee contribution was indeed budgeted</li> </ul>	<p>The Management attention should be drawn to Section 37(b) of the Intergovernmental Relations Act, 2012</p>	<ul style="list-style-type: none"> <li>• The County Executive should stop payment of subscription fees to</li> </ul>



Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
	Governors irregularly	<ul style="list-style-type: none"> <li>The County Government paid the legal fees upon invoicing by the Council of Governors.</li> </ul>	which provides that the operational expenses in respect of the Council of Governors is provided for in the annual estimates of the revenue and expenditure of the National Government	<p>the Council of Governors.</p> <ul style="list-style-type: none"> <li>The Management attention should be drawn to Section 37(b) of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect of the Council of Governors is provided for in the annual estimates of the revenue and expenditure of the National Government</li> </ul>
<b>7.0 Irregular Payment of Allowances to Laikipia County Administration Police Welfare Account</b>	<ul style="list-style-type: none"> <li>Kshs.6,529,320 for allowances and PAYE deductions paid to administration police officers assigned to the County Executive premises and the Governor's residences</li> </ul>	<ul style="list-style-type: none"> <li>The reason why the allowances were channeled through the Laikipia County Administration Police Welfare Account instead of The National Treasury are contained in the</li> </ul>	<ul style="list-style-type: none"> <li>request letter from the administration police service dated 23rd March 2023 at annex 8 does not supersede the National Police Service Act</li> </ul>	<ul style="list-style-type: none"> <li>Management should adhere to Section 104(3) of the National Police Service (Amendment) Act, 2014 stipulates that any payment for the private use of police services must be</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
	<ul style="list-style-type: none"> <li>paid directly to the Laikipia County Administration Police Welfare Account instead of The National Treasury</li> </ul>	<p>attached request letter from the administration police service dated 23rd march 2023. See Annex 8</p>		<p>remitted to the Treasury.</p>
<p><b>8.0 Unsupported Expenditure on the Supply and Delivery of Tyres</b></p>	<ul style="list-style-type: none"> <li>Kshs.6,859,203 for the supply and delivery of tyres.</li> <li>not supported by motor vehicle maintenance logbooks showing repairs, driver defects reports, and pre-and post-repair inspection reports.</li> </ul>	<ul style="list-style-type: none"> <li>The documents supporting the payment of Kshs 6,859,203 are hereby attached. See Annex 9 (a) to 9 (t).</li> </ul>	<ul style="list-style-type: none"> <li>Kshs.2,517,500 has been supported with requisitions and payment vouchers</li> <li>Kshs.4,341,703 not supported</li> <li>Some motor vehicles have registrations not for the County Government</li> </ul>	<ul style="list-style-type: none"> <li>EACC to investigate the unsupported expenditure of Kshs.4,341,703 and establish ownership of motor vehicles with private registration plates</li> </ul>
<p><b>9. Pending Bills Not Paid as First Charge</b></p>	<ul style="list-style-type: none"> <li>pending bills totalling Kshs.2,018,917,691 were meant to be paid as a first charge in financial year 2023/2024 but were still outstanding as at 30 June 2024</li> </ul>	<ul style="list-style-type: none"> <li>Kshs 838,560,677 was settled in the year 2023/2024</li> <li>due to resource constraints, coupled with delayed disbursement of Equitable Share by the National</li> </ul>	<ul style="list-style-type: none"> <li>Management should come up with a policy on how to clear pending bills particularly those incurred ten years ago</li> </ul>	<ul style="list-style-type: none"> <li>The County Government pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
	<ul style="list-style-type: none"> <li>Some of these payables date back to the year 2015</li> </ul>	<p>Treasury, we were not able to clear all of them</p> <ul style="list-style-type: none"> <li>We will continue adhering the legal requirements while settling the bills.</li> </ul>	<ul style="list-style-type: none"> <li>Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 should be adhered to Asset Disposal Regulations, 2020 and Executive Order No. 2 of 2018, Part IV (B), which mandated</li> </ul>	<p>the financial year 2024/2025; and</p> <ul style="list-style-type: none"> <li>pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</li> <li>The Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
				<p>approving exchequer releases;</p> <ul style="list-style-type: none"> <li>○ County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</li> <li>○ Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</li> <li>○ County governments, in consultation with the Controller of Budget, to provide a budget</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
				<p>for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <ul style="list-style-type: none"> <li>○ County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets</li> </ul>
<b>12.0 Failure to Operate Fully on the E-Procurement Platform</b>	<ul style="list-style-type: none"> <li>• Some procurement of goods works, and services was conducted manually. The requisition, approval of requisitions, tendering, issuance of purchase orders, and invoicing for goods and services</li> </ul>	<ul style="list-style-type: none"> <li>• The procurement was undertaken outside IFMIS due to system downtime experienced during the period of procurement.</li> <li>• the frequent changes / upgrade effected in the system without</li> </ul>	<ul style="list-style-type: none"> <li>• Management to comply with Regulation 49(2) of the Public Procurement and</li> </ul>	<ul style="list-style-type: none"> <li>• Management to comply with Regulation 49(2) of the Public Procurement and</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
	were processed manually	corresponding training		
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>				
<b>1.0 Internal Audit Function and the Audit Committee</b>				
<b>a) Ineffective Internal Audit Department</b>	<ul style="list-style-type: none"> <li>The department lacked financial and functional independence due to insufficient budget allocation</li> <li>The department underperformed.</li> <li>Audit plans and programs did not cover critical areas such as hospitals, revenue collection, and verification of infrastructural projects</li> </ul>	<ul style="list-style-type: none"> <li>For the FY 2023/2024 the directorate had an independent budgetary allocation of Kshs 5,000,000 which was deemed adequate to enable it to accomplish the planned activities notwithstanding the current cash flow constraints that are beyond the control of the County Executive.</li> </ul>	<ul style="list-style-type: none"> <li>Kshs.3,000,000 for audit operations for a whole year is inadequate</li> <li>Internal Audit is vital for the effectiveness of internal control, risk management, and improved governance.</li> </ul>	<ul style="list-style-type: none"> <li>management should strengthen the audit function by recruiting adequate staff and allocating sufficient budget</li> </ul>
<b>b) Action on Internal and External Audit Reports by the Audit Committee</b>	<ul style="list-style-type: none"> <li>The internal audit presented six audit reports. However, none of these reports were discussed by the</li> </ul>	<ul style="list-style-type: none"> <li>The 15 reports tabulated above were presented in the two Audit Committee meetings held</li> </ul>	<ul style="list-style-type: none"> <li>During the audit fieldwork only six reports were presented relating to the 2023/2024 FY</li> </ul>	<ul style="list-style-type: none"> <li>Audit committee to carry on its gazetted functions and as provided for in the PFM Act 2012</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
	<p>audit committee and resolved.</p> <ul style="list-style-type: none"> <li>The Auditor General issued reports for the year 2022/2023 for eight (8) funds, the receiver of revenue, revenue board, county revenue fund, county corporation, and the County executive financial statements but none had been discussed by the audit committee</li> </ul>	<p>during the financial year for deliberation and further consideration. For an extract of Minutes, See Annex 13 (b) and 13 (c).</p>	<ul style="list-style-type: none"> <li>Annex 13 does not include the action of the audit committee on the discussion and resolution of the auditor's reports</li> </ul>	
<p><b>2. Payment of Staff Outside the Integrated Personnel and Payroll Database (IPPD)</b></p>	<ul style="list-style-type: none"> <li>Management paid Kshs.159,312,438 to employees outside the IPPD system through a manual payroll system</li> <li>Management made a further Kshs.35,602,667 to casual workers in various hospitals under current grants</li> </ul>	<ul style="list-style-type: none"> <li>The manual payroll system majorly contains employees who are employed on three-months contracts.</li> <li>Due to their nature of employment, it was not possible to put them in</li> </ul>	<ul style="list-style-type: none"> <li>Annex 14 reflects the new payroll system and new payroll numbers.</li> <li>This will be kept as data for verification in this year's audit cycle.</li> <li>Manual payroll is subject to manipulation and errors.</li> </ul>	<p>That the management should process and pay all employees using the IPPD system for accountability and that the OAG should review the matter in the subsequent audit cycle.</p>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
		<p>the IPPD system.</p> <ul style="list-style-type: none"> <li>The management has now decided to give them a longer contract.</li> <li>The ECDE teachers and other staff have been integrated into IPPD.</li> </ul>	Management should discourage the use of manual payroll	
<b>3.0 Weakness in Management of Fixed Assets</b>				
<b>3.1 Lack of Land and Buildings' Register</b>	<ul style="list-style-type: none"> <li>The register of land and buildings was not maintained</li> <li>They did not record each parcel of land concerning the conveyance, address, area, dates of acquisition, disposal or major change in use, leasehold terms, etc</li> </ul>	<ul style="list-style-type: none"> <li>The Management is committed to ensuring they have a comprehensive Assets Register in compliance with IPSAS 17 and other legal requirements.</li> <li>The management in</li> </ul>		<ul style="list-style-type: none"> <li>Management should do develop and maintain an updated asset register</li> </ul>



Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
		collaboration with IGRTC and the Ministry of Lands on February 2024 composed a County Assets Valuation committee to carry out inspection and valuation for fixed assets. .		
<b>3.2 Failure to Tag Assets</b>	<ul style="list-style-type: none"> <li>Assets were not tagged as a mechanism of tracking them and the Management had not established policies and procedures on assets management</li> </ul>	<ul style="list-style-type: none"> <li>The County executive has developed a draft Assets and Liabilities Management policy.</li> <li>The draft policy is in the process of being finalized and when approved it will provide guidelines and procedures on assets tagging and tracking</li> </ul>	<ul style="list-style-type: none"> <li>Development policy is a work in progress</li> <li>The draft policy has not been provided for confirmation</li> </ul>	<ul style="list-style-type: none"> <li>Management should tag its assets</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
<b>3.3 Non-disposal of Obsolete and Unserviceable Assets</b>	<ul style="list-style-type: none"> <li>Defective and unserviceable motor vehicles have been grounded in parking yards in the County for a considerable time</li> </ul>	<ul style="list-style-type: none"> <li>The County Executive was not able to dispose of the defective and unserviceable motor vehicles since the Logbooks were still held by the parent ministry.</li> <li>The national government through the IGRTC concluded the valuation exercise and transferred Logbooks for GK Motor vehicles on 3rd May 2024.</li> <li>The County Executive has so far initiated the disposal of defective, unserviceable, and expensively serviceable motor vehicles.</li> </ul>	<ul style="list-style-type: none"> <li>No evidence has been provided to confirm the transfer of ownership</li> <li>No evidence to confirm that the process of disposing of these motor vehicles has started</li> </ul>	<ul style="list-style-type: none"> <li>Management to provide evidence of having transferred ownership of these obsolete assets and initiated a process of disposing of the same within sixty days</li> </ul>
<b>3.4 Doubtful Ownership of Assets</b>	<ul style="list-style-type: none"> <li>Management did not provide for audit,</li> </ul>	<ul style="list-style-type: none"> <li>The ownership documents for</li> </ul>		<ul style="list-style-type: none"> <li>Management to provide the</li> </ul>

Audit Query	Concern	Management Response	Committee Observations	Committee Recommendation
	ownership documents for motor vehicles, land, and buildings.	<p>motor vehicles that were not availed are still held in custody by the banks and the process of retrieving them back is still in progress. For fixed assets, the Valuation and transfer process has not yet been concluded.</p> <ul style="list-style-type: none"> <li></li> </ul>		<p>ownership documents</p> <ul style="list-style-type: none"> <li>Management should develop and maintain an updated asset register</li> </ul>
<b>3.5 Failure to Maintain Asset Register in the Prescribed Format</b>	<ul style="list-style-type: none"> <li>The asset register maintained was not prepared in a format whose minimum requirements are; Identification or serial number, acquisition date, description of asset, location, class, cost of acquisition, accumulated depreciation, net book value.</li> </ul>	<ul style="list-style-type: none"> <li>The County Treasury through the directorate of Assets and Liabilities Management has trained and sensitized the officers responsible on the preparation of assets registers in the prescribed format by IPSAS 17.</li> </ul>		<ul style="list-style-type: none"> <li>Management should develop and maintain an updated asset register</li> </ul>



**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF LAMU COUNTY EXECUTIVE FOR THE  
FINANCIAL YEAR 2023/2024.**

Basis for Qualified Opinion

SUMMARY OF UNRESOLVED ISSUES						
No.	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendation s	Timeline
REPORT ON FINANCIAL STATEMENTS						
1	<b>Inconsistencies and Inaccuracies in the Financial Statements</b>	unexplained variances between IFMIS and Statement of Assets and liabilities •unexplained variances between the statement of cashflows and IFMIS records	The Management noted the audit observation regarding the variance, we are conducting a thorough review to pinpoint the specific modules that were not functioning properly. Management is currently undertaking a comprehensive system reconciliation to address these discrepancies	The review is being conducted, but the reconciliation has not yet been done.	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the	60 Days from the date of adoption of this report.

					<p>Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for</p>	
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					<p>committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.</p> <p>4. The Committee advised the Head of Treasury to be diligent and adhere to provided accounting standards.</p>	
2	<b>Inaccurate Cash and Equivalents Balance</b>	<p>The balance includes Kshs.286,853,571 held in eight (8) bank accounts relating to fuel</p>	<p>It should be noted that the amount Kshs.211,568,695.00 was properly disclosed by the Executive as</p>	<p>The inclusion of self-reporting entities distorts the accuracy of reported cash and cash</p>	<p>1. The Office of the County Governor undertakes administrative action against the</p>	<p>60 Days from the date of adoption of this report.</p>

		levy, conditional grants and special purpose accounts all of which are self-reporting and prepare separate financial statements.	reported in the Financial Year 2023/2024. -An amount of Kes 2,587,751.00 belonging to Lamu Municipality and Kshs.72,697,125 belonging to Climate Change was disclosed by the executive due to shared budget operations between the 2 entities.	equivalents for the executive.	responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60	
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					days of adoption of this report.	
3	<b>Long Outstanding Deposits and Retentions Balance.</b>	<ul style="list-style-type: none"> <li>The balance of Kshs.7,637,597 relate to long outstanding gratuity for over three (3) years.</li> <li>Further, the retention registers and list of persons whose gratuity amounts are outstanding submitted, reflects a balance of Kshs.115,838,156 resulting to unexplained variance of Kshs.15,113,149.</li> </ul>	<ul style="list-style-type: none"> <li>The management is actively working on resolving these issues and clearing the pending balances once the contracts are completed and the necessary obligations are fulfilled.</li> </ul>	The issues have not yet been resolved, and the pending balances have not been cleared.	3. All County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and 4. That- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015,	60 Days from the date of adoption of this report.
15	<b>Failure to Clear Long Outstanding Pending Bills</b>	Kshs.39,534,564 relate to pending bill balance outstanding as at 30 June, 2023 and which should have been paid as a first charge in line with	The balance of the pending bills that have not been paid due to their ineligibility. The ineligibility stems primarily from missing or incomplete documentation, which has prevented the	The county is settling pending bills on a first-in, first-out basis and the first charge with respect to exchequer		

		provisions of Regulation 41 (2) of the Public Finance Management (County Governments) Regulations, 2015	necessary verification and processing of these bills.	releases and collection of its own source revenue.	<p>County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a</p>	
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					<p>county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations ;</p>	
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					<p>iv. Supplement ary budgets for county government s are prepared in the 3rd Quarter to curb instances of arbitrary re- allocations out of the approved budget estimates;</p> <p>v. County government s, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new</p>	
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					<p>projects to cease until completion of the existing projects; and</p> <p>vi. County government shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>	
<b>EMPHASIS OF MATTER</b>						
<b>1</b>	<b>Budgetary Control and Performance</b>	The statement of comparative budget and actual amounts reflects	To address these challenges, the county will enhance engagement with the	There was under-utilization of appropriated	1. The National Treasury should ensure timely release of funds	Continuous

		under-funding of Kshs.481,764,975 or 12% of the budget and under-performance of Kshs.730,770,218 or 18% of the budget.	National Treasury for timely disbursements, improve financial planning, and align project execution with fund availability. Furthermore, continuous training and capacity building for suppliers will be conducted to strengthen their ability to meet procurement requirements and improve efficiency in service delivery.	funds by the County Executive as a result of delay in exchequer releases by The National Treasury.	to county governments in line with the cash disbursement schedules approved by the Senate. 2. The County executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.	
2	<b>Late Exchequer Releases</b>	Review of the CRF bank statement revealed receipts totalling Kshs.716,219,255 were received near or after the closure of the financial year.	There was a late disbursement of funds by the National Treasury. This adversely affected the utilization of funds and impacted negatively on the service delivery to the residents of Lamu County.	The Committee noted that the County Executive experienced delayed exchequer releases by the National Treasury	1. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules	Continuo us

				thereby hampering their budget implementation.	approved by the Senate. 2. The county Executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.	
<b>Other Matter</b>						
<b>1</b>	<b>Unresolved Prior Year Matters</b>	Although the Management has indicated that some of the issues have been Addressed and mechanisms put in place to resolve those outstanding, evidence of resolution has not been provided as a result of which the matters remained Not	The Management provided resolutions and recommendation on the Not Addressed matter as at 30 <sup>th</sup> June 2024	The committee noted that Various prior-year audit issues remained unresolved as of 30 June 2024	County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	60 Days from the date of adoption of this report.

		Addressed as at 30 June, 2024.				
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>						
<b>1. Compensation of Employees</b>						
<b>1.1</b>	<b>Failure to Adhere to Fiscal Responsibility Principles</b>	<p>The budget on compensation of employees was 39% contrary to Section 107 (2) (c) of the Public Finance Management Act, 2012 which provide that the County Government's expenditure for its public officers shall not exceed a percentage of the County Governments total revenue</p>	<ul style="list-style-type: none"> <li>The salary review implementation, as recommended by SRC, was never accompanied by additional allocation from the Commission of Revenue Allocation (CRA) to County Governments.</li> <li>All County employees thus received a salary increment without a subsequent increase in allocations for employee emoluments, contributing to the increase in the wage bill ratio.</li> </ul>	Increase in wage bill ratio due to salary increment without subsequent increase in allocations.	<p>1. The management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue.</p> <p>2. The county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap; and</p>	Continuous



					<p>3. The management of the concerned entities should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.</p>	
1.2	<p><b>Payment of Salaries Outside the Integrated Personnel and Payroll Database (IPPD)</b></p>	<p>Management processed and paid salaries to staff outside the IPPD payroll system which Management acknowledge is due to delay by Directorate of Public Service Management (DPM) to issue new personal numbers upon</p>	<ul style="list-style-type: none"> <li>• To obtain new personal numbers, the County makes a formal written request to the DPM for the allocation of personal numbers.</li> <li>• This process takes between three weeks to about three months.</li> <li>• To avoid salary delays for staff, we process manual payrolls so they do not miss their salaries</li> </ul>	<p>The Committee noted that the County executive is still making payments of salaries for some of its employees outside the Integrated Personnel and Payroll Database</p>	<p>1. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and</p>	<p>60 days from the date of adoption of this report</p>

		request by the County.	while waiting for their numbers.	(IPPD) System.	<p>design an efficient human resource management system to be used by counties;</p> <p>2. The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;</p> <p>3. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to</p>	
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					provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and 4. the Auditor General to monitor the matter in the subsequent audit cycle.	
1.4	<b>Non-Compliance with Law on Mandatory Retirement Age</b>	<ul style="list-style-type: none"> <li>Review of the Integrated Payroll and Personnel Database (IPPD), June 2024 Payroll, revealed that four (4) officers who had attained the mandatory retirement age of sixty (60) years were still in</li> </ul>	<ul style="list-style-type: none"> <li>According to the Public Service Regulations, 2020, Section 70, subsection (6), an officer may be re-engaged in a term of office after retirement if they possess rare knowledge, skills, or competencies.</li> <li>In this context, "rare knowledge, skills, and competencies" refer to</li> </ul>	The rare skills possessed by re-engaged staff are not indicated or provided.	The Committee recommends that the County Executive strictly adheres to section 80(1) of the Public Service Commission Act, 2017, and Section D.21 of the Public Service Commission Human Resource Policies and	60 days from the date of adoption of this report

		service as at 30 June, 2024	those that are scarce, unique, and not readily available in the job market.		Procedure Manual, 2016 by ensuring that all officers retire at the mandatory age of 60 years (65 for persons with disabilities) and prohibiting extensions beyond this age unless under exceptional government-prescribed circumstances and provide a status update to the Office of the Auditor General within sixty (60) days.	
2	<b>Irregular Procurement of Fuel, Oil and Lubricants.</b>	<ul style="list-style-type: none"> <li>Payments totalling Kshs.81,594,900 in respect of fuel, oil and lubricants procured by use of quotations by the various departments. The payments were made to only two</li> </ul>	<ul style="list-style-type: none"> <li>Given Lamu County's unique geographical location, the selection of service providers was guided by operational requirements. Specifically, the suppliers needed the capacity to supply fuel, oil, and lubricants to</li> </ul>	The County's unique geographical location not supported by request for exception from the Public Procurement and Asset	1. The Ethics and Anti-Corruption Commission causes an investigation of the tender and procurement process with a view to identifying the	60 days from the date of adoption of this report

		(2) companies of the thirty-nine (39) prequalified suppliers under the category contrary to Regulation 91 (5) of the Public Procurement and Asset Disposals Regulations, 2020	boats operating at sea and vehicles operating in Lamu and in major towns such as Malindi, Mombasa, and Nairobi. Key considerations included the availability of mobile pumping stations at sea to enable boat captains to access fuel conveniently and the ability to refuel vehicles operating in major towns efficiently.	Disposals Regulations, 2020	irregularities in the process and cause prosecution of the culpable officers and provide a status report of the investigation to the Office of the Auditor General and the Senate within 90 days of adoption of this report.	
3	<b>Irregular Procurement of Food Stuff</b>	<ul style="list-style-type: none"> <li>• Payments totalling Kshs.15,708,279 was in respect of purchase of food stuffs. The food stuffs were procured by the various hospitals through use of quotations.</li> <li>• However, evidence that the</li> </ul>	<ul style="list-style-type: none"> <li>• Due to the unique geography of Lamu, food prices vary significantly within the areas where the hospitals are located. Therefore, procurements were done separately for each respective hospital</li> <li>• section 7(1)(e) of the Lamu County</li> </ul>	Exception by PPRA for Lamu due to unique geography not provided.	2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners	

		entities have been registered as procuring entities and have a procurement function was not provided contrary to Regulation 54	Health Facility Improvement Financing Act, 2023 establishes public health facilities as procurement entities. The procurements were all carried out on the IFMIS e-procurement module by the County Department of Health.		Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.	
4	<b>Irregular Procurement of Consultancy Services</b>	The approved procurement plan was not specific on which projects were to be pursued in that financial year, the terms of reference of guiding the procurement did not specify the deliverables and basis of partial acceptance and an inspection and acceptance certificate in support of a	<ul style="list-style-type: none"> <li>The subject procured were all consolidated in the plan as contracted technical services and cadastral land surveys as given in the item codes with subsequent integration with the department vote book.</li> <li>This approach ensures alignment with the standardized format while providing sufficient clarity on the planned consultancy services.</li> </ul>	The subject procured were all consolidated, but the regulation allowing such consolidation was not cited.	1. The Ethics and Anti-Corruption Commission causes an investigation of the tender and procurement process with a view to identifying the irregularities in the process and cause prosecution of the culpable officers and provide a status report of the	60 days from the date of adoption of this report

		<p>payments were not provided contrary to the provisions of Section 53 (1) of the Public Procurement and Asset Disposal Act, 2015</p>			<p>investigation to the Office of the Auditor General and the Senate within 90 days of adoption of this report.</p> <p>2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which</p>	
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					constitutes a professional misconduct.	
5	<b>Irregular Payment of Subscription Fees to County Public Service Board (CSPB) National Consultative Forum</b>	Kshs.597,000 was paid to CSPB National Consultative Forum being annual subscription. However, the authority upon which the payment was made has not been provided contrary to Section 149 (1) of the Public Finance Management Act, 2012	<ul style="list-style-type: none"> <li>As stipulated in the forum's governing documents, including its Constitution and Articles of Association, member Counties are legally obligated to pay annual subscription fees.</li> <li>The Kshs. 597,000 payment represents the required annual membership fee, enabling the County Public Service Board to benefit from professional development, policy harmonization and National representation</li> </ul>	The consultative forum is not indicated as a professional body.	<p>1. The irregular payments to the County Public Service Board (CSPB) National Consultative Forum be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution.</p> <p>2. The EACC to recover any further irregular contribution within 60 days of adoption of this report.</p>	60 days from the date of adoption of this report



6	<b>Irregular Payments to Council of Governors and Frontier Counties</b>	<ul style="list-style-type: none"> <li>• Payment of Kshs.4,000,000 was made to the Council of Governors and the Frontier Counties Development Council Limited each of which received Kshs.2,000,000 for subscription fees contrary to Section 37 of the Intergovernmental Relations Act, 2012</li> </ul>	<ul style="list-style-type: none"> <li>• The Council of Governors made a resolution on 6th October 2022 that Counties shall pay subscription fees to enable the Council of Governor's operations</li> <li>• To support the operations of FCDC, a secretariat was formed and an office was established at Nairobi and is managed by a CEO. The 7 Counties pay subscription fees to finance the operations of the office of the FCDC.</li> </ul>	The Committee observed that the payments to the Council of Governors (COG) were not supported by any law.	<ol style="list-style-type: none"> <li>1. The irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution.</li> <li>2. The EACC to recover any further irregular contribution within 60 days of adoption of this report.</li> </ol>	60 days from the date of adoption of this report
7	<b>Payments Outside the Mandate of the County Government</b>	Other grants and transfers which includes Kshs.126,977,782 in respect of scholarships and other educational	The County Government of Lamu established a special fund to support learner's access to education through the Lamu County Bursary	The county was undertaking projects meant for the National government	County Executive to adhere to the provisions of Article 186(1) of the Constitution of Kenya as read together with the	Continuous

		benefits which are grant transfer for the purpose of issuance of bursary and scholars. However, contrary to the fourth Schedule (Article 185 (2), 186 (1) and 187 (2)) on distribution of functions between the National Government and the County Governments,	Fund Act, 2019, by the County Assembly of Lamu to provide for the establishment of Bursary Fund. The fund is to be used to assist students to obtain an education at recognized institutions and for matters incidental thereto and connected therewith	as outlined in the Fourth Schedule of the Constitution	Fourth Schedule to the Constitution.	
<b>9.1</b>	<b>Delayed Road Construction Project</b>	Kshs.10,501355 was paid to a local contractor for cabro paving of access road at Mpeketoni Market whose contract sum was Kshs.11,701,962. The physical verification exercise revealed that the access	The works were completed as per the attached certificate of completion dated 24th of October, 2024. The access road to the market is operational and currently in use.	The access road to the market is operational and currently in use and to be verified during 2024/2025 audit cycle.	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely	60 days from the date of adoption of this report

		road projects were not completed as required and the contractor had left the site.			completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;	
<b>9.2 (a)</b>	<b>Delay in Completion of Pipeline Extension Works at Mokowe</b>	Payments totalling Kshs.14,793,542 were made in respect to construction of Mokowe pipeline extension works. However, a project verification revealed that the project is not complete and the contractor was not on site.	The Mokowe Pipeline Extension Project was completed and in use	Completion certificates were provided and to be verified during 2024/2025 audit cycle.	2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the	
<b>9.2 (b)</b>	<b>Dormant Manda Yawi-Raskitau Water Project</b>	Management engaged a local company in respect to Manda Yawi-Raskitau Water Project at a negotiated cost of Kshs.14,978,117. a project	Manda Yawi-Raskitau water project is now operational and in use.	Completion photos were provided and to be verified during 2024/2025 audit cycle.		

		verification revealed that the project was not operational, and had not served its intended purpose			Auditor General within 60 days of the adoption of this report; 3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
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9.3	<b>Delay in the Construction of the Governor's Residence</b>	Kshs.13,499,920.50 was paid to a construction company in respect to construction of the Governor's Residence. Audit inspection of the project done on 7 October, 2024 revealed that the project is still not complete.	<ul style="list-style-type: none"> <li>In December 2023, floods damaged a section of the road to Lamu near Gamba police station, rendering the road impassible. This delayed the delivery of materials, impacting project timelines. The project implementation team has since been conducting site visits</li> <li>Despite these challenges, management reached out to the contractor on 7 August 2024 through a letter reference CGL/PSMA/PW150/VOL. 1/6, to inquire about the delay in completing the Governor's residence, especially since the contract had already been extended</li> </ul>	To be verified during 2024/2025 audit cycle		

9.4	<b>Stalled Construction of Lamu County Headquarters</b>	<p>•As previously reported, Management entered into contract to construct the County Headquarters at Mokowe on 24 June, 2019 at a contract sum of Kshs.126,823,550. Management did not provide budget estimates for implementation of the project during the and no additional funding to the project was received from the National Government</p>	<p>To date, the County Government has fulfilled 84% of its obligation by paying KES 31,987,330, leaving a balance of KES 6,059,735 (16%). However, the State Department of Public Works has only contributed KES 23,239,232.50, which is 26% of its obligation, leaving a significant balance of KES 65,537,252.50 (74%). The delays in fund disbursement by the State Department have severely hampered the project's implementation</p>	<p>To be verified during 2024/2025 audit cycle</p>		
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9.5	<b>Delay in Completion of Faza Sub-County Headquarters</b>	Kshs.48,365,894 was paid to a contractor in respect of construction of the Faza Sub-County Headquarters. However, a field verification done on 7 October, 2024 revealed the project was not complete.	The Management acknowledge that the building has not been completed yet. This is due to the delayed disbursement of funds from the State Department of Public Works. Counties have made follow-ups through IBEC and the intergovernmental relations committee on the disbursement of the balances and a resolution was made that the National Treasury shall remit the balances directly to County Governments.	To be verified during 2024/2025 audit cycle		
13	<b>Project Implementation Status on Acquisition of Assets</b>	The project implementation status indicates that one hundred and forty-six (146) projects worth Kshs.790,262,423 were implemented out of the one hundred and eighty-six (186) projects planned to be	A list of 40 projects were indicated as not initiated which is not entirely correct as some of the projects had already been completed at the closure of FY 2023-2024 and only payment was awaiting. A detailed list of the 40 projects indicated as not initiated is tabulated.	To be verified during 2024/2025 audit cycle		

		implemented worth Kshs.1,422,550,007				
11	<b>Failure to Update Fixed Assets Register</b>	<p>A review of the assets' register revealed unexplained variances between asset balances and corresponding disclosure in the summary.</p> <p>Also, the County owns twenty (20) parcels of land which County has not obtained the ownership</p>	<p>Under note 17 of the Financial Statement there are several sub-items that cannot be categorized and captured as Fixed Assets as they do not meet the criteria for recognition under accounting standards. The discrepancy of KES. 442,521,976</p>	<p>1) the County Executive lacked an updated Fixed Asset Register; and</p> <p>2) the county government lacked ownership documents for some of its assets and properties.</p>	<p>1. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</p> <p>2. County should adopt and implement the report of the</p>	60 Days from the date of adoption of this report



					<p>Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
12	<b>Non-Compliance with the Law on the Establishment</b>	Management has not appointed the	The County is currently in the process of operationalizing this Office	The County Government has not	The County Executive establish and	60 Days from

	<b>of the Office of County Attorney</b>	County Attorney and other officers	by ensuring the staffing requirements are met. In its efforts to comply with Section 4 of the County Attorney Act, 2020, the County Government of Lamu has employed the following staff in the County Attorney's office:	established the Office of the County Attorney pursuant to the Office of the County Attorney Act, 2020.	utilizes the Office of the County Attorney to provide legal advice and court representation. The county should provide evidence of compliance with the County Attorneys Act within 60 days of the adoption of this report.	the date of adoption of this report
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**REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

<b>1</b>	<b>Under-Staffed/Dysfunctional Internal Audit Unit</b>	The audit department should have eight (8) officers headed by head of internal audit. However, the department has only two (2) officers headed by internal auditor who has been in acting capacity	The need to control the wage bill as a county has been a significant factor in our inability to adequately resource our Internal Audit. Despite this, the Audit Unit has sufficiently addressed the audit needs within the County, with only a few exceptions, such as the case you pointed out.	The Internal Audit Department lacked staff capacity at the time of the audit	1. The county Executive expedites sufficient staffing of the audit committee to enhance oversight over public resources and provide a status report to the Auditor General within sixty (60) days	60 Days from the date of adoption of this report
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					<p>from the adoption of this report.</p> <p>2. The Salaries and Remuneration Commission (SRC) to review the compensation framework for Audit Committee members since the low sitting allowances may not attract seasoned professionals to the county Audit Committees</p>	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF MACHAKOS COUNTY EXECUTIVE  
FOR THE FINANCIAL YEAR 2023/2024**

**Basis for Qualified Opinion**

<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Responses</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timeline</b>
1	<b>Inaccuracies in the Financial Statements</b>	The statement of receipts and payments and as disclosed in Note 1 and Note 2 reflects total receipts of Kshs.11,417,314,882 while the statement of comparison of budget and actual amounts (recurrent and development) reflects an amount of Kshs.13,022,775,225 net of opening bank balance resulting to an unexplained variance of Kshs.1,605,460,343. In the circumstances, the accuracy and	The amount in variance of Ksh.1,605,460,343 relates to Own Source Revenue (OSR) for Fy.2023/2024.The figure was reported separately in our Receiver of Revenue (ROR) Financial Reports for Fy.2023/2024.However, the management amended the financial statements under “Note one (1)- Transfer from CRF” and “statements of Receipts and payments” to capture Ksh.1,605,460,343. Therefore, the statement of comparison of budget and actual amounts	There were significant weaknesses in the preparation of financial reporting documentation by the County Executive.	<ol style="list-style-type: none"> <li>1. The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.</li> <li>2. The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</li> </ol>	60 days from the date of adoption of this report

		completeness of the receipts totalling Kshs.11,417,314,882 as reflected in the financial statements could not be confirmed	(recurrent and development) and statement of receipts and payments have been reconciled. Attached, find the amended financial statement Fy.2023/2024 for audit review.			
2	<b>Variances Between Financial Statements and IFMIS Payment Details</b>	The statement of receipts and payments and as disclosed in Note 4 reflects use of goods and services amount of Kshs.2,403,653,567. Review of the itemized expenditure items revealed that the amounts were at variance with the Integrated Financial Management Information System (IFMIS) as follows; Management explained its intention to contact The National	The management has initiated the exercise of reconciling variances between our manual financial statements- Fy.2023/2024 and IFMIS ledgers. So far, the County has made to reconcile two of the five items (Foreign Travel and Subsistence- ksh.82,755,658 and Printing, Advertising and Information supplies-Kshs. 43,062,783). The other three items will be finalized in due course. Attached, find IFMIS Generated-	There were significant weaknesses in the preparation of financial reporting documentation by the County Executive.	<ol style="list-style-type: none"> <li>1. The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.</li> <li>2. The Office of the Auditor General should progressively review and report on the</li> </ol>	60 days from the date of adoption of this report

		<p>Treasury for reconciliation. However, the reconciliation had not been performed as at the time of the audit in November 2024.</p> <p>In the circumstances, the accuracy and completeness of use of goods and services totaling Kshs.2,403,653,567 could not be confirmed.</p>	Notes-to financial statements (County Ledgers) and Trial balance for audit review.		matter in the subsequent Financial Years.	
3	<b>Other Grants and Transfers</b>	The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflect other grants and transfers of Kshs.1,297,110,941 which includes an amount of Kshs.195,350,986 for fertilizer subsidy program. However,	The fertilizer subsidy program involved the National Government providing and selling subsidized fertilizer to Kenyan farmers (Machakos included) through government-run distribution channels. The amount of Ksh.195,350,986 was budgeted in Fy.2023/24 and as per	The management deducted Kshs 195,350,986 at the source; however, no supporting documents were provided to verify the county farmers who	1. Sanctions as outlined in Section 62(2) of the Public Audit Act, 2015 against the responsible officer(s) who failed to provide the documents to the auditors and provides a status report to the Office of the	60 days from the date of adoption of this report

		<p>the amount was deducted at source and utilized in the fertilizer subsidy which was a program run by the National Government and no actual funds were received in the County Revenue Fund account.</p> <p>In the circumstances, the accuracy of other grants and transfers of Kshs.1,297,110,941 could not be confirmed.</p>	<p>The County Governments Additional Allocations Act, 2024 (<b>see page 9</b>) passed by the National Assembly and Gazetted. However, the amount was deducted from the source (National Treasury) on behalf of the Ministry of Agriculture-National Government. Therefore, the management had to pass contra-entry by recognizing the amount of Ksh.195,350,986 as part of our revenue (miscellaneous receipts) and at the same time expense it in entirety under note 7 of the statement of receipts and payments although we did not have supporting documents worth Ksh.195,350,986 Attached, find the</p>	<p>benefited from the subsidized fertilizer</p>	<p>Auditor General within sixty (60) days from the adoption of this report; and</p> <ol style="list-style-type: none"> <li>2. the OAG keeps the matter in view in the subsequent audit cycle to ascertain the status of the Fund.</li> </ol>	
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			County Governments Additional Allocations bill no.23 of 2023 document for audit review			
4	<b>Transfers to Other Government Units</b>	The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflect transfers to other Government units of Kshs.702,941,313 which includes an amount of Kshs.421,241,713 for climate change. However, review of bank statements revealed that the actual amount received in the Climate Change Program bank account amounted to Kshs.298,237,417 resulting to an unexplained variance of	The management amended the financial statements for Fy.2023/2024 under Note 6- “Transfer to Other government entities” to correct the unexplained variance. The financial statements reflect the actual amount ksh.298,237,417 received in Fy.2023/2024.The amount reported of Ksh.298,237,417 is as per the cut-off date 30 <sup>th</sup> June 2024. Attached, find an extract of the re-submitted amended financial statements- Fy.2023/2024 for your review	The management could not confirm the accuracy of transfers to other government units amounting to Kshs. 702,941,313.	<ol style="list-style-type: none"> <li>1. the County adheres to Section 116(8) of the Public Finance Management Act, 2012</li> <li>2. the Senate should expedite legal frameworks to provide for the County Assembly's financial autonomy to strengthen the Assembly's oversight, representation and legislation roles.</li> <li>3. The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</li> </ol>	60 days from the date of adoption of this report



		<p>Kshs.123,004,296. Management indicated that the financial statements have been amended to reflect the correct amount. However, no amendment was done to the financial statements.</p> <p>In the circumstances, the accuracy of transfers to other Government units of Kshs.702,941,313 could not be confirmed.</p>				
5	<b>Unsupported Expenditure- Use of goods and services</b>	<p>The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects Kshs.2,403,653,567 under use of goods and services. Included in the expenditure is an amount of</p>	<p>The management provided payment vouchers of Ksh.96,003,469.55 for various expenditure items. The legal fee payment vouchers totaled ksh.21,298,286.60, out of three vouchers totaling Ksh.10,214,225 were</p>	<p>The management did not provide documentation to support an expenditure amounting to Kshs. 96,003,469.</p>	<p>1. The Office of the County Governor (CEO) undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of the audit, in accordance with</p>	<p>60 days from the date of adoption of this report</p>

		<p>Kshs.117,301,735 whose payment vouchers were not provided for audit review.</p> <p>In the circumstances, the accuracy of use of goods and service amount of Kshs.2,403,653,567 could not be confirmed</p>	<p>also submitted. The difference of Ksh.11,352,400 (Voucher No.CL/46/05/24/R is yet to be received from EACC as per our correspondences</p>		<p>section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General</p>	
6	<b>Unsupported Expenditure - Legal Expenses</b>	<p>Review of prior year financial statements revealed that pending bills for legal fees of Kshs.807,862,095 while the current financial statements reflect an opening balance of Kshs.828,387,093, resulting to an unreconciled variance of Kshs.20,524,998. In addition, Kshs.38,807,957 was paid to four (4)</p>	<p>The management amended the pending bills annexures in financial statements for 2023/2024 to reconcile the variance of Ksh.20,524,998 between the reported amount of Ksh.828,387,093 (Bal B/f- 2023/2024) and Kshs.807,862,095 (Bal C/f - 2022/2023).). The amounts of Kshs. 38,807,957 was paid to the following advocate's companies</p>	<p>The management did not provide legal files for audit</p>	<p>1. The County Executive should utilize its legal department and make adequate efforts to pay the Pending Legal Fees that have already undergone taxation and submit a status report to the Auditor-General sixty days from the date of adoption.</p>	<p>60 days from the date of adoption of this report</p>

		<p>firms as part of the prior year pending bill and current year payables. However, the relevant case files were not provided for audit review.</p> <p>In the circumstances, the accuracy and propriety of legal fees totaling Kshs.828,387,093 could not be confirmed</p>	<p>who's the county owed for a long period of time;</p> <p>The case files were forwarded together with the payment vouchers to EACC. Therefore, the management could not provide them during the limited time given for audit. However, we have written to EACC, requesting for the said documents to be released for audit review. Attached, find the EACC correspondences for review.</p>		<p>2. The County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</p> <p>3. The Office of the County Governor (CEO) undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of the audit, in accordance with section 156 of</p>	
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					the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General	
<b>OTHER MATTER</b>						
7	<b>Budget Control and Performance</b>	The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.15,808,454,221 and Kshs.13,278,940,564 respectively resulting in an under-funding of Kshs.2,529,513,657 or 16% of the budget. Similarly, the County spent an amount of Kshs.11,631,124,769 against actual receipts of Kshs.13,278,940,564 resulting in an	The under-funding variance of Kshs.2,529,513,657 between our final approved budget - Kshs.15,808,454,221 and the actual receipts of Kshs.13,278,940,564 was occasioned by the following two reasons; Further, the under-utilization of Kshs.1,647,815,795 (12 % of the actual receipts) at the end of Fy.2023/2024 was caused by delay in exchequer releases and other conditional grants. The Table below show a	The county experienced an under-funding of Kshs. 2,529,513,657 (16% of the budget) and an under-utilization of Kshs. 1,647,815,795 (12% of actual receipts)	<ol style="list-style-type: none"> <li>1. the National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate; and</li> <li>2. The county Executive should put in place measures to improve their local revenue collection capacity to meet their revenue collection target</li> </ol>	Continuou s

		<p>under-utilization of Kshs.1,647,815,795 or 12 % of the actual receipts.</p> <p>The under-funding and under-utilization may affect the planned activities and may impact negatively on service delivery to the public.</p>	<p>continuous trend in delay of exchequer releases which in turn led to only 88% absorption rate.</p>			
8	<b>Pending bills</b>	<p>Annex 2- Analysis of pending accounts payables, Annex 3- Analysis of pending staff payables and Annex 4- Analysis of other pending payables, to the financial statements disclose pending bills of Kshs.4,516,781,861, Kshs.855,416,201 and Kshs.167,965,221 respectively, all totaling Kshs.5,540,163,283 as at 30 June, 2024.</p>	<p>The Pending accounts payable for the year ended 30<sup>th</sup> June 2024 was <b>Kshs. 5,540,163,283.00</b>. The county managed to pay an amount of <b>Kshs. 1,315,348,829.86</b> by <b>17<sup>th</sup> March 2025</b>. Therefore, the current balance is <b>Kshs. 4,224,814,453.14</b>. The management applied <b>First In First Out (FIFO)</b> method of accounting principle whereby, the pending</p>	<p>Pending bills amounting to Kshs. 4,224,814,453 remain unpaid.</p>	<ol style="list-style-type: none"> <li>1. that all County Governments pay verified pending bills amounting to less than Kshs. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2025/2026; and</li> <li>2. that- <ol style="list-style-type: none"> <li>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance</li> </ol> </li> </ol>	<p>60 days from the date of adoption of this report</p>

		<p>Although Management indicated that the bills were not settled due to non-release of exchequer allocation, no evidence was provided to confirm that the pending bills formed first charge in the subsequent year.</p> <p>Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form the first charge.</p>	<p>bills for prior years formed first charge in Fy.2024/25. The delay in release of June 2024 exchequer amounting to Kshs. <b>763,783,623.00</b> increased our pending bills for Fy.2023/2024. The exchequer was received on <b>26<sup>th</sup> July 2025</b>. The table below gives a movement analysis of our accounts payable from 30<sup>th</sup> June 2022 to date. Attached, the accounts payable movement register for audit review</p>		<p>Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving</p>	
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					<p>exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p> <p>v. County governments, in consultation</p>	
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					<p>with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets</p>	
9	<b>Unresolved Prior Year Matters</b>	Prior year issues remain unresolved	The management appeared before the Senate Public Accounts Committee	The County Executive did not take action on the	The County executive complies with section 53 of the Public Audit Act, 2015 by taking	60 days from the date of adoption



			on 12 <sup>th</sup> October 2024, where the matters were deliberated. Attached, find a schedule of our prior year issues and efforts made on each matter	issues raised in the Report of the Auditor General for the Financial year 2022/2023.	action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	of this report
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>						
11	<b>Non-Compliance with Law on Ethnicity and People with Disabilities Distribution</b>	Records provided for audit review including the payroll indicated that during the year under review, the County Executive had a total of six thousand five hundred and thirty-five (6,535) employees out of whom five thousand five hundred and nine (5,509) or 84% were from the dominant community in the County. This is contrary to Section 65 (1) (e) of the County Governments Act,	The management acknowledged non-compliance with law on ethnicity and People with Disabilities. During Fy.2023/2024, Machakos County took corrective measure by employing 98 officers from non-dominant tribes in the county. This is 7.1 percent of the entire work force (1365 officers) employed in that year. Further, the management is currently developing a county diversity policy which will guide future	The management did not comply with the law on ethnicity and people with disabilities.	<ol style="list-style-type: none"> <li>1. the County Executives should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of County Government Act on ethnic inclusivity.</li> <li>2. The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County</li> </ol>	60 days from the date of adoption of this report

		<p>2012 which provides that in selecting candidates for appointment, the County Public Service Board shall consider that at least thirty (30) percent of the vacant posts are not from the dominant ethnic community in the County.</p> <p>In addition, there were 61 employees or approximately 1% of the employees who are living with disabilities contrary to Paragraph 2.2.2(i) of Public Service Commission Diversity Policy 2016 which states that every public service institution shall adopt measures aimed at facilitating the realization of the</p>	<p>recruitment to address employment equity, and declare intent to comply with provisions of diversity in line with the Kenyan's constitution 2010 and the County Government Act 2012. This will address National integration issues on tribal diversity, issues of marginalized communities and people with disability. On the issues of people with disability, the County Government of Machakos has also constituted a County Disability Board that is tasked to address all issues of disabled persons including their employment to the Public Service. Notably, there is a sensitization process which is aimed at encouraging people</p>		Government Act, 2012.	
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		<p>constitutional principles of ensuring an inclusive public service and that at least five per cent (5%) of appointments in the public sector shall comprise of persons with disabilities. Although Management explained that in future there will be a wide circulation of advertisement and effort to conform to the recruitment and appointments threshold on ethnicity and people living with disability, no documented measures were provided for audit review. In the circumstances, Management was in breach of the law.</p>	<p>with disability to apply for any job they qualify in order to bridge the shortfall of such staff in the public service. A copy of the members appointed to the County Disability Board is hereby attached for audit verification.</p>			
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12	<b>Lack of an Approved Staff Establishment</b>	<p>The statement of receipts and payments reflects compensation of employees' amount of Kshs.5,959,269,939. The County Executive had a total of six thousand five hundred and thirty-five (6,535) employees. However, the County Executive through the County Public Service Board did not have an approved staff establishment for the whole County Executive and for each Department detailing hierarchy of authority and responsibilities. Although Management explained that it is in the process of developing a staff establishment, no</p>	<p>The management is prioritizing development of county staff establishment. Attached, find copies of the current departmental staff establishments and a letter addressed by the County Head of Public service to all departments requesting submission of departmental staff lists. The Head of Public service has already forwarded the lists to Machakos County Public Service Board for their review. The public Service Board (MPSB) is in the process of coming up with updated Staff Establishment)</p>	<p>The management did not have an approved staff structure for the County.</p>	<ol style="list-style-type: none"> <li>1. The County should submit by the end of the first quarter FY 2025/26, the measures taken to rationalize the staff establishment to the Auditor General.</li> <li>2. The County to provide an approved staff establishment by the end of the first quarter of FY 2025/2026 to the Auditor General.</li> </ol>	<p>60 days from the date of adoption of this report</p>
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		reason was provided as to why the staff establishment was not prioritized. In the circumstances, optimal staffing levels, appropriate systems and skills development could not be confirmed.				
13	<b>Non - Compliance with the Law on Fiscal Responsibility on Wage Bill</b>	The County Executive compensation of employees totalling Kshs.5,959,269,939 represent approximately fifty-two (52%) of the total receipts of Kshs.11,417,314,882. This was contrary to Section 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the limit on the County Governments	The management acknowledges the issue on non-compliance with Fiscal Responsibility on wage bill. The issue was occasioned by A) Health Worker CBA agreements. B) Annual increment of staff wages C) Inheritance of a huge wage bill of the Devolved Health Staff and which accounts to more than 50% of the entire county wage bill. This can be substantiated by	The management did not adhere to the law on fiscal responsibility, specifically Regulation 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015	<ol style="list-style-type: none"> <li>1. The County Executive strictly adhere to the provision of paragraph 25(1)(b) of the PFM Act (county government) regulations,2015 which stipulate that the county wage bill should not exceed 35 percent of the county total revenue.</li> <li>2. The management develops and updates its staff</li> </ol>	60 days from the date of adoption of this report

		<p>expenditure on wages and benefits for its public officers not to exceed 35% of the County Government's total revenue.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>analyzing our IPPD system payroll extract for the month of November, 2024. The analysis involves department of Health wage bill against the entire county wages. We can deduce that 51.6% of our entire county wages go to Department of Health.</p>		<p>establishment and ensures that all staff compensations are processed through the IPPD system for accountability</p> <p>3. That the County Executive provide to the Auditor General the measures put in place to contain the county higher wage bill within sixty (60) days from the adoption of this report.</p>	
14	<b>Payment of Salaries Outside the Integrated Payroll and Personnel Database (IPPD)</b>	<p>The statement of receipts and payments and as disclosed in Note 3 to the financial statements reflects an amount of Kshs.5,959,269,939 under compensation of employees. Included in the</p>	<p>The amount of Ksh.487,009,214 mainly involved payments of staff medallions, gratuities and other statutory deductions owed to various agencies such as KRA, NITA, LAPFUND, NHIF, and LAPTRUST</p>	<p>The management paid salary outside IPPD system</p>	<p>1. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government</p>	<p>60 days from the date of adoption of this report</p>

		<p>payment is an amount of Kshs.487,009,214 for salaries which was paid outside the IPPD system in the month of June 2024. In addition, review of the June 2024 monthly payroll data, revealed that two employees were sharing the same bank account number. This is contrary to Section 1.5.1 of The National Treasury Financial Accounting Recording and Reporting Manual which provides that personnel emoluments of County Governments staff should be paid through IPPD. Although Management indicated that</p>			<p>(State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties.</p> <p>2. The management should ensure compliance with Section 1.5.1 of The National Treasury Financial Accounting Recording and Reporting Manual by processing personnel emoluments through the Integrated</p>	
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		<p>relevant data for new employees will be secured for payroll processing before salary payment in future, no reason was provided for non-compliance.</p> <p>In the circumstances, Management was in breach of the law.</p>			<p>Personnel and Payroll Database (IPPD) as required</p> <p>3. The Auditor General to monitor the matter in the subsequent audit cycle.</p>	
15	<b>Outstanding Medical Insurance Cover</b>	<p>During the year under audit review, an amount of Kshs.245,000,000 was paid for medical insurance cover. However, as at 30 June, 2024, the County Executive of Machakos had an outstanding amount of Kshs.45,883,520 owing to the insurance company. This is in contravention of the Clause 2.6 of the</p>	<p>The medical insurance cover for the county staff was running from October 23<sup>rd</sup> 2023 to 22<sup>nd</sup> October 2024 at a contract sum of 285,883,520. Since the contract period was cutting across two financial years (2023/24 and 2024/25), a payment of 245,000,000 was made before end of June 2024. The balance of 40,883,520 was processed and cleared before the</p>	<p>The management did not pay insurance premiums upon execution of the agreement.</p>	<p>The management should ensure compliance with Section 156(1) of the Insurance Act 2020 by paying insurance premiums upon execution of the agreement to avoid legal and financial risks.</p>	<p>60 days from the date of adoption of this report</p>



		<p>contract agreement dated 19 October, 2023 which states that payment shall be made to the insurer immediately upon execution of the agreement. Although Management explained that there were no pending premium payments, the total premium had not been settled on execution of the agreement as required.</p> <p>In the circumstances, Management was in breach of the insurance cover pre-conditions subjecting staff to medical risk.</p>	lapse of the contract period. Therefore, the contract expired without any pending amount. Payment voucher dated 9 <sup>th</sup> September 2024 for audit review were attached.			
16	<b>Recruitment of Staff</b>	The statement of receipts and payments and as disclosed in Note 3 to the financial	The management provided copies of the staff need assessments, Individual panelist	The management did not provide staff needs	1. The Office of the County Governor undertakes administrative	60 days from the date of adoption

		<p>statements reflects an amount of Kshs.5,959,269,939 as compensation of employees. During the year under review, Machakos County Public Service Board recruited and appointed five hundred and thirty (530) officers. However, the need assessment to fill the vacant positions, individual panelist score sheet for all interviewed candidates, the merit list and the Board minutes on the appointment of successful candidates were not provided for audit review.</p> <p>In the circumstances, the value for money for the expenditure of Kshs.5,959,269,939</p>	<p>score sheet for all interviewed candidates, merit list, public advertisement notices, boards minutes and appointment letters of the 530 officers for audit review</p>	<p>assessments, individual panelist score sheets for all interviewed candidates, or the merit list for audit review, contravening Section 9(1), (e), of the Public Audit Act 2015</p>	<p>actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report</p>	<p>of this report</p>
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		on compensation of employees could not be confirmed.				
17	<b>Proposed Phased Completion of Kaewa Dispensary</b>	Physical verification of the contract for the proposed phased completion of Kaewa Dispensary (Upper Kaewa Ward) at a cost of Kshs.2,834,808 revealed that, there was no electricity hence service providers could not perform immunizations and other medical services that require electricity. Further, there was no running water despite installation of a 10,000-litre water tank. In addition, there were security issues as the fluorescent tubes, wooden doors and sink pipes had been vandalized	The management took note and urgent administrative actions were taken to correct the issues. The facility has since been connected with electricity and a water tank installed and connected to water supply. Further, the facility has since been secured with fence	<p>The management failed to provide electricity, hindering immunization and medical services.</p> <p>The management did not ensure a functional water supply, despite installing a 10,000-litre tank.</p> <p>The management failed to secure the facility, leading to vandalism</p>	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the	60 days from the date of adoption of this report

					<p>date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
19	<b>Non-Functional Solar and Battery Backup Projects</b>	The Department of Energy entered into two projects for Kathiani Level 4 Hospital at a total cost of	The management noted the above concern and took administrative action as follows;	The management provided documents, but physical verification	The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle	Continuou s

		<p>Kshs.13,569,996. The first project was for the supply and installation of battery backup for Kshs.5,906,546 while the second project was for the supply and testing of solar plant for Kshs.7,663,449. However, physical verification of the projects revealed that the solar plant and battery backup system were not functional. In addition, the bid price for the supply and installation of battery backup quoted in the GOK IFMIS evaluation matrix of Kshs.5,900,000 differ with the</p>	<p><b>I. Non-Functional solar plant and battery backup system</b></p> <p>As at the time of Audit the Solar plant and battery backup had not been tested and commissioned. Subsequently, the department of Energy has since tested and complaint and battery backup and the system is now fully operational.</p> <p><b>ii) Variance between GOK IFMIS evaluation matrix and opening minutes</b></p> <p>The typo- error in opening minutes was noted and corrected missioned the Solar</p>	was not conducted		
20	<b>Proposed Construction of Kathalani-</b>	The contract for this project was awarded on 6 February 2024	<b>Inclusion a sum of Kshs.1,000,000 for engineer's site visit</b>	The management did not	1. The Office of the County Governor	60 days from the date of

	<p><b>Kaviani Nzaikoni Roads</b></p>	<p>at amount to contract sum of Kshs.154,580,347 with a completion period of twenty-four (24) months from the date of signing of the contract. The budget for this project during the year under review was Kshs.50,000,000 and the bill of quantities included a sum of Kshs.1,000,000 for engineer's site visit and overtime allowance. One of the mandatory procurement criteria was to have all bid documents serialized, initialized and stamped. However, one of the bidders who had quoted an amount of Kshs.145,286,252</p>	<p><b>and overtime allowance.</b> The Management noted the above engineer's overtime allowance concern. Going forward, engineer's allowances will not be included in Bill of Quantities but will be facilitated by the county as per SRC guidelines. II. serialization, initialization and stamping of bid documents The bidder no.5 M/s seamless structure (k) limited with the quoted tender sum of Ksh.145,286,252 initialized and stamped all the pages. However, pages 80-81 were repeated.  Serialization, initialization and stamping of the winning Bidder (Turin Enterprise)</p>	<p>provide relevant document to the OAG for verification.</p>	<p>undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report  2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1)</p>	<p>adoption of this report</p>
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		and had all bid documents serialized, initialized and stamped was evaluated as non-responsive during preliminary evaluation. However, the firm which was awarded the contract did not have all the pages initialized which was a mandatory criterion.	The construction of kathalani- kaviani Nzaukoni Roads project was awarded to Turin Enterprise limited at a cost of Ksh.154,580,347. The bid documents for Turin Enterprise have stamped initials and serialized.		(c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct	
21	<b>Upgrading of Kincar Airways-Zebra and Muungano Police Station Road Phase</b>	Review of the contract documents revealed that the contract was signed on 6 February, 2024 at a contract sum of Kshs.84,017,245 with a completion period of 6 months from the date of signing the contract. However, the following issues were noted: One of the mandatory	I. Mandatory requirements-form of tender to be completed, signed and stamped in the format provided and in a company letterhead. The management provided a copy of page 5 of the paginated bid document to prove that the form of tender provided by Amuka builders & Contractors Limited	The management did not provide relevant document to the OAG for verification.	1. The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and	60 days from the date of adoption of this report

		<p>requirements was for the form of tender to be completed, signed and stamped in the format provided and in a company letterhead.</p> <p>However, the form of tender for the winning firm was not in a company letterhead and was not signed, while bidder No. 3, had quoted an amount of Kshs.61,985,760 which was lower than the bidder who won yet the firm was disqualified on similar issues.</p> <p>An amount of Kshs.29,237,955 was paid without a certificate of work done but was based on summary of statements of account submitted by the contractor.</p>	<p>was in company's letterhead and initialized.</p>		<p>provides a status report to the Committee within 60 days from the adoption of this report.</p>	
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		<p>Review of progress report file revealed that in a letter dated 11 June, 2024, the contractor was using unapproved gravelling materials which was against the instructions which required use of hand packing rocks. The contractor had also disregarded hand packing instructions and was utilizing machines and no report was provided to confirm whether the contractor later conformed with engineer instructions. The progress report dated February/March 2024 indicated that there was no site agent, general foreman, site surveyor, environmental</p>				
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		<p>officer and occupation health officer. These were key experts who were required as per the tender evaluation requirements. It appears that the project was being implemented without the input from technical staff which might have impacted on the quality of work</p>				
22	<p><b>Routine Maintenance of Kathaianioni - Kwa Kavatha-Muli Kaese Road</b></p>	<p>Review of documents revealed that the contract was awarded on 19 March, 2024 at a contract sum of Kshs.4,896,464 with a contract duration of three (3) months. However, the firm did not attach beneficial ownership disclosure form which was a mandatory</p>	<p>The management has attached a duly filled Beneficial Ownership Disclosure Form in the paginated bid document for verification. Further, we also provide copies of three months bank statement, duly signed evaluation committee minutes and key personnel certificates for audit review. The attached evaluations committee minutes</p>	<p>The management did not provide necessary procurement documentation to the OAG for verification</p>	<p>1. The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and</p>	<p>60 days from the date of adoption of this report</p>

		requirement. In addition, the firm did not provide a three months bank statements within the last two years and key personnel certificate with 2 years' experience as was required when bidding.	can confirm that the bank statements, beneficial ownership disclosure form and key personnel certificates/Curriculum Vitae were available in bid documents.		provides a status report to the Committee within 60 days from the adoption of this report	
25	<b>Stalled Projects</b>	Review of various projects commenced in the County revealed that fifty-four (54 projects) awarded at a contract price of Kshs.1,132,065,268 had stalled at various stages of completion. This was after the County had incurred a total cost of Kshs.314, 262,161 which was paid to various contractors. Further the work in progress was not reported in fixed assets register.	The management relooked on the projects, initiated some and it's in the process of reviving the remaining one. Expired and terminated Contract agreements will be renewed and awarded to new contractors respectively. Attached, find a compendium list of all stalled projects Fy.2023/2024 and our updated fixed asset register for audit review	The management had 54 stalled projects at the time of the audit	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County	60 days from the date of adoption of this report

					<p>Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p>	
26	<b>Procurement of Integrated Health Management System</b>	<p>Review of pending bills revealed a prior year pending bill of Kshs.44, 885,921. This was the tendered sum for phase one (1) of a project that was to be executed in three phases. However, the confirmation reports from various</p>	<p>I. Payment status and Inclusion of Kshs.44, 885,921 in pending bills</p> <p>The pending amount is Kshs 44,885,921 was for Phase one (1). This phase was fully executed before 30th June 2024. Appendix 8.10 (i)</p>	<p>The management paid the full contract price of Kshs. 78,530,148 for phase two, despite reports from level 3 and 2 hospitals indicating</p>	<p>The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the</p>	<p>60 days from the date of adoption of this report</p>

		<p>level 3 and 2 hospitals covered under phase two (2) indicated that some service points were not covered, yet the full contract price of Kshs.78,530,148 was invoiced and paid. Further, it was not clear whether the County acquired the full ownership rights of the software including the source code.</p> <p>In the circumstances, value for money for these projects could not be confirmed.</p>	<p>II. Implementation of Phase two of the project The management is processing of implementing phase two (2) of the project hence the few levels 3 and 2 remaining hospitals will be covered during this phase.</p> <p>III. ownership rights of the software including the source code. The county Government of Machakos fully owns the rights to Aphiaone software.</p>	<p>that some service points were not covered. Additionally, it was unclear whether the County acquired full ownership rights, including the source code. As a result, value for money could not be confirmed</p>	<p>conduct of their professional duties which constitutes a professional misconduct.</p>	
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
27	<b>Staff in the Payroll without Activity in the Department of Health</b>	<p>Review of staff payroll revealed that a total of 67 clinical officers and 61 medical doctors were in the payroll. However, review of the doctor analysis</p>	<p>The reasons why the 126 officers never log in the HMIS system are cross cutting such; Some health officers could not log in because they lacked portable gadgets I.e</p>	<p>The management failed to ensure that 126 health officers logged into the HMIS</p>	<p>The management enforce mandatory HMIS logging for all clinical officers and doctors. Procurement of necessary devices be expedited, with possible fund</p>	<p>60 days from the date of adoption of this report</p>

		<p>report generated from Integrated Health Management system indicated no activity undertaken by them from September, 2023 when Level 4 and 5 hospitals were digitized and from February/ March when all Level 3 and 4 were digitized.</p> <p>In the circumstances, it was not possible to establish whether the officers offered any service to Machakos residents during the period under review.</p>	<p>tablets and laptops. The county is planning to procure in the financial year 2025/2026 through ICT department. Doctors use treatment sheets, theatre registers and patient files to record every procedure in theatres and wards. The management is in the advanced stage of integrating the HMIS system with KEMSA-LMIS, KHIS, NASCOP and TB systems. Some Pharmacists log in the above parallel systems for delivery of their routines services which includes pharmacy supply chain work. The management hereby provide a copy of the log in report of the doctors/Pharmacists in TB-LMIS-KEMSA and HIV-LMIS</p>	<p>system as proof of work done, raising concerns about accountability and service delivery tracking</p>	<p>reallocation. Manual records should be cross-verified with HMIS entries during the transition. HMIS integration with other health systems should be fast-tracked. Salaries for unverified work should be recovered per Section 81(3) of the Public Finance Management Act, 2012. Regular audits and real-time system checks should be implemented to prevent payroll irregularities.</p>	
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			systems for audit review. Appendix 4.6.4 (BC)-(i) Currently, the management has taken corrective measures by ensuring all Health Workers log in in the HMIS system. Attached, find a print out from the system for audit review.			
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF MAKUENI COUNTY EXECUTIVE FOR  
THE FINANCIAL YEAR 2023/2024.**

**Basis for Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>					
<b>REPORT OF THE FINANCIAL STATEMENTS</b>					
<b>Audit query</b>	<b>Audit finding</b>	<b>Management Response</b>	<b>Committee observations</b>	<b>Committee recommendations</b>	<b>Timelines</b>
<b>1. Misclassification of expenditure</b>	-An amount of kshs 54,886,832 was irregularly charged to other operating expenses instead of acquisition of assets and compensation of employees.	-The budget estimates for the expenditure lines were uploaded into the Integrated Financial Management Information System (IFMIS) as per the attached extract of IFMIS Budget.  -During the budget implementation and reporting process, the expenditures were duly	-The Committee observed that no reason given why at implementation stage the expenditures were accounted for under 'other operating expenses' instead of the correct account codes.	The Committee recommends that; 1. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of	60 Days from the date of adoption of this report.



## SUMMARY OF UNRESOLVED ISSUES

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		<p>accounted for under the budget vote 'other operating expenses line' as uploaded into the system.</p> <p>-This approach ensured alignment between the financial transactions and the budget as captured in the IFMIS guided by the chart of accounts. In the current financial year, the county has ensured a collective technical analysis of the</p>		<p>adoption of this report; and</p> <p>2. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.</p>	

## SUMMARY OF UNRESOLVED ISSUES

### REPORT OF THE FINANCIAL STATEMENTS

Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		approved budget lines to ensure they are correctly captured in the IFMIS during uploading to mitigate the issue of budgeting in the inappropriate expense codes and hence correct classification of expenditure items. A sample budget uploading team appointment letter.			
<b>2. Budgetary Control and Performance</b>	-Statement of comparison of Budget and Actual amounts reflects budgeted receipts of Kshs 10,233,333,653 while Actual receipts were Kshs	-The county experienced Funding and Budget constraints during the year	-The Committee observes that Management has outlined revenue raising strategies to	The Committee recommends that: 1. The National Treasury should ensure timely release of funds to	60 Days from the date of adoption of this report.

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	8,373,777,028 resulting to an under-funding of Kshs 1,859,556,625 or 18 percent.	which included delayed disbursement of funds from the National Treasury (Equitable share and conditional loans and grants) coupled with underperformance of revenue. These significantly hampered the timely implementation of programs and projects. The county received Exchequer disbursements for eleven months with only 50 percent	boost own source revenue and bridge the deficit.	<p>county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and</p> <p>2. The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.</p>	

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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		of conditional grants being released and own source revenue collection at 84 percent of the annual targets.			
<b>3. Pending Accounts Payables</b>	-The financial statements on analysis of pending accounts payables reflects pending bills balance of Kshs.676,145,218 and Kshs 10,685,614 for pending accounts payable for staff respectively totaling kshs 686,830,832 which were not settled as at 30 june,2024. Although management indicated that the bills were not settled due to non-release of the June 2024 exchequer allocation and rescheduling of the obligation of Kshs	-The County remains fully committed to settling the pending bills despite the delays in exchequer-releases and it has allocated the necessary funds to ensure timely payment. Upon receiving the exchequers and approvals of the supplementary budget, the county	-The Committee observed that Kshs.76,286,62 2 for FY 2023/2024 is still pending and also the LAPFUND installment of Kshs 39,417,551. Appendix 3c does not show the agreed pattern of paying the LAPFUND arrears.	-Pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter	60 Days from the date of adoption of this report.

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	118,252,653 due to Local Authority Pension Fund (LAPFUND), no evidence was provided to confirm that the pending bills formed first charge in the subsequent year.	<p>commenced the clearing of the pending bills gradually based on the availability of funds. The unpaid bills that were outstanding were budgeted for settlement in FY 2024/2025.</p> <p>-Currently, the accounts payables relating to the financial year under review stand at Kshs 155,121,724 having settled Kshs 531,715,108.50 representing 77% of the total accounts</p>		<p>budget releases will not be done.</p> <p>-The Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases.</p> <p>-County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations.</p> <p>-Supplementary budgets for county</p>	

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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		<p>payables (see attached extract of FY 2023/2024 pending bills status report in</p> <p>-However, included in the outstanding balance is the LAPFUND installments for two subsequent financial years of Kshs 78,835,102(11 %). The county settled the LAPFUND installment budgeted under FY 2024/2025 amounting to Kshs 39,417,551 to reduce the</p>		<p>governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates.</p> <p>-County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects.</p> <p>-County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the</p>	

SUMMARY OF UNRESOLVED ISSUES					
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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		amount payable.		<p>supplementary budgets.</p> <p>-Further, the Committee recommends the county government to clear all pending bills including the LAPFUND arrears to avoid accumulation of more pending bills as a first charge in the budget of the subsequent year.</p>	
<b>4. Unresolved prior year matters</b>	-In the audit report of the previous year, several paragraphs were raised. However, management has not resolved all the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Although management has indicated several reasons	-The Financial statements adhered to the provisions of the Public Sector Accounting Standards Board reporting template on progress and follow-up of prior year	-The Committee observed that while some of the audit recommendations have been implemented, others are still outstanding and the reason for failure to implement all recommendatio	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by acting on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	60 Days from the date of adoption of this report.

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### REPORT OF THE FINANCIAL STATEMENTS

Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
	for failure to resolve prior year matters such as, funds meant for operationalization of the municipality being spent by the county executive, budget lines not aligned to financial statements and that contribution to council of governors was through instructions from the council of governors, no evidence was provided for audit review.	<p>auditor's recommendations. Further, the management has resolved some of the prior year audit issues. See attached progress and follow up of prior year auditor's recommendations report in.</p> <p>-The county has been implementing the recommendations by the Auditor General together with oversight bodies like the county</p>	ns has been given.		



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		<p>assembly and the senate to minimize the recurring audit matters. The issues of IFMIS not aligned to financial statements has been resolved with the help of the national treasury (IFMIS Department) hence no query in the year under review.</p> <p>-The county has ensured that, the municipalities have independent budgets for their operations as per the</p>			

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		<p>attached budgets extracts.</p> <p>-In the year under review, both Wote and Emali-Sultan Hamud Municipalities were audited as independent entities as per the attached audit report.</p>			
<b>5.1 Non-Compliance with one third rule of basic salary</b>	-Review of the IPPD payroll data revealed that one hundred and eighty-seven (187) employees earned a net pay below a third of their basic pay during the month of June,2024.	-Violation of a third basic pay rule has been occasioned by the introduction of the public service superannuation scheme with effect from 1.1.2021 contributory pensions, end	-The Committee observed that no evidence has been provided to show any corrective action taken by the county government to correct the situation.	The Committee therefore recommends that - 1. The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate	60 Days from the date of adoption of this report.

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		<p>of tax cuts put in place in April 2020 to cushion the economy from the effect of COVID-19 pandemic.</p> <p>-In addition, incomes of individuals earning less than KES 24,000.00 per month were fully exempted from Pay As You Earn (PAYE) during the period.</p> <p>-The IPPD system has in-built control except for deductions towards Government</p>		<p>on the issue of non-compliance with the one third of basic salary rule as well as comply with the requirements of Section 19 (3) of the Employment Act 2007.</p> <p>2. The county should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</p> <p>3. The Auditor General should continue monitoring the issue in subsequent financial years.</p>	

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		Liabilities, eg expired KRA exemption certificates for PWD. Further, introduction of new tax deductions eg housing levy and additional NHIF contributions have contributed to employees earning a net pay below a third of their basic pay.			
<b>5.2 Noncompliance with law on ethnic diversity</b>	-Review of the county government muster roll and other staff records indicated that makueni county government recruited one hundred thirty-two (132) employees out of which one hundred twenty-five	-Section 66 of the County Government's Act 2012 that: 'If a public office is to be filled, the public service board shall	The Committee observed that Management has not supported their claim by any document such as adverts and applicants lists.	-The Committee recommends the county executive to work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County	60 Days from the date of adoption of this report.

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### REPORT OF THE FINANCIAL STATEMENTS

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	(125) or approximately 95% are from the dominant ethnic community in the county.	invite applications through advertisement and other modes of communication so as to reach as wide a population of potential applicants as possible and especially persons for who any reason has been or may be disadvantaged' To ensure this, the board normally places all the adverts on the print, social and other media inviting competent and qualified persons to fill		Government Act on ethnic inclusivity.  -The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of the County Government Act, 2012.	

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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		<p>the positions as per Article 176 of the Constitution of Kenya 2010 and Section 59 of the County Government's – Act 2012.</p> <p>-When recruiting the board is always keen on observing the 30% representation of non-dominant ethnic group at the entry level. Further, the board has continued to comply with.</p> <p>-However, the board has</p>			

SUMMARY OF UNRESOLVED ISSUES					
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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		continued to face a challenge in attracting applicants from outside the Kamba Community which is the dominant ethnic group, despite wide advertising in the main newspapers and indicating the 'county is an equal opportunity employer, youth, women, persons with disabilities and other disadvantaged persons are encouraged to apply' as shown			

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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		<p>in the job adverts.</p> <p>Other efforts taken by the Board include circulating advertisements to professional bodies to further circulate to their members.</p> <p>While distance and family concerns explain some of the reasons for non-responsiveness, the Board is committed to devising more ways and methods of attracting and retaining the non-dominant communities to</p>			



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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		ensure compliance			
<b>5.3 Failure to meet Recruitment Threshold on Persons with Disabilities</b>	-During the Financial year under review, the county Government recruited a total of 132 employees, out of which four persons with disabilities were hired which translates to 3%. No explanation was given for failure to meet the 5% threshold.	<p>-The Board has continually indicated in her advertisements that the county is an equal opportunity employer, youth, women, persons with disabilities and other disadvantaged persons are encouraged to apply.</p> <p>The Board ensures that where she gets qualified applicants meeting the very bare minimum as per the advert,</p>	-The Committee observed that Management has not supported their claim with documentary evidence of the adverts, number of applicants with disabilities and those who met minimum qualifications.	<p>The Committee recommends that-</p> <ol style="list-style-type: none"> <li>1. the County Executives should work progressively towards attaining the requirement of the Section 13 of the Persons with Disabilities Act, 2013 which provides a reservation of five percent (5%) of all casual, emergency and contractual positions in employment in the public and private sectors for persons</li> </ol>	60 Days from the date of adoption of this report.

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		<p>she has not hesitated to short list them and subsequently, those who get the minimum pass mark for the interview as set by the Board, are given priority and appointed as per the job adverts.</p> <p>However, the Board admits that she has continued to face a challenge getting enough applications from this category. To this end, the Board has enhanced</p>		<p>with disabilities.</p> <p>2. The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with Section 13 of the Persons with Disabilities Act, 2013.</p>	

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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		<p>circulation of the adverts to the target population through the county department for Gender and Social Services. Further, the Board will collaborate with the department and relevant actors to sensitize the population. The Board is committed to ensure continuous improvement to meet this threshold in the near future.</p>			

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<b>5.4 Non-compliance with Fiscal Responsibility Principle</b>	-The statement of receipts and payments and as disclosed in note 13 to the financial statements reflect compensation of employees' amount of Kshs 3,837,996,248 which represents 46% of the total receipts of Kshs 8,259,693,356.	<p>-The County's total revenue for the financial year under review was Kshs 10,512,868,813 as per the revenue summary below.</p> <p>-The Kshs.8,259,693,356 were the transfers from the county revenue fund to county executive operational accounts therefore, based on the actual county revenue for the financial year, wage bill to revenue</p>	-The Committee observed that even with revenue determined at Kshs 9,644,961,627, the county government management has still violated the fiscal responsibility principle on wage bill.	<p>-The Committee recommends the management to strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue.</p> <p>-The county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap.</p> <p>-The management should provide to the Auditor General a status report of measures put in place</p>	60 Days from the date of adoption of this report.

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		<p>representation is 40% and not 46%.</p> <p>-In response to the rising wage bill, the County Government has taken steps to manage and contain the situation: -</p> <p>1 Restricting employment to critical staff only</p> <p>2 Enhancing Revenue Mobilization</p>		to contain the high wage bill within sixty (60) days of the adoption of this report.	
<b>6.Regularity of Procurement and award of contracts</b>  <b>a) Delay in Project</b>	-The County through the Department of Agriculture, Livestock, Fisheries and Cooperative Development entered into two contracts with a Company Limited on 24 July 2020 for	-In the 2022/2023 FY, the current administration inherited multiple incomplete and non-operational	The Committee observed that County Government has not yet operationalized the projects despite having incurred Kshs	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization,	60 Days from the date of adoption of this report.

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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
<p><b>Operationalization- Kyumbuni and Kalawani Post Harvesting Facility</b></p> <p><b>b) Kilungu Post Harvesting Facility</b></p> <p><b>c) Kasikeu Grain Milling Facility</b></p>	<p>Construction and equipping of post harvesting facilities (cold room pack houses) at Kalawani (Tulimani) and Kyumbuni (Mbitini) wards.</p> <p>-The contract sum for each project was Kshs. 36,458,529 both totaling to Kshs 72,917,058 out of which Kshs.71,501,906 or 98% of the sum was certified and paid to the contractor as at 30 June 2024. The projects were completed and handed over on 28 June 2024. However, physical inspection carried out on 11 September 2024 revealed the following anomalies:</p> <ul style="list-style-type: none"> <li>❖ The two projects had not been fully operationalized despite the County</li> </ul>	<p>projects from the previous administration. The projects were at different levels of completion. To complete and operationalize the projects, the county adopted a phased approach, prioritizing projects considered most ready for operationalization</p> <p>-The parameters that were used to assess readiness for operationalization and hence</p>	<p>105,242,396.30 on Kyumbuni, Kalawani and Kilungu post harvesting facilities. Value for money has not been obtained by the residents of the county.</p>	<p>planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of</p>	

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	<p>incurring cumulative expenditure amount of Kshs 71,501,906.40.</p> <ul style="list-style-type: none"> <li>❖ The equipping and reticulation of boreholes at Kalawani and Kyumbuni had not been done as at the time of audit.</li> <li>❖ External/civil works and land scaping at Kalawani facility had not been procured.</li> <li>❖ There were visible buckling/cracks on the floor at Kyumbuni facility.</li> <li>❖ The access road to the Kalawani facility had not been done.</li> </ul>	<p>cluster projects into the various phases included.</p> <p>-Level of completeness of construction.</p> <p>-Level of completeness in equipping of the projects.</p> <p>-Operational framework among these; governance for projects upon operationalization, Management, trained staff, statutory framework compliance and where applicable,</p>		<p>the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	

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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
	<ul style="list-style-type: none"> <li>❖ The County Management had not put in place preventive measures including fencing of the compound with a perimeter wall to safeguard the facility assets.</li> <li>❖ Management did not provide documentary evidence to demonstrate any further action to procure the remaining works and operationalize the cold room pack houses.</li> </ul>	<p>availability of raw materials and markets for the products.</p> <p>-The operationalization of Kasikeu Grain Milling Factory is a phase 3 project targeted to be implemented in the FY year 2025/2026. A detailed description of necessary interventions and timelines.</p> <p>-The county has also developed a proposal on completion and operationalization of the cold room projects.</p>			



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Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
<b>6d Project Implementation Status</b>	<p>-Review of the County annual development plan and County annual progress report revealed that the County allocated funds amounting to Kshs.2,589,473,040 for the implementation of Six hundred and thirty-five Projects (635) during the period ended 30 June 2024.</p> <p>Out of the 635 projects, four hundred and sixty-six (466) with a total allocation of Kshs.1,492,673,567 were complete, one hundred and thirty-one projects at a budgeted cost of Kshs.965,597,676 were ongoing, thirty-two (32) projects budgeted at Kshs.96,054,832 had not started while six (6)</p>	<p>Makueni County Annual Progress Report 2023/2024 reported the status of projects as at end of June 2024, which indicates that one hundred and thirty-one (131) are on-going while thirty-two (32) projects had not started.</p> <p>The delay in completion and implementation of projects was majorly occasioned by unpredictable</p>	<p>-The Committee observed that the current status has to be verified, however the ADP and APR had a total of 635 projects yet the management has given the status of 641 projects leading to a discrepancy of 6 projects.</p>	<p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization , planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government)</p>	<p>60 Days from the date of adoption of this report.</p>

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	<p>projects with a budget amount of Kshs.35,146,971 had stalled.</p> <p>-Management did not provide plausible explanation on the delayed completion and stalled projects and measures in place to complete the projects.</p>	<p>weather conditions such as heavy rains experienced in the county during the long and short rain seasons affected the implementation of projects especially in the department of water and infrastructure.</p> <p>This affected construction schedules, project implementation timelines and caused damage to some of the complete projects such as graded roads.</p>		<p>Regulations, 2015;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	

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		-However, the current status of most of previously on-going projects had been completed as tabulated below: - Completed 571 Not started 26 Ongoing 39 Stalled 5 Total 641			
6e Stalled Project- Mulima Water Project	-The County through the Department of Water and Sanitation awarded contract No. GMC/W/Q/1025/2016/2017 to a limited Company for Mulima Water Project on 25 May, 2017 at a contract sum of 3,000,956. Review of project file and physical inspection of the	-Although the contract did not have a completion period, the workplan provided the end date as per the attached workplan.	-The Committee recommends that the current status to be verified by the Auditor.	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion	60 Days from the date of adoption of this report.

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	<p>project on 16 September 2024 revealed the following anomalies:</p> <ul style="list-style-type: none"> <li>❖ The contract did not specify the completion period.</li> <li>❖ The project had stalled and the contractor was not on site.</li> <li>❖ The contractor supplied and installed one set of electric motors and multistage centrifugal surface pumps instead of two indicated in the approved bill of quantities.</li> <li>❖ Repair of the masonry tanks at Mavindu Forest, Ntungoni and Kikalyoni had not been completed.</li> </ul>	<p>The project had delayed due to KPLC connection challenges. The contractor requested for contract period extension due to KPLC delays.</p> <p>-The contractor has been following up on the matter and on 9<sup>th</sup> September, 2024 the contractor was on site where he tested the pump-set, which successfully delivered water at Mavindu Forest tank.</p>		<p>of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p>	

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		<p>-Repair of the masonry work at Mavindu forest, Tunguni and Kikalyoni were done and the tanks were tested and are in good working condition.</p> <p>-Since the contractor was not able to complete the work as per the bill of quantities in the stipulated period, the department in December 2024 through a recommendation by an appointed</p>		3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	

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		<p>project implementation team terminated the contract as per the termination letter.</p> <p>The department of water is in the process of inviting new bidders for completion of the works.</p>			
<b>6f Delayed Project Implementation</b>	<p>-The County allocated Kshs.351,735,259 for implementation of sixty-seven (67) projects by the department of health.</p> <p>Out of the sixty-seven projects, forty-two (42) projects worth Kshs.235,365,812 were complete, eighteen (18) projects budgeted at a cost of 67,653,477 were</p>	<p>-Several projects were not completed within the originally awarded contract period due to various challenges.</p> <p>In cases where the contract period lapsed</p>	-The Committee observed that the project status to be verified by the Auditor.	a) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well	60 Days from the date of adoption of this report.

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	<p>ongoing while three (3) projects costing Kshs.6,890,000 had not started.</p> <p>-In addition, construction of Mbooni isolation ward and upgrading of Matulani dispensary with combined budget allocation of Kshs.29,825,970 had stalled. Management did not provide plausible explanations on the delayed project completion and measures in place to complete the projects.</p> <p>However, review of the cashbooks and schedules including internet banking statements for the year under review revealed that receipts and payments transactions amounting to</p>	<p>and an extension was requested, the department appointed a committee to review the projects and assess the validity of the extension request.</p>		<p>as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>b) The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of</p>	

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REPORT OF THE FINANCIAL STATEMENTS					
Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
	<p>Kshs.1,121,367,449 and Kshs.707,690,719 respectively occurred in the month of July, 2024 which is outside the year under review.</p> <p>Some of the reasons cited for delays included adverse weather conditions, particularly during the heavy rainy season, which affected construction timelines, material assembly and site access.</p> <p>Additionally, delays in the disbursement of the first interim payment from the exchequer caused further setbacks in project implementation.</p>			<p>the adoption of this report.</p> <p>c) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
<b>7 Failure to Observe end of the year</b>	The statement of receipts and payments reflects Kshs.8,259,693,356 and Kshs.8,168,030,249 in	Management explained that the receipts and payments were	-The Committee observed that the mistake cannot be	The Committee recommends that; 1. the Accounting Officer	60 Days from the date of adoption of this report.



SUMMARY OF UNRESOLVED ISSUES					
REPORT OF THE FINANCIAL STATEMENTS					
Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
cut-off procedures	respect to total receipts and total payments respectively and a resultant net surplus amounting to Kshs.91,663,107.	made to clear commitments made prior to 30 June, 2024 and were authorized by The National Treasury. However, Treasury approval was not provided for audit verification.	reversed but should be avoided in the next FY. Closing the books of accounts at the end of the financial year is a requirement of the law which the National Treasury should not breaking and distorting financial records of Government entities.	implements stricter end-of-year cut-off procedures to ensure all transactions are accurately recorded within the correct accounting period, this should include a detailed review and reconciliation of cashbooks, bank statements, and supporting schedules prior to finalizing financial statements; and 2. The County Executive to identify	

SUMMARY OF UNRESOLVED ISSUES					
REPORT OF THE FINANCIAL STATEMENTS					
Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
				training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.	
<b>7b Irregular payments to The Council of Governors</b>	-The County Government made payments to the Council of Governors totaling Kshs 3,600,000.	-The Council of Governors, through their minutes' resolutions and request letters, instructed the County Governments to support their programs, honor	The Committee observed that the Council of Governors is engaging in irregularities.	a) The Committee recommends that the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief	60 Days from the date of adoption of this report.

SUMMARY OF UNRESOLVED ISSUES					
REPORT OF THE FINANCIAL STATEMENTS					
Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		<p>contributions and settle invoices.</p> <p>Attached are the resolution minutes, invoices and payment request letters for payments made to the Council of Governors.</p>		<p>Executive Officer, who continues to make the irregular contribution.</p> <p>b) The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate; and</p> <p>c) Further, the Committee recommends the Council of Governors to be prevailed upon to stop asking for funds from county Governments since it is funded by the National Treasury.</p>	

SUMMARY OF UNRESOLVED ISSUES					
REPORT OF THE FINANCIAL STATEMENTS					
Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
<b>8. Under Staffing of Internal Audit Services</b>	<p>-The approved County staff establishment provides for the Internal audit services department headed by a director. The directorate has two divisions including Internal Audit and Internal Control, Policies and Systems Divisions each headed by a deputy director.</p> <p>However, review of the staff establishments revealed that the directorate had an approved staff establishment of 28 employees whereas the actual number in position was six (6), resulting to an under establishment by 22 officers.</p> <p>Further, some of the staff were still pursuing their CPA certifications to</p>	<p>In alignment with the staff establishment, there is a concerted effort to improve staffing numbers incrementally, ensuring that the County can sustainably grow its workforce while maintaining fiscal discipline.</p> <p>For the fiscal year 2023/2024, there was a notable development in the recruitment of an internal auditor, whose</p>	<p>The Committee observed that the department is still understaffed and may not facilitate the County Government to achieve its internal audit responsibilities.</p>	<p>1) The county Executive expedites sufficient staffing of the audit committee to enhance oversight over public resources and provide a status report to the Auditor General within sixty (60) days from the adoption of this report.</p> <p>2) the Salaries and Remuneration Commission (SRC) to review the compensation framework for Audit</p>	<p>60 Days from the date of adoption of this report.</p>

SUMMARY OF UNRESOLVED ISSUES					
REPORT OF THE FINANCIAL STATEMENTS					
Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
	attain the qualifications in the scheme of service for accountants.	<p>appointment is confirmed in the attached letter.</p> <p>Further, the County Treasury sent an intent to the Public Service Board to recruit other five (5) internal auditors to resolve the understaffing issue in the directorate as per the attached letter of intent in Appendix 8b. Regarding the CPA qualification, the county is keen in ensuring staff continue</p>		<p>Committee members since the low sitting allowances may not attract seasoned professionals to the county Audit Committees</p>	

SUMMARY OF UNRESOLVED ISSUES					
REPORT OF THE FINANCIAL STATEMENTS					
Audit query	Audit finding	Management Response	Committee observations	Committee recommendations	Timelines
		pursuing relevant qualifications as they work. The officer who was still pursuing CPA qualification is currently finalizing the post advanced level.			

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF MERU COUNTY EXECUTIVE FOR THE  
FINANCIAL YEAR 2023/2024**

**Basis for Qualified Opinion**

<b>SUMMARY OF UNRESOLVED AUDIT ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Responses</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>REPORTS ON FINANCIAL STATEMENTS</b>						
1	<b>Unreconciled Transfers from the County Government</b>	Kshs. 20,825,147 is understated in the comparison between Meru County Executive financial statements and Meru Revenue Board financial statements transfers and receipts.	The variance of Kshs.20,825,147 relates to the amount that remained untransferred to Meru County revenue board by the county Executive.	The County did not provide any explanation or reconciliation to support the unreconciled variance of Kshs. 20,825,147.	<ol style="list-style-type: none"> <li>1. The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.</li> <li>2. The Institute of Certified</li> </ol>	60 days from the date of adoption of this report

					<p>Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. The Office of the Auditor General should progressively review and report on the matter in the subsequent</p>	
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					Financial Years.	
2	<b>Unsupported Assets</b>	<p>The County Executive did not provide a list of all parcels of land owned by the County, their specific locations, approximate size, value, and respective title deeds.</p> <p>No title deeds in the name of the County Government were provided for audit.</p>	<p>All the land parcels reported related to the land under which county buildings including offices, hospitals and other facilities are built. The list of all the parcels is available for audit review. This exercise is yet to be completed</p>	<p>The management did not submit title deeds for review by the Auditor General</p>	<ol style="list-style-type: none"> <li>1. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</li> <li>2. County should adopt and implement the report of the Inter-Governmental Technical</li> </ol>	<p>60 days from the date of adoption of this report</p>

					<p>Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
3	<b>Failure to Provide Project Status</b>	<p>Pending accounts payable totalling Kshs.1,329,144,337</p> <p>Management did not provide the project status for the projects undertaken indicating their status with respect to completion,</p>	<p>The County prepared project implementation status showing all the projects undertaken and their status at</p>	<p>The management did not provide project status reports, including completion status, contract prices, and payment details</p>	<p>1. The County Executive establishes a project management and monitoring System to help in proper</p>	<p>60 days from the date of adoption of this report</p>

		contract prices and payment details. impossible to confirm the total number of projects undertaken by the County and their status.	the closure of the financial year. The report is available for audit review.		project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report; 2. The Office of the County Governor to prioritize completion of existing and	
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					<p>stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
4	<b>Failure to Reconcile Kenya Power Debt</b>	<p>Pending accounts payable Kshs.20,529,158 owed to Kenya Power and Lighting Company.</p> <p>Kenya Power and Lighting Company records show an amount of Kshs.35,775,596.51 unreconciled variance of an amount totaling Kshs.15,246,438.51</p>	Figures correctly stated as per audited financial statements	The management did not provide evidence of reconciliations for the outstanding debt.	<p>1. The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity building and training in</p>	60 days from the date of adoption of this report

					<p>conjunction with the National Treasury within 60 days of adoption of this report.</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p>	
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5	<b>Failure to Support Finance Costs</b>	The ledger presented includes a journal entry correcting an IFMIS error amount of Kshs.1,700,000. The journal neither directly relates to the finance costs reported, nor sufficiently explains how the total of Kshs.1,700,000 was derived	The ledgers included a journal entry of Kshs1,700,000 which related to interest of bank overdraft from KCB bank.	The journal voucher of Kshs. 1,700,000 is unrelated to the loan facility, and details of the amount were not provided	<ol style="list-style-type: none"> <li>1. The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.</li> <li>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32</li> </ol>	60 days from the date of adoption of this report
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					and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.	
6	<b>Long Outstanding Accounts Payable</b>	<p>Pending accounts payable totalling Kshs.1,329,144,337 that were not settled in the year under review but were carried forward to 2024/2025 financial year. Analysis of the schedule of accounts payable records revealed that the current pending bills amount to Kshs.1,329,144,337, while the outstanding bills for the previous financial year were Kshs.1,044,715,617. An increase of Kshs.284,428,720 or 27% increase in accounts payables from the financial year 2022/2023.</p>	<p>Increase was due to failure by the National treasury to disburse the June 2024 exchequer thus affecting on county's ability to settle financial obligation for the period under review</p>	<p>The management has not provided the current status of the bills.</p>	<ol style="list-style-type: none"> <li>1. All County Governments pay verified pending bills amounting to less than Kshs. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2025/2026; and</li> <li>2. That- <ol style="list-style-type: none"> <li>i. pursuant to the provisions of Regulation</li> </ol> </li> </ol>	

		Management did not support the payables by a report from the task force appointed by the County to review the bills			41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter	
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					<p>budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3)</p>	
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					<p>of the Public Finance Managemen t (County Government s) Regulations; iv. Supplement ary budgets for county government s are prepared in the 3rd Quarter to curb instances of arbitrary re- allocations out of the approved budget estimates; v. County government s, in consultation with the Controller of Budget, to provide a</p>	
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					<p>budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the</p>	
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					supplementa ry budgets.	
7	<b>Leasing of Medical Equipment Amount</b>	Leasing of medical equipment amount of Kshs.124,723,404. and Kshs.110,638,298 for the current and comparative year respectively deducted at source. No records were available for audit indicating how the amount deducted at source was treated in the books of the County Executive conditional grant amount. No service provider agreement.	Since Financial statements are prepared on Cash basis and the said amount was neither received nor paid by the county, there was no treatment of the same in the books of the county	The management incurred Kshs. 124,723,404 and Kshs. 110,638,298 for leasing medical equipment in the current and previous year, respectively, with amounts deducted at source.  The management did not provide records showing how these deductions were treated in the County Executive's books under conditional grants.  The management did not provide a service provider agreement for review		60 days from the date of adoption of this report
<b>OTHER MATTERS</b>						

8	<b>Budgetary control and performance</b>	<p>Under-funding of Kshs.1,568,584,692 or 15% of the budget. Spending Kshs.9,085,410,908 against an approved budget actual receipts of Kshs.10,813,575,576,244,990,884 resulting to an under-utilization of. The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public</p>	<p>Failure by the National Treasury to disburse the June 2024 exchequer release. The county has instituted mechanism including preparation of revenue enhancement plan to ensure it meet and surpass its local collection target</p>	<p>The management faced under-funding of Kshs. 1,568,584,692 (15% of the budget). Expenditure amounted to Kshs. 9,085,410,908 against actual receipts of Kshs. 10,813,575,576, leading to under-utilization of funds.</p> <p>Under-funding and under-utilization affected planned activities and may have negatively impacted service delivery</p>	<p>3. The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and</p> <p>4. The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls</p>	Continuous
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9	<b>Contingent liability</b>	Failure by Management to provide a complete schedule of the contingent liabilities reflecting the estimated amounts, taxed amounts, fee notes paid, status of the cases, and unpaid balance concerning the litigations affecting the County.	Disclosure was done as per the format provided by the public sector accounting standard board			
10	<b>Unresolved prior year matters</b>	Management has not resolved the issues or given satisfactory explanation for failure to adhere	County Executive of Meru adheres to resolving the outstanding issues	The management did not resolve the issues or provide a satisfactory explanation for non-compliance.	The County Executive complies with Section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General for review	60 days from the date of adoption of this report
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>						
10	<b>Late Disbursement of Exchequer Releases</b>	Meru County Executive received an amount of Kshs.850,090,881 after 25 June, 2024 from the Exchequer.	We concur with the audit observation that The National Treasury disbursed Kshs 850,090,881 after June 2024	The National Treasury disbursed Kshs. 850,090,881 after June 2024 and did not release the June allocation.	The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement	Continuous

			and also did not release the June 2024 tranche		schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012.	
11	<b>County Headquarter Network Restructuring Purchase of Fiber Cabling</b>	The inspection and acceptance committee comprised of two Members which is short of the requirements. Kshs.2,500,500 was paid to another Investments Company	Inspection and acceptance committee comprised of three members who both signed the forms. Kshs 2,500,500 was incurred for purchase of overhead fibre cabling from ICT Data Centre	The management appointed an inspection and acceptance committee with only two members, falling short of the required composition	1. The management comply with Section 48 of the Public Procurement and Disposal Act, 2015 by appointing a properly constituted inspection and acceptance committee within 60 days from the date of adoption of this report.	60 days from the date of adoption of this report

					<p>2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct</p>	
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12	<b>Projects</b>	Physical verification exercise conducted in September, 2024 revealed that the two (2) projects had not been done satisfactorily or have stalled	Maua Studio was at 90% completion rate and not operational. Final completion certificate was yet to be issued. time	The management did not provide the current status of projects	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of	60 days from the date of adoption of this report
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					<p>adoption of this report;</p> <p>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle</p>	
13	<b>Compliance with the law on fiscal responsibility</b>	Compensation of employees representing 50% of the total receipts	County is working towards achieving the Fiscal	The management allocated 50% of total receipts to employee compensation.	<p>1. The management should strictly adhere to</p>	60 days from the date of adoption

	<p><b>– Salaries and Wages bills</b></p>		<p>responsibilities as provided for in the PFM Act (2012). Recruitment of non-essential staff has been frozen</p>		<p>the provision of paragraph 25(1)(b) of the PFM (county government ) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue.</p> <p>2. the county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap.</p>	<p>of this report</p>
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					3. The management of the concerned entities should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.	
14	<b>Lack of an Approved Staff Establishment</b>	Lack of an approved staff establishment	Draft staff establishment done.	The management did not have an approved staff establishment.	4. The County should submit by the end of the first quarter FY 2025/26, the measures taken to rationalize the staff	60 days from the date of adoption of this report

					<p>establishment to the Auditor General.</p> <p>5. The County to provide an approved staff establishment by the end of the first quarter of FY 2025/2026 to the Auditor General.</p>	
15	<b>Regional Diversity in Recruitment</b>	Non adherence to the one third gender rule on recruitment	Few applicants from the non-dominant communities did not meet the minimum requirement criteria set for respective vacancies as advertised.	The management did not adhere to the one-third gender rule in recruitment.	1) the County Executives should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of County Government Act on	60 days from the date of adoption of this report

					<p>ethnic inclusivity.</p> <p>2) The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012</p>	
16	<b>Non-Adherence to One Third Basic Salary Requirement</b>	One thousand, seven hundred and seven (1,707) employees' salary deductions fell below the one-third (1/3) of the basic salary	Occasioned by introduction of Housing levy along with the enhanced SHA deductions.	The management allowed salary deductions for 1,707 employees to fall below the required one-third of the basic salary.	<p>1) The county entities should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</p>	60 days from the date of adoption of this report

					2) The Auditor General should continue monitoring the issue in subsequent audit cycles.	
17	<b>Failure to Implement Previous Year's Audit Recommendations</b>	County Government did not provide implementation report from the oversight bodies on the status of implementation of their recommendations.	The Senates sessional committee on public accounts and County Assembly committee did not consider the previous year audit report.	The management did not provide an implementation report from oversight bodies on the status of their recommendations	The County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	60 days from the date of adoption of this report
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
18	<b>Voided Transactions</b>	IFMIS) records revealed that one hundred and forty-five (145) transactions with a value of Kshs.415,385,168.75 were processed and voided or canceled during the year ended 30 June, 2024.	During the period under review, the county voided 145 transactions with a value of Kshs	The management voided 145 transactions worth Kshs. 415,385,168.75, citing the National Government's failure to release	1. The Controller of Budget to liaise with the Auditor General to confirm whether the	60 days from the date of adoption of this report

		<p>These transactions were not supported by requests to void and documentary evidence to confirm that the Controller of Budget was informed of the voiding of the payments to make necessary adjustments</p>	<p>415,385,168.75 . This was due to them failure by The National Government to release June 2024 exchequer.</p>	<p>the June 2024 exchequer but did not provide supporting evidence or adequately address the issue.</p>	<p>payments were canceled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>2. The Office of the County Governor undertakes administrative action against the accounting officers, particularly approvers 1 and 2 and the then</p>	
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					<p>County Chief Officer in charge of Finance for voiding payments without approval and diverting funds</p> <p>3. Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfigurat ion with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other</p>	
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					<p>activities not initially approved.</p> <p>4. The Committee recommends that the EACC should expedite investigations on the matter in line with the Controller of Budget Act</p>	
19	<b>Failure to Tag Fixed and Movable Assets</b>	Assets not tagged	This was due to budgetary constraints. The county will complete the tagging exercise of all its assets once funds for the task are appropriated	The management did not update it fixed asset register.	1) County entities should update and present their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board;	60 days from the date of adoption of this report

					<p>2) County entities should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and provide a status update to the Office of the Auditor General within 90 days of the adoption of this Report; and</p> <p>3) The Office of the Auditor</p>	
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					General should progressively review and report on the matter in the subsequent financial year audits.	
20	<b>Long Outstanding Retentions and Deposits Refund</b>	Overdue retention monies for contractors	The contracts entered into with the contractor were multi year	The management has overdue retention monies for contractors that have not been settled.	The management take administrative actions against the officers who failed to comply with Regulation 63 (4) of the Public Finance Management (County Governments) Regulations 2015, in the management of retentions account, and submit a status report to the auditors, within 60 days of adoption of this report.	60 days from the date of adoption of this report

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF MIGORI COUNTY EXECUTIVE FOR  
THE FINANCIAL YEAR 2023/2024**

**Basis for Qualified Opinion**

<b>Audit Query</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
Unsupported Expenditure on Wages	<ul style="list-style-type: none"> <li>Kshs.141,269,005 was spent on basic wages for temporary employees. However, the letters of appointment for the temporary employees were not provided for audit review. Management explained that most of the temporary employees were inherited from the defunct local authorities and the process of regularizing their engagements was ongoing.</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the County Public Service Board has not been functional for a period of two years due to protracted court cases, which was concluded in December 2024. The County Public Service Board is currently regularizing the engagement of temporary workers. The first batch of recruitment of 411 casuals is completed and awaiting issuance of letters of appointment.</li> </ul>	<ul style="list-style-type: none"> <li>Kshs. 141,269,005 was spent on basic wages for temporary employees.</li> <li>Letters of appointment for the temporary employees were not provided for audit review.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>the County Executive expedites the regularization of all temporary staff engagements through the now-functional County Public Service Board and immediate steps should be taken to issue letters of appointment to the 411 casuals whose recruitment has been completed, and all</li> </ol>

				<p>supporting documentation should be made available for audit review to confirm the existence, accuracy, and completeness of the wages paid to the Office of the Auditor General within sixty (60) days from the adoption of this report; and</p> <p>2. the County Executive management should establish robust internal controls to ensure that all future engagements of temporary employees are properly documented and approved in compliance with</p>
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				relevant regulations.
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<b>1. Unsupported Legal Expenses</b>	<ul style="list-style-type: none"> <li>• Kshs.50,326,213 was utilized for payment for legal services. However, the fee notes provided for audit did not indicate the nature of work done for the amount claimed.</li> <li>• No tabulation was provided to show how the fee notes conformed to the Advocates and Remuneration Order, 2014.</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that most of the fee notes paid during the year were judgment and pending bills whose invoices were raised earlier. However, the fee notes, currently processed for payment are in conformity with Advocates and Remuneration Order of 2014 format.</li> </ul>	<ul style="list-style-type: none"> <li>• Kshs. 50, 326,213 was utilized for payment for legal services.</li> <li>• The fee notes provided for audit did not indicate the nature of work done for the amount claimed.</li> <li>• No tabulation was provided to show how the fees notes conformed to the Advocates and Remuneration Order 2014.</li> </ul>	<ol style="list-style-type: none"> <li>1. The County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</li> <li>2. The EACC initiates an investigation with the view of causing prosecution of the accounting officer for the possible loss of Kshs.50,326,213 whose expenditure was incurred as legal fees without proper documentation and approvals.</li> <li>3. The County Executive utilizes the Office of the</li> </ol>
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				County Attorney to provide legal advice and court representation and should provide evidence of compliance with the County Attorneys Act within 60 days of the adoption of this report.
Land Acquired without Title Deed	<ul style="list-style-type: none"> <li>• Kshs.1,500,000 was utilized by the Department of Trade, Tourism Industrialization and Cooperative to purchase land. However, according to Management, the title deed was still being processed as at the time of audit.</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that the title deed is yet to be processed and will be availed for review upon receipt from the land 's registerer</li> </ul>	<ul style="list-style-type: none"> <li>• Kshs. 1,500,000 was utilized by the Department of Trade, Tourism and Cooperative to purchase land.</li> <li>• The Title deed was still being processed as at the time of audit.</li> </ul>	<p>The Committee recommends that;</p> <p>5. the County Executive Management urgently expedites its engagement with the Ministry of Lands to process and secure the title deed for the land acquired at a cost of Kshs.1,500,000 by the Department of Trade, Tourism, Industrialization</p>

				<p>, and Cooperatives;</p> <p>6. the County Executive should establish a systematic process to ensure that all future land acquisitions are accompanied by proper legal documentation at the time of purchase to avoid similar issues and uphold transparency and accountability in asset management;</p> <p>7. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by</p>
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				<p>the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report; and</p> <p>8. The County Executive should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and provide a status update to the Office of the</p>
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				Auditor General within 90 days of the adoption of this Report.
<b>Emphasis of Matter</b>				

<p><b>1. Budgetary Control and Performance</b></p>	<ul style="list-style-type: none"> <li>The statement of comparison of budget and actual amounts (recurrent and development combined) reflects final receipts budget and actual on comparable basis amounts of Kshs.11,473,037,521 and Kshs.8,667,087,798 respectively, resulting in an underfunding of Kshs.2,805,949,723 or 24% of the budget. However, Management spent a total of Kshs.8,652,021,734 out of actual receipts of Kshs.8,667,087,798 resulting to under-utilization of Kshs.15,066,004 of actual receipts.</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the Exchequer Disbursement for the month of June 2024 and most of the donor funds were not received during the year under review resulting to underfunding. Consequently, this resulted to underutilization of the budget.</li> </ul>	<ul style="list-style-type: none"> <li>Underfunding of Kshs. 2,805,949,723.</li> <li>Management spent a total of Kshs.8,652,021,734 out of actual receipts of Kshs.8,667,087,798 resulting to under-utilization of Kshs.15,066,004 of actual receipts.</li> </ul>	<p>The Committee recommends that:</p> <ol style="list-style-type: none"> <li>The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and</li> <li>The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.</li> </ol>
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<b>2. Late Exchequer Releases</b>	<ul style="list-style-type: none"> <li>The statement of receipts and payments, and as disclosed in Note 1 to the financial statements, reflects transfers from County Revenue Fund (CRF) amount of Kshs.8,520,597,992. Included in transfers is an amount of Kshs.1,686,316,641 which was transferred from the CRF on diverse dates between 18 June, 2024 and 5 July, 2024.</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the County Executive will continue to lobby through Council of Governors (COG) and other stakeholders on timely disbursement of exchequer releases.</li> </ul>	<ul style="list-style-type: none"> <li>The statement of receipts and payments reflects transfers from CRF amount of Kshs.8,520,597,992 . Included in transfers is an amount of Kshs.1,686,316,641 which was transferred from the CRF on diverse dates between 18 June, 2024 and 5 July, 2024.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate; and</li> <li>2. The county executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.</li> </ol>
<b>Other Matter</b>				

<b>1. Unresolved Prior Year Matters</b>	<ul style="list-style-type: none"> <li>In the previous year's audit report, several issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved these issues as at 30 June, 2024 and no satisfactory reasons were provided for failure to resolve them.</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and commits to continuously resolving the issues as raised in the Auditor General's report.</li> </ul>	<ul style="list-style-type: none"> <li>Management had not resolved these issues as at 30 June, 2024 and no satisfactory reasons were provided for failure to resolve them.</li> </ul>	<p>The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by acting on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.</p>
<p>County Executive Preparedness to Transition to Accrual Accounting</p>	<ul style="list-style-type: none"> <li>County Executive of Migori had not implemented the prerequisites to accrual accounting, except training four (4) members of staff in the Finance Department and adoption of quarterly</li> </ul>	<p>The management noted the auditor's observation and wishes to state that the following has been done in readiness to migration to accrual accounting.</p> <ul style="list-style-type: none"> <li>➤ Training of all Accountants on accrual financial reporting.</li> </ul>	<ul style="list-style-type: none"> <li>County Executive of Migori had not implemented the prerequisites to accrual accounting, except training four (4) members of staff in the Finance Department and adoption of</li> </ul>	<p>The Committee recommends that</p> <ol style="list-style-type: none"> <li>the County Executive takes immediate and comprehensive steps to ensure full compliance with the transition to</li> </ol>

	<p>reporting template on accrual basis. Further, the National Treasury had not configured the Integrated Financial Management Information System (IFMIS) to support accrual accounting contrary to Paragraph 1.4 of the Guidelines on Transition from Cash Basis to Accrual Basis of Accounting by Ministries, Departments, Agencies (MDAs) and County Governments which states that on 7 March, 2024 the Cabinet approved the transition from cash basis of accounting to accrual basis of accounting with effect from 1 July, 2024 and that the transition is to be undertaken over a</p>	<ul style="list-style-type: none"> <li>➤ Establishment of Steering and Technical transition committees on Accruals.</li> <li>➤ Preparation of a comprehensive Fixed asset register is ongoing.</li> <li>➤ The management has adopted quarterly reporting template on accrual starting quarter two.</li> <li>• Upon configuration of the IFMIS on accrual accounting, the management through the steering committee will organizes with the National Treasury IFMIS Team to train the IFMIS users at the County Executive.</li> </ul>	<p>quarterly reporting template on accrual basis.</p> <ul style="list-style-type: none"> <li>• The National Treasury had not configured the Integrated Financial Management Information System (IFMIS) to support accrual accounting contrary to Paragraph 1.4 of the Guidelines on Transition from Cash Basis to Accrual Basis of Accounting by Ministries, Departments, Agencies (MDAs).</li> <li>• This therefore means that the entity's financial statements for the year ended 30 June, 2025 shall be prepared on IPSAS accrual basis of accounting and reporting.</li> </ul>	<p>accrual basis accounting as mandated by the National Treasury, in line with the Cabinet's approval of 7 March 2024 which includes urgently configuring the Integrated Financial Management Information System (IFMIS) to support accrual accounting, expanding training programs to equip all relevant staff with the necessary skills, and developing robust systems and processes to facilitate accurate</p>
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	<p>three-year period. This therefore means that the entity's financial statements for the year ended 30 June, 2025 shall be prepared on IPSAS accrual basis of accounting and reporting.</p>			<p>recording and reporting of assets, liabilities, revenues, and expenses on an accrual basis; and</p> <p>2. The County Executive should also establish a dedicated transition team to oversee the implementation of these measures and ensure that the financial statements for the year ending 30 June 2025 are prepared in full compliance with International Public Sector Accounting Standards (IPSAS) on an accrual basis and provides a</p>
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				status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>				
Non-Compliance with the Public Sector Accounting Standards Board Reporting Framework	<ul style="list-style-type: none"> <li>The budget execution by programmes and sub-programmes schedule has column headings for budget amounts indicated as Approved Budget, Approved Supplementary 1 and Approved Supplementary 2. This is contrary to the prescribed reporting template which requires columns for budget amounts to be titled Original Budget, Adjusted Budget and Final Budget.</li> <li>Further, Annex 2 on analysis of pending accounts payable</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wish to state that going forward the Budget Execution by Programmes will be captured by the current names. Further detailed pending bills will be disclosed now that the reports will be on accrual.</li> </ul>	<ul style="list-style-type: none"> <li>The budget execution by programmes and sub-programmes contravened the prescribed reporting template which requires columns for budget amounts to be titled Original Budget, Adjusted Budget and Final Budget.</li> <li>Pending accounts payable does not reflect names of suppliers of goods or services and the related dates invoiced/contracted, particulars, original amounts, balances at the beginning of the year.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>the County Executive immediately aligns its financial reporting with the prescribed Public Sector Accounting Standards Board (PSASB) framework to ensure full compliance with Section 164(1) of the Public Finance Management Act, 2012 including revising the budget execution schedule to reflect the correct column headings—Original Budget,</li> </ol>

	<p>does not reflect names of suppliers of goods or services and the related dates invoiced/contracted, particulars, original amounts, balances at the beginning of the year, additions during the year, amounts paid during the year and outstanding balances.</p> <ul style="list-style-type: none"> <li>• Management contravened Section 164(1) of the Public Finance Management Act, 2012, which requires accounting officers of county government entities to prepare financial statements in formats that comply with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.</li> </ul>		<ul style="list-style-type: none"> <li>• Management contravened Section 164(1) of the Public Finance Management Act, 2012, which requires accounting officers of county government entities to prepare financial statements in formats that comply with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.</li> </ul>	<p>Adjusted Budget, and Final Budget— and ensuring that Annex 2 on the analysis of pending accounts payable provides detailed information such as supplier names, dates invoiced or contracted, particulars, original amounts, balances at the beginning of the year, additions during the year, amounts paid, and outstanding balances; and</p> <p>2. The County Executive to identify the training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within</p>
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				sixty (60) days of the adoption of this report.
Non-Compliance with Fiscal Responsibility Principle on Development Expenditure	<p>The statement of comparison of budget and actual amounts (development) reflects total actual expenditure of Kshs.2,352,710,272 or 27% of the total expenditure of Kshs.8,652,021,734 reflected in the statement of receipts and payments. This is contrary to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015, which requires development expenditure to be at least 30% of total expenditure.</p>	<p><i>The Management wishes to state that County Government of Migori did not contravene section 107(2)(b) of the PFM Act of 2012 by spending 27% on development expenditure as alluded above. However, the actual position on the development expenditure for the FY 2023/2024 was Kshs 2.35 billion accounting for 56.77 percent of the total annual development budget of Kshs 4.1billion.</i></p> <p><i>Further most of the planned development projects were ongoing at the close of the financial year hence could not be paid for and those that were completed were paid upon receipt of the June exchequer disbursement which came late in July 2024</i></p>	<p>Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015, which requires development expenditure to be at least 30% of total expenditure.</p> <p>But not absorption rate as explained</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue;</li> <li>2. The county executive puts in place measures to enhance its own source revenue collection to address the high wage bill gap; and</li> <li>3. The management should provide to the Auditor General a status</li> </ol>

				report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.
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<p><b>1.0 Pending Accounts Payable</b></p>	<ul style="list-style-type: none"> <li>Annexure 2 to the financial statements reflects pending accounts payable balance of Kshs.1,763,314,575. During the year under review, the total pending accounts payable were Kshs.2,485,371,148, out of which, Management paid an amount of Kshs.722,056,573, leaving a balance of Kshs.1,763,314,575. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that debt service payments shall be a first charge on the County Revenue Fund and the accounting officer shall ensure</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the County Executive is committed and has prioritize payment of pending bills despite the challenges faced of late exchequer releases. The management has provided for Kshs 1.3 billion in the FY 2024/2025 Supplementary budget 1 to reduce pending bills. By end of January 2025, the management already paid. 1.1 billion out of Kshs 1,7billion pending bills.</li> </ul>	<ul style="list-style-type: none"> <li>The financial statements reflects pending accounts payable balance of Kshs.1,763,314,575</li> <li>During the year under review, the total pending accounts payable were Kshs.2,485,371,148 , out of which, Management paid an amount of Kshs.722,056,573, leaving a balance of Kshs.1,763,314,575</li> <li>This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>Pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done.</li> <li>The Controller of Budget takes</li> </ol>
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	<p>this is done to the extent possible that the County Government does not default on debt obligations. In addition, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent years as they form a first charge.</p>			<p>into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases.</p> <p>3. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations.</p> <p>4. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances</p>
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				<p>of arbitrary re-allocations out of the approved budget estimates.</p> <p>5. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects.</p> <p>6. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB)</p>
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				shall not approve the supplementary budgets.
<b>Regularity of Human Resource Management Practices</b>				
Non-Compliance with Fiscal Responsibility Principle on Wage Bill	<ul style="list-style-type: none"> <li>The statements of receipts and payment reflects an amount of Kshs.3,255, 148,943 in respect of compensation of employees, while the County Revenue Fund-County Government of Migori indicates total revenue of Kshs.8,520,597,992. Therefore, compensation of employees represented 38% of the total revenue received, contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that the County</li> </ul>	<ul style="list-style-type: none"> <li>The Management noted the auditor's observation and wishes to state that the County compensation was at 38% due to unrealized revenue as a result of delay in exchequer releases and under-collection of Own Source Revenue. Further the department has put up various measure to improve own source revenue: introduction of cashless mode of collection, establishment of revenue board and enhance supervision and enforcement.</li> </ul>	<ul style="list-style-type: none"> <li>Management contravened Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that the County Governments' expenditures on wages and benefits for its public officers shall not exceed thirty-five (35%) of the County Government total revenue.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue;</li> <li>The county executive puts in place measures to enhance its own source revenue</li> </ol>

	<p>Governments' expenditures on wages and benefits for its public officers shall not exceed thirty-five (35%) of the County Government total revenue.</p>			<p>collection to address the high wage bill gap; and</p> <p>3. The management should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.</p>
Delayed Confirmation in Employment	<ul style="list-style-type: none"> <li>Analysis of the payroll for the month of June, 2024 revealed one thousand, one hundred and twenty-six (1126) officers who had been on probation for more than six (6) months, contrary to Section B.13(1) of the County Public Service Human</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state the 1126 staff have since been confirmed in the IPPD payroll System.</li> </ul>	<ul style="list-style-type: none"> <li>One hundred and twenty-six (1126) officers were on probation for more than six (6) months, contrary to Section B.13(1) of the County Public Service Human Resource Manual.</li> </ul>	<p>The Committee recommends that the county executive adheres to Section B.13(1) of the County Public Service Human Resource Manual which requires that an officer be put on probation for a period of six (6) months as provided for in the Employment Act, 2007.</p>

	Resource Manual which requires that an officer be put on probation for a period of six (6) months as provided for in the Employment Act, 2007.			
Non-Compliance with Ethnic and Special Needs in the Staff Composition	<ul style="list-style-type: none"> <li>Analysis of the Integrated Personnel and Payroll Database (IPPD) records for the month of June, 2024 revealed that the County Executive had a total workforce of 3368 out of whom, 2414 or 72% were members of the dominant community in the County. This was contrary Section 65(1)(e) of the County Government Act, 2012, which states that in selecting candidates for appointment, the County Public</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that Migori County is a cosmopolitan County and all communities are always encouraged to apply for the advertised vacancies in line with National Cohesion and Integration Act, 2008. However, the County Government of Migori, through County Public Service Board, is currently working towards full compliance and implementation of section 7(1) and (2) of the National Cohesion and Integration Act, Section 13 of the persons with Disabilities Act, 2003 and County Employment Equity Plan</li> </ul>	The County Executive had a total workforce of 3368 out of whom, 2414 or 72% were members of the dominant community in the County. This was contrary Section 65(1)(e) of the County Government Act, 2012.	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1) The County Executives should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of County Government Act on ethnic inclusivity.</li> <li>2) The Standing Committee on NCEORI to explore legal amendments to ensure</li> </ol>

	<p>Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.</p> <ul style="list-style-type: none"> <li>• Further, there were fifty-five (55) persons with special needs working for the County Executive, representing 1.6% of the workforce, which is below the threshold of 5% provided for in Section 13 of the Persons with Disabilities Act, 2003. In addition, persons with special needs were not represented in the County Executive Committee and</li> </ul>	as prescribed in the revised County Government Act.		progressive compliance with section 65(1)(e) of County Government Act, 2012.
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	among the chief officers appointed.			
Violation of One-Third Rule on Net Pay	<ul style="list-style-type: none"> <li>Analysis of the payroll for the month of June, 2024 revealed that a total of four hundred and sixty-three (463) officers earned less than a third of their respective basic salaries at various times during the year, contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the staff cited were affected by the implementation of the housing levy fund. However, this will continuously be regularized by the annual increments. Going forward, the one third rule will be managed with the configuration of the new HRIS payroll system</li> </ul>	<ul style="list-style-type: none"> <li>Four hundred and sixty-three (463) officers earned less than a third of their respective basic salaries at various times during the year, contrary to Section 19(3) of the Employment Act, 2007.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>3) The county entities should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</li> <li>4) The Auditor General should continue monitoring the issue in subsequent audit cycles.</li> </ol>

	either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.			
Failure to Customize Schemes of Service to Suit the County Executive	<ul style="list-style-type: none"> <li>Review of the County Executive's schemes of service revealed that they were prepared by the National Government for use by its officers before the commencement of the County Governments. The schemes of service do not address all the cadres of staff and do not incorporate the changes that have occurred within the County Executive's staff establishment over the years.</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the County Public Service Board has not been functional for the last two years due to protracted court cases. However, with conclusion of the cases, the County Public Service Board will customize the schemes of work to suit the County staff establishment and needs.</li> </ul>	<ul style="list-style-type: none"> <li>The schemes of service do not address all the cadres of staff and do not incorporate the changes that have occurred within the County Executive's staff establishment over the years.</li> </ul>	The Committee recommends that the County Executive, through the now-functional County Public Service Board, prioritizes the customization and updating of the schemes of service to align with the current staff establishment and operational needs of the County and should address all cadres of staff and incorporate the changes that have occurred over the years, ensuring they are tailored to the specific requirements of the County Government and provide a status update to the Auditor General within 60 days

				of adoption of this report.
Under Staffing of County Attorney's Office	<ul style="list-style-type: none"> <li>Information provided for audit indicated that the Office of the County Attorney had an approved staff establishment of eight (8) officers and four (4) legal officers in place which represents 50% of its approved capacity. Further, no legal personnel were hired in the year under review despite there being a need to do so. This was contrary to Section 22(1) of the Office of the County Attorney Act, 2020 which stipulate that there shall be such officers and other members of staff of the Office as the County Attorney, in consultation with the County Public</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the County Public Service Board has not be able to recruit any staff for the last two years due to protracted court cases which has since been concluded. Going forward the department will budget for recruitment of additional staff in the County Attorney's office to fill the staff requirement needs.</li> </ul>	<ul style="list-style-type: none"> <li>Staff establishment of eight (8) officers and four (4) legal officers in place which represents 50% of its approved capacity.</li> <li>No legal personnel were hired in the year under review despite there being a need to do so. This was contrary to Section 22(1) of the Office of the County Attorney Act.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The county Executive should expedite development and approval of its staff establishment and a status report should be submitted to the Auditor General for verification within sixty (60) days of the adoption of this report.</li> <li>The county Executive submits a status report to the OAG on the progress of the audit on staff establishment, payroll and the County's</li> </ol>

	Service Board, considers necessary for the proper and efficient discharge of the functions of the Office.			measures to ensure compliance with the law.
Non-Compliance with Access to Government Procurement Opportunities (AGPO)	<ul style="list-style-type: none"> <li>The statement of receipts and payments reflects total expenditure of Kshs.8,652,021,734 out of which an amount of Kshs.3,093,707,805 related to the procurements. However, out of the latter amount, only an amount of Kshs.338,836,506 or 11% was categorized under the AGPO program. This was contrary to Section 53(6) of the Public Procurement and Asset Disposal Act, 2015, which provides that all procurement and asset disposal</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that this compliance level of 11.6% is necessitated by the following reasons. <ul style="list-style-type: none"> <li>➤ Limited Firms registered: From our observation, the number of firms registered under this category are very few. This is indicated by the number of re-advertisements done under this category. The entity does a number of re-adverts due to no responses by the eligible bidders.</li> <li>➤ Limited Awareness and Training: Many potential bidders from AGPO categories lack sufficient information about the procurement process, available opportunities, and how to submit competitive bids.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The statement of receipts and payments reflects total expenditure of Kshs.8,652,021,734 out of which an amount of Kshs.3,093,707,80.</li> <li>Out of the latter amount, only an amount of Kshs.338,836,506 or 11% was categorized under the AGPO program. This was contrary to Section 53(6) of the Public Procurement and Asset Disposal Act, 2015.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the County Executive takes immediate corrective measures to ensure full compliance with Section 53(6) of the Public Procurement and Asset Disposal Act, 2015, which mandates the reservation of at least 30% of procurement opportunities for enterprises owned by women, youth, persons with disabilities, and other</li> </ol>



	<p>planning shall reserve a minimum of thirty per cent of the budgetary allocations for enterprises owned by women, youth, persons with disabilities and other disadvantaged groups.</p>	<ul style="list-style-type: none"> <li>➤ Resource Constraints: Many small enterprises owned by women, youth, and persons with disabilities often face financial and logistical challenges, making it difficult to compete in the government contracts. A number of contracts awarded to AGPO are not executed in time.</li> <li>➤ Capacity Gaps: There may be skill gaps in areas such as proposal writing, financial management, and project execution, which can hinder the ability of these groups to effectively bid for and execute contracts.</li> <li>➤ Market Barriers: Limited access to networks, information, and partnerships can isolate these businesses, reducing their chances of successfully bidding for tenders.</li> <li>➤ Fear of Failure: Previous negative experiences or a general lack of confidence</li> </ul>		<p>disadvantaged groups under the Access to Government Procurement Opportunities (AGPO) program; and</p> <p>2. The County should review its procurement planning and budgeting processes to allocate and prioritize the required percentage for AGPO-compliant enterprises, while also enhancing awareness and capacity-building initiatives to encourage participation from eligible groups; and</p>
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		<p>in the bidding process can discourage AGPO participants from engaging in tenders.</p> <ul style="list-style-type: none"> <li>• Due to the above reasons, the procuring entity is faced with a challenge to meet the above requirement of section 53(6) of the PPADA, 2015. However, the management is committed to improve to reduce the gap.</li> </ul>		<p>3. the County Executive should establish a monitoring and evaluation framework to track compliance with AGPO requirements and ensure transparency and accountability in procurement activities to the Auditor General within sixty (60) days from the adoption of this report.</p>
Payments to the Council of Governors	<ul style="list-style-type: none"> <li>• Kshs.3,000,000 was paid to the Council of Governors for the purpose of meeting its operational expenses. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that the County Executive will engage the various stakeholders including the County Assembly to enact laws to facilitate the payments</li> </ul>	<ul style="list-style-type: none"> <li>• Kshs.3,000,000 was paid to the Council of Governors for the purpose of meeting its operational expenses.</li> <li>• This was contrary to Section 37 of the Intergovernmental Relations Act, 2012.</li> </ul>	<p>3. The Committee recommends that the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their</p>

	<p>the operational expenses in respect of the structures and institutions established in this Act shall be provided for in the annual estimates of the revenue and expenditure of The National Government to cater for (a) the Summit; (b) the Council of County Governors; (c) the Technical Committee, Secretariat and the sectoral working group established by the Technical Committee; and (d) the sectoral working groups established by the Council.</p>			<p>capacity as Chief Executive Officer, who continues to make the irregular contribution; and</p> <p>4. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.</p>
Payment to the Lake Region Economic Bloc	<ul style="list-style-type: none"> <li>• Kshs.2,000,000 was paid to the Lake Region Economic Bloc. However, the law under which the payment was made</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that the County Executive will engage the various stakeholders including the</li> </ul>	<ul style="list-style-type: none"> <li>• Kshs.2,000,000 was paid to the Lake Region Economic Bloc.</li> <li>• The law under which the payment</li> </ul>	<p>The Committee recommends that the irregular payments to the Lake Region Economic Bloc be stopped and further</p>

	was not provided for audit.	County Assembly to enact laws to facilitate the payments.	was made was not provided for audit.	recommends the surcharge of any the Accounting Officer who authorizes and continues to make the irregular contribution.
County Scholarship Programmes	<ul style="list-style-type: none"> <li>• Kshs.120,000,000 was transferred to the Migori County Ward Development Fund for bursaries. Further, Kshs.23,101,400 was spent under Inua Elimu scholarship programme. However, there were no regulations and scholarship policy used in identifying the beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that the regulations and policy have been submitted to the Cabinet for consideration.</li> </ul>	<ul style="list-style-type: none"> <li>• Kshs.120,000,000 was transferred to the Migori County Ward Development Fund for bursaries.</li> <li>• Kshs.23,101,400 was spent under Inua Elimu scholarship programme.</li> <li>• no regulations and scholarship policy used in identifying the beneficiaries.</li> </ul>	<p>The Committee recommends that the</p> <ol style="list-style-type: none"> <li>1. County Executive in conjunction with the County Assembly urgently develops and implements regulations for the efficient administration of the Inua Elimu Scholarship Programme, alongside a comprehensive scholarship and bursary policy; the policy should include clear guidelines for identifying and awarding beneficiaries to ensure transparency,</li> </ol>

				<p>fairness, and value for money in the management of educational support programs, well-defined eligibility criteria, standardized application procedures, and a robust vetting process to prevent irregularities and ensure that funds are allocated to deserving students; and</p> <p>2. the County Executive should establish a monitoring and evaluation framework to track the disbursement and impact of scholarships and bursaries, while conducting regular audits to ensure compliance with the policy and provide a status</p>
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				update to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<p><b>Regularity of Procurements and Award of Contracts-Acquisition of Assets</b></p> <p>The statement of receipts and payments reflects acquisition of assets amount of Kshs.1,968,670,681 as disclosed in Note 7 to the financial statements. However, review of financial statements and records relating to procurements and contract management revealed the following unsatisfactory matters:</p>				
Inadequate Allocation of Funds for Major Road Works	<ul style="list-style-type: none"> <li>Kshs.51,008,304 was spent on construction of roads out of which, Kshs.7,975,046 was in respect of a contract for the maintenance /opening of 29.9 km Osiri-Macalder-Migori-Migori-Slaughter-Magina-Nyasare Ochieng Orwa Primary Road. The project start date was 28 February, 2024 with a completion period of 120 days. However, physical verification of the project on</li> </ul>	<ul style="list-style-type: none"> <li>The management wishes to state that In the Fy 2023/24, the Department procured for the maintenance of Osiri-Macalder-Migori-Migori-Slaughter-Magina-Nyasare Ochieng Orwa Primary Road at a cost of Kshs.7,975,046. The scope of works under the contract was grading of the carriageway, side slope and back slope, gravel improvement to impassable road sections and limited drainage works. The total length of the project road was 29.9 km. The available resources could only do limited number of drainages works as was</li> </ul>	<ul style="list-style-type: none"> <li>Several patches of the road that were impassable and compacted to form a camber formation as were provided in the Bill of Quantities.</li> <li>the drainage works were not done due to inadequate funds.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public</li> </ol>

	<p>10 September, 2024 revealed that although the contractor provided the murram, spread and graded on several patches of the road that were impassable and compacted to form a camber formation as were provided in the Bill of Quantities, the drainage works were not done due to inadequate funds.</p>	<p>confirmed during the field site visits while at the same time ensuring that the project road was in passable state to the members of the public. The road was completed and is currently in use. Several sections have been planned for drainage improvement in the current Fy 2024/2025.</p>		<p>Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and</p>
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				provide a status update to the Committee in the subsequent audit cycle.
Unexplained Contract Variations and Delayed Project Completion - Maternity Theater at Macalder Sub-County Hospital	<ul style="list-style-type: none"> <li>• Kshs.389,145,106 was spent on construction of buildings out of which Kshs.3,579,702 was spent towards the construction of the maternity theater at Macalder Sub-County Hospital. The contract for the project was signed on 25 March, 2024 and the expected completion date was 25 July, 2024. On 28 March, 2024, three days after signing the contract, the project implementation committee proposed variations of works. The proposed variations</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that the hospital committee changed the structural work of the building after the construction works had begun resulting to variations on the Bills of Quantities. The entire structure was proposed to be brought down and a new structure was raised from the slab level including the floor slab hence variation of works.</li> </ul>	<ul style="list-style-type: none"> <li>• The proposed variations were not quantified to assess how they would impact project cost and completion period.</li> <li>• Physical verification conducted in the month of September, 2024, revealed that the project was incomplete.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015</li> </ol>



	<p>were not quantified to assess how they would impact project cost and completion period. Further, physical verification conducted in the month of September, 2024, revealed that the project was incomplete.</p>			<p>within 60 Days from the date of adoption of this report.</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</li> <li>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</li> </ol>
Supply, Installation and Commissioning of Containers Fish Collection Centre (Cold Rooms)	<ul style="list-style-type: none"> <li>• The County Executive entered into a contract with a local Company on 1 March, 2024, for the supply, installation and commissioning</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that the contractor completed the works as per the Bills of quantity. The only works remaining for the cold</li> </ul>	<ul style="list-style-type: none"> <li>• Physical verification carried out on 16 September, 2024 revealed that the project was not</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and</li> </ol>

	<p>of two (2) containers fish collection centres (cold rooms) at Uriri and Isibania markets at a contract sum of Kshs.9,981,023. The project included installation of two containers, freezers, elevated water tank, solar panels and construction of a toilet. The contract period was 120 days from the commencement date of 1 March, 2024 with a completion date of 30 June, 2024. Physical verification carried out on 16 September, 2024 revealed that the project was not complete at the two project sites. Management has indicated that the project has since been completed and</p>	<p>rooms to be operational is Water connection, which the County had applied for meter with MIWASCO.</p>	<p>complete at the two project sites.</p> <ul style="list-style-type: none"> <li>• Management has indicated that the project has since been completed and has provided photos which do not clearly show that the project is complete.</li> </ul>	<p>monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status</p>
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	has provided photos which do not clearly show that the project is complete.			<p>update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
<b>Incomplete Projects - Market Sheds</b>				
Construction of Kwiriba Market Shed	<ul style="list-style-type: none"> <li>Kshs.1,173,502 was paid in relation to a contract signed on 26 May, 2023 to construct Kwiriba Market Shade to completion at a contract sum of Kshs.1,173,502. However, physical verification on 10 September, 2024 revealed that the project was incomplete. Further, the market was not branded with the County Executive's</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the current design of shelves on one side and another side open is what was envisioned and therefore the works were completed as per the Bill of Quantities. In addition, the market shed has been in use for 3 years since its completion in the year 2021 and this has occasioned the peeling off of the floor. On vandalism, market committee has been tasked with ensuring</li> </ul>	<ul style="list-style-type: none"> <li>Physical verification on 10 September, 2024 revealed that the project was incomplete.</li> <li>The market was not branded with the County Executive's logo, the floor of the whole market was peeling off, the toilet door had been vandalized at the market and the market was not</li> </ul>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the</p>

	<p>logo, the floor of the whole market was peeling off, the toilet door had been vandalized at the market and the market was not fenced, hence prone to vandalism.</p>	<p>security of the booths and items within the market. Further, under the community projects, the market is marked for renovation on the areas that have been identified including replacing of the toilet door and building stalls around Kwiriba market in FY 2024-25.</p>	<p>fenced, hence prone to vandalism.</p>	<p>Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the</p>
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				subsequent audit cycle.
Completion of Masaba Market Shed	<ul style="list-style-type: none"> <li>• Kshs.1,999,991 was paid for the construction of Masaba market shed to completion at a contract sum of Kshs.1,999,991. However, physical verification on 10 September, 2024 revealed that the project was incomplete. In addition, the market was not branded with the County logo, drainage system was not done and the market was not secured, hence prone to vandalism.</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that the market has been marked for renovation in the current financial year and budgeted for in the FY 2024/2025.</li> </ul>	<ul style="list-style-type: none"> <li>• Kshs.1,999,991 was paid for the construction of Masaba market shed to completion at a contract sum of Kshs.1,999,991.</li> <li>• Physical verification on 10 September, 2024 revealed that the project was incomplete.</li> <li>• the market was not branded with the County logo, drainage system was not done and the market was not secured, hence prone to vandalism.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of</li> </ol>

				<p>adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
Partial Completion of Midoti Market Shed	<ul style="list-style-type: none"> <li>Kshs.1,099,239 was paid for the partial completion of Midoti Market Shed at a contract sum of Kshs.1,099,239.</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the market has been marked for completion in the current financial year and budgeted for in the FY 2024/2025.</li> </ul>	<ul style="list-style-type: none"> <li>Kshs.1,099,239 was paid for the partial completion of Midoti Market Shed at a contract sum of Kshs.1,099,239.</li> </ul>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and</p>

	<p>However, physical verification on 10 September, 2024 revealed that the project was incomplete as the drainage system, stalls tops and doors had not been done. Further, the market was not branded with the County Executive's logo. In addition, the market was not secured, hence prone to vandalism and there was no toilet.</p>		<ul style="list-style-type: none"><li>• physical verification on 10 September, 2024 revealed that the project was incomplete as the drainage system, stalls tops and doors had not been done.</li><li>• The market was not secured, hence prone to vandalism and there was no toilet.</li></ul>	<p>monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status</p>
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				<p>update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
Other Incomplete Markets	<ul style="list-style-type: none"> <li>• Kshs.21,614,695 was spent in respect of a contracts for the construction of nine (9) market projects with contract sums totalling Kshs.21,614,695. However, physical verification revealed that the contractors were not on sites and the projects were not complete as indicated below:</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that due to the limited resource envelopes the markets were done partially in accordance with the bills of quantities and within the available budgets. Going forward the County Executive will provide funds for the completion of the above markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Kshs.21,614,695 was spent in respect of a contracts for the construction of nine (9) market projects with contract sums totalling Kshs.21,614,695.</li> <li>• Physical verification revealed that the contractors were not on sites and the projects were not complete.</li> </ul>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the</p>



	<b>Project name</b>	<b>Ward</b>	<b>Initial Contract Sum (Kshs.)</b>	<b>Outstanding Works</b>			Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.
	Opapo Auction Ring	East Kamagamba	1,151,882	Fencing			2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.
	Oyani Masai Market	East Kanyamkago	2,500,000	Worktops and latrines			3. The OAG to keep the matter in view and provide a status update to the Committee in the
	Mabera Market	Masaba	1,983,103	Worktops and latrines			
	Masango ra Market	Gokehara ka/Getambwega Kuria East	2,500,000	Worktops and latrines			
	Kugitimo Market Shade	Nyabasi East & Kuria East	2,100,000	Worktops and latrines			
	Maeta Market Shade	Nyabasi East & Kuria east	3,379,764	Worktops and latrines			
	Ikerege Market	Kuria West	2,500,000	Worktops and latrines			
	Olasi Market Shade	Kaler Ward	3,499,946	Worktops and latrines			

	Rongo Market	North Kamagamba	2,000,000	Worktops and latrines			subsequent audit cycle.
	Total		21,614,695				
Un-Utilized Projects	Kshs.7,925,086 was spent on construction of four (4) market sheds and one (1) toilet/washroom at contract sums totalling Kshs.19,006,635 as summarized below:			The management noted the auditor’s observation and wishes to state that the department has planned for commissioning of the markets in this financial year	The management reported the planned for commissioning of the markets in this financial year.  Not Addressed	The Committee recommends that;  1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days	
			Cost (Kshs)				
	Completion of Ombo Kowiti Market Shed		3,3				
	Completion of Bande Market Shed		4,5				
	Completion of Ndiwa Market Shed		4,7				
	Completion of Oyora Market Shed		2,9				
	Construction of Waterborne Toilet/Washing Room		3,2				
	Total		19,006,635				
	However, physical						

	<p>verification on 10 September, 2024 revealed that the constructions of the projects had been completed, but the projects were not in use by the community.</p>			<p>from the date of adoption of this report.</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</li> <li>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</li> </ol>
<p>Rehabilitation of Kaknene Dam – Under FLLoCA Program</p>	<ul style="list-style-type: none"> <li>• The County Executive entered into a contract with a company for the rehabilitation of Kaknene Dam in</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor’s observation and wishes to state that the contractor was not able to complete within the workplan due to</li> </ul>	<ul style="list-style-type: none"> <li>• The County Executive entered into a contract with a company for the rehabilitation of Kaknene Dam in</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project</li> </ol>

	<p>God Jope Ward at a contract sum of Kshs.6,992,032.</p> <p>The project was one of the projects implemented under the Financing Locally-Led Climate Action (FLLoCA) program. The contract entailed rehabilitation of the dam, repair of embankment and spillway, fencing, intake tower and valve chamber, two lockable bathrooms/toilets and cattle watering troughs. The contract period was 120 days beginning on 18 March, 2024 and ending on 17 July, 2024. No payments had been made to the contractor during the year under review. Physical</p>	<p>unforeseen circumstance. However, the project has since been completed</p>	<p>God Jope Ward at a contract sum of Kshs.6,992,032.</p> <ul style="list-style-type: none"> <li>• No payments had been made to the contractor during the year under review.</li> <li>• Physical verification in September, 2024 revealed that the project was not complete despite the contract period having lapsed.</li> </ul>	<p>management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion</p>
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	<p>verification in September, 2024 revealed that the project was not complete despite the contract period having lapsed. The outstanding works include clearing excavated soil, piping and access culverts.</p>			<p>and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
<p>Ablution Block Project Not in Use</p>	<ul style="list-style-type: none"> <li>• Kshs.2,975,489 was spent on construction of ablution block at Rongo Sub-County Hospital. However, physical verification conducted in the month of September, 2024 revealed that the ablution block was complete but not in use, awaiting handing over by the contractor.</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that the handing over of the ablution block in Rongo Sub County Hospital has been done and now in use.</li> </ul>	<ul style="list-style-type: none"> <li>• Kshs.2,975,489 was spent on construction of ablution block at Rongo Sub-County.</li> <li>• physical verification conducted in the month of September, 2024 revealed that the ablution block was complete but not in use.</li> <li>• Management has indicated, without providing evidence, that the project has</li> </ul>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as</p>

	Management has indicated, without providing evidence, that the project has since been handed over and is in use.		since been handed over and is in use.	<p>provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the</p>
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				subsequent audit cycle.
Face-lifting Awendo Sub-County Hospital	<ul style="list-style-type: none"> <li>Kshs.4,983,070 was spent on the face lifting of Awendo Sub-County Hospital. However, physical verification conducted in the month of September, 2024 revealed that the project was incomplete with no work done at the Maternal and Child Health (MCH) block, despite being in the bill of quantities. Management has explained that the projected cost of doing the maternity wing was diverted to cover the part of cost of roofing wards and ceiling since there is a</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the new Maternity and Child Block building is done through partnership agreement with Safaricom Foundation. The Safaricom foundation would do the building at a cost of Kshs 50million and the County Government would equip the facility at a cost of Kshs 10million in the current Financial Year. Construction of the building is ongoing.</li> </ul>	<ul style="list-style-type: none"> <li>Kshs.4,983,070 was spent on the face lifting of Awendo Sub-County Hospital.</li> <li>physical verification conducted in the month of September, 2024 revealed that the project was incomplete with no work done at the Maternal and Child Health (MCH) block, despite being in the bill of quantities.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of</li> </ol>

	<p>projected new maternity and child block to be constructed at the hospital in the current Financial Year, but did not provide details including approval of the new project.</p>			<p>adoption of this report.</p> <p>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
<p>Proposed Construction of Maternity Block at Olasi Dispensary</p>	<ul style="list-style-type: none"> <li>Kshs.4,796,200 was spent on construction of a maternity block at Olasi Dispensary. The contract agreement was</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and provides the bills of quantities and certificate of practical completion for the dispensary for audit review.</li> </ul>	<ul style="list-style-type: none"> <li>Kshs.4,796,200 was spent on construction of a maternity block at Olasi Dispensary.</li> <li>The Bill of Quantities and the</li> </ul>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and</p>



	<p>signed on 29 February, 2024 for a period of one hundred and twenty (120) days, at a contract sum of Kshs.4,796,200.</p> <p>However, the Bill of Quantities and the certificate of practical completion were not provided for audit. Further, from the photos of the project provided for audit, it was not possible to determine that the project was complete, since construction materials are visible in the one of the photos. In addition, the building was not labeled.</p>		<p>certificate of practical completion were not provided for audit.</p> <ul style="list-style-type: none"> <li>• The building was not labeled.</li> </ul>	<p>monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status</p>
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				<p>update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
<p>Unsupported Completion of Project - Construction of Buembu Dispensary</p>	<ul style="list-style-type: none"> <li>Kshs.1,300,603 was spent on phase 1-construction of Buembu Dispensary. The contract agreement was signed on 8 June, 2023 for a period of one hundred and twenty (120) days, at a contract sum of Kshs.1,300,603. However, the photos provided to support completion of the project are those of a building</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that this was a phased works and Phase 1 of the project was completed in accordance with the BQ. The Phase 11 of the project has been planned for the FY 2024/2025 budget.</li> </ul>	<ul style="list-style-type: none"> <li>Kshs.1,300,603 was spent on phase 1-construction of Buembu Dispensary.</li> <li>The photos provided to support completion of the project are those of a building under construction and have no label.</li> </ul>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the</p>

	under construction and have no label.			<p>Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the</p>
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				subsequent audit cycle.
Unsupported Completion of Nyamware Dispensary	<ul style="list-style-type: none"> <li>Kshs.1,132,972 was spent on the construction of Nyamware Dispensary. The contract was signed on 22 February, 2024 for a period of one hundred and twenty (120) days, at a contract sum of Kshs.1,132,972. However, the photos provided to support completion of the project have no label, and it has not been possible to determine from them if the project is complete.</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that this was a phased works and the phase 1 of the project was completed in accordance with the BQ. The Phase 11 of the project has been planned for in the FY 2024/2025 Budget</li> </ul> <p>Annex 12(a): Bills of quantities Annex 12(b): Budget Extract</p>	<ul style="list-style-type: none"> <li>Kshs.1,132,972 was spent on the construction of Nyamware Dispensary.</li> <li>The contract was signed on 22 February, 2024 for a period of one hundred and twenty (120) days, at a contract sum of Kshs.1,132,972.</li> <li>The photos provided to support completion of the project have no label, and it has not been possible to determine from them if the project is complete.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of</li> </ol>

				<p>adoption of this report.</p> <p>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
Projects Not in Use – Department of Medical Services	<ul style="list-style-type: none"> <li>• Kshs.999,640 was utilized to purchase a dental equipment which was supplied to Rongo Sub-County Hospital. However, audit</li> </ul>	<ul style="list-style-type: none"> <li>• The management noted the auditor's observation and wishes to state that the mortuary building is complete and awaiting fitting of the new machines and equipment necessary to</li> </ul>	<ul style="list-style-type: none"> <li>• Kshs.999,640 was utilized to purchase a dental equipment which was supplied to Rongo Sub-County Hospital.</li> </ul>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and</p>

	<p>inspection conducted in September, 2024 revealed that the equipment was not in use because the facility lacked a dentist.</p> <ul style="list-style-type: none"> <li>Further, Kshs.3,998,955 was spent on the expansion of the mortuary at Migori County Referral Hospital. However, audit inspection conducted in September, 2024 revealed that the mortuary was not being utilized because it had not been equipped.</li> </ul>	<p>operationalize the new mortuary unit. The department has budgeted for equipment in the Supplementary budget of FY 2024/2025.</p> <p>Further, the management would like to clarify that the dental unit in Rongo Sub County Hospital is not in use because the Migori Public Service Board was not operational due to protracted court case and as a result could not recruit specialists needed to run the machinery. Budgetary allocation for the recruitment of a dental specialist is in place.</p> <p>Annex 13: Budget Extract for recruitment of dentist</p>	<ul style="list-style-type: none"> <li>Audit inspection conducted in September, 2024 revealed that the mortuary was not being utilized because it had not been equipped.</li> </ul>	<p>monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status</p>
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				<p>update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
Bongu Raga Water Project	<ul style="list-style-type: none"> <li>Kshs.25,999,880 was spent on a contract for the construction of the main water kiosks, and distribution pipelines at Bongu Raga Water Project Phase 4 at a cost of Kshs.24,999,880. The contract period was 120 days from 13 March, 2024 to 12 July, 2024. The costs of Phase 1 to 3 totalled Kshs.34,350,000 resulting to the total</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that the works at the project is still ongoing and all the defects are being corrected. The payment will be done upon completion and certification of completion issued.</li> </ul>	<ul style="list-style-type: none"> <li>Kshs.25,999,880 was spent on a contract for the construction of the main water kiosks, and distribution pipelines at Bongu Raga Water Project Phase 4 at a cost of Kshs.24,999,880.</li> <li>Physical verification conducted in the month of September, 2024 revealed that the project was incomplete.</li> </ul>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the</p>

	<p>cost of the project to Kshs.59,349,880. However, physical verification conducted in the month of September, 2024 revealed that the project was incomplete. The pipes were not connected end-to-end because testing was yet to be completed. In addition, the lake had already destroyed the foundation of the control room at the water intake and the structure was being submerged in the lake.</p>			<p>Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the</p>
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				subsequent audit cycle.
<b>REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>				
Officers without Job Designations	<ul style="list-style-type: none"> <li>Review of the Integrated Payroll and Personnel Database (IPPD) records for the month of June, 2024, revealed forty-four (44) officers whose job designations were not defined in the database.</li> </ul>	<ul style="list-style-type: none"> <li>The management noted the auditor's observation and wishes to state that amongst the list, were forty ward administrators who have since been re-designated to the position of Principal Administrative Officers under the new schemes of service for administrative officers in the entire Public Service. This was after the County Executive reached out to State Department for Public Service Management and was guided to issue the staff with the new designations. The board is yet to re-designate the four office messengers.</li> </ul>	<ul style="list-style-type: none"> <li>Forty-four (44) officers job designations were not defined in the database.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>the County Public Service Board immediately addresses the issue of undefined job designations for the forty-four (44) officers in the Integrated Payroll and Personnel Database (IPPD) by updating and accurately defining their roles in alignment with the County's staff establishment and organizational structure; and</li> </ol>

				<p>2. Further, the County Public Service Board should implement a robust review mechanism to regularly verify and update IPPD records, ensuring that all staff designations are clearly defined and accurately reflected and provide a status report to the Auditor General within sixty (60) days from the adoption of this report.</p>
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF MOMBASA COUNTY EXECUTIVE FOR  
THE FINANCIAL YEAR 2023/2024**

**Basis of Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>Audit Query</b>	<b>Audit Findings</b>	<b>Key issue</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>2. Inaccuracies in the Financial Statements</b>	Section 47(2) of the Public Audit Act, 2015 states that the financial statements shall be in the form and content as prescribed by the Public Sector Accounting Standards Board.	<ul style="list-style-type: none"> <li>• Erroneous classification of retention moneys of Kshs 11,643,945 and Kshs. 22,057,499 as construction and civil works, and other payments respectively</li> <li>• Expenditure for street lighting amount of Kshs. 13,744,900</li> </ul>	<ul style="list-style-type: none"> <li>• The amounts of Kshs.11,643,945 and Kshs.22,057,499 represent retention funds that have not yet been disbursed. The transfer from development account to deposit account is a movement within the entity not an expenditure.</li> </ul>	Soft copy of the liabilities not provided.	The Committee recommends that; 8. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public	Within sixty (60) days from the adoption of this report

		<p>was erroneously classified as office furniture and equipment instead of civil works.</p> <ul style="list-style-type: none"> <li>• Expenditure of Kshs. 53,025,925 on consultancy services for design development and implementation of automated revenue generation and management system and county institutional ICT integration was erroneously</li> </ul>	<ul style="list-style-type: none"> <li>• The classification of Kshs 13,744,900 was in accordance with the approved chart of accounts and the financial systems budget structure.</li> <li>• The payment of Kshs. 53,025,925 was made in the current financial period irrespective of when the invoices were issued. This aligns with IPSAS Cash Basis of accounting.</li> <li>• Contingent Liability of Kshs.</li> </ul>		<p>Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>9. The Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the</p>	
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		<p>charged under specialized materials while it relates to prior year invoices</p> <ul style="list-style-type: none"> <li>Note 9 discloses contingent liabilities of Kshs. 8,694,660,198. However, the contingent liability register under Annex 6 did not provide liabilities detail on nature, to whom payable, estimate amount and payment dates as</li> </ul>	<p>8,694,660,198 were disclosed in Note 9 as per the reporting requirement. IPAS Cash Basis does not require such liabilities to be recorded as expenditure until actual payment is done.</p> <p>Soft copy of contingent liabilities</p>		<p>stipulated timelines and submit a report to the Committee within 60 days of adoption of this report;</p> <p>10. The Institute of Certified Public Accountants (ICPAK) takes action(s) against the Head of Treasury for late submission of financial statements which constitutes professional negligence pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531</p>	
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		required by the template.			and reports to the Committee within 60 days of the adoption of this report; and 11. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.	
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<p><b>3. Unexp lained Voided Transaction s</b></p>	<p>Regulation 10(1) of the Public Finance Management (County Governments) Regulations, 2015, states, “A request to the Controller of Budget by a County Treasury for approval for withdrawal of funds from the County Revenue Fund shall be made in Requisition Form A as prescribed in the Schedule, accompanied by (b) a record from Central Bank of Kenya of payments awaiting funding;</p> <ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• The County Executive voided a total of Kshs.921,081,477 invoices which had been uploaded for payment. Included in the expenditure is an amount of Kshs.412,966,431 being payment requests towards suppliers and statutory deductions which were later voided. However, the voided</li> </ul>	<ul style="list-style-type: none"> <li>• The County Executive did not receive the June 2024 disbursement of Kshs. 628,921,902, along with an under-realization of own-source revenue amounting to Kshs.1,398,598,701, significantly impacted the implementation of budgeted programs and activities. The voiding was to allow for payments backed by availability of funds</li> </ul>	<p>No evidence provided</p>	<p>The Committee recommends that;</p> <p>9. The Controller of Budget to liaise with the Auditor General to confirm whether the payments were canceled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days of adoption of this report;</p> <p>10. The Office of the County Governor undertakes administrative</p>	
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		<p>payment vouchers, requests to void payments, the National Treasury approval and Exchequer requisitions from the Controller of Budget were not provided for audit review.</p>			<p>e action against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of Finance for voiding payments without approval and diverting funds;</p> <p>11. Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting</p>	
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					funds to other activities not initially approved; and 12. The Committee recommends that the EACC should expedite investigations on the matter in line with the Controller of Budget Act.	
<b>3.Unsupported Balances</b>						
<b>3.1 Unexplained Variances in Cash and Cash Equivalents</b>		<b>Variances Between Cash Book Balance and Reported Bank Balance.</b> <ul style="list-style-type: none"> <li>Mombasa County Deposit had a variance of Kshs. 62,666,426</li> <li>Mombasa County Primary</li> </ul>	The variance resulted from payments made after 30th June 2024, while the bank certificate balance reflects the position as of 30th June 2024. This discrepancy arose because the May 2024	1.Reconciled cashbook balances should be the reported cash balances on the financial statements. 2. Mombasa County A/C 1000437723 the sum of the unpresented cheques and	The Committee recommends that; 4. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide the	within sixty (60) days from the adoption of this report

		<p>Health Care Account had a variance of Kshs. 1,919,261</p> <ul style="list-style-type: none"> <li>Mombasa County Universal Health had a variance of Kshs. 30,048,638</li> </ul> <p><b>Variances Between Bank Reconciliation Statement and Certificate of Bank Balances</b></p> <ul style="list-style-type: none"> <li>CBK Deposit Account had a variance of Kshs 24,413,947.20</li> <li>CBK Recurrent Account</li> </ul>	<p>disbursement was transferred to the County Revenue Fund Account on 26th June 2024. Additionally, the National Treasury allowed an extension for fund requests from the Office of the Controller of Budget to cover expenses and prevent the accumulation of pending bills.</p>	<p>the reconciling figure had a variance of Kshs. 14,733,504</p> <ul style="list-style-type: none"> <li></li> </ul>	<p>documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>5. The County Executive to identify training needs of its staff serving in the Finance Department and initiate</p>	
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		<p>had a variance of Kshs. (493,724,054.60)</p> <ul style="list-style-type: none"> <li>• CBK Development had a variance of Kshs. 66,530,565.15</li> <li>• CBK – THS Universal Health had a variance of Kshs. (6,221,185.15)</li> </ul>			<p>capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report;</p> <p>6. The EACC causes an investigation into the possible loss of public funds</p> <p>7. The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
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<p><b>3.2 Unsupporte d Domestic Travel and Subsistence</b></p>	<p>Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015 states that all receipts and payments vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.</p>	<p>Expenditures on domestic travel and subsistence amounting to Kshs.17,039,960 were not supported with attendance schedules, back to office reports on benchmarking and acknowledgment of money received.</p>	<p>The supporting documentation is hereby availed. Attendance Schedules &amp; Back to Office Reports</p>	<p>Attendance schedules and acknowledgment receipts were not provided.</p>	<p>The Committee recommends that; 3) The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty</p>	<p>within 60 days from the date of adoption of this report</p>
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					<p>(60) days from the adoption of this report;</p> <p>4) The recovery of the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Government s) Regulation; and</p> <p>5) The Committee further recommends the sanction and surcharge of Accounting Officers who fail to recover</p>	
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					outstanding imprests in line with Regulation 93(7) of the PFM (County Government ) Regulations, 2015 within 60 days from the date of adoption of this report.	
<b>4. Long Outstanding Bank Reconciliation Transactions</b>	Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015 requires that; (1) Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by	<ul style="list-style-type: none"> <li>Bank reconciliation statements excluded balances of deposit bank account, recurrent bank account and development bank account were long outstanding</li> </ul>	<ul style="list-style-type: none"> <li>The amended cashbook, incorporating the necessary adjustments, has been availed to align with the bank reconciliation. The delay in reversing these transactions was due to extended reconciliation</li> </ul>	No Evidence Attached  <b>Issue not Addressed</b>	The Committee recommends that; 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of	within sixty (60) days from the adoption of this report

	that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the National Treasury with a copy to the Auditor-General; (3) “Accounting Officers shall ensure any discrepancies noted during bank reconciliation exercise are investigated immediately and appropriate action taken including updating the relevant cash books”.	payments in cash book but not yet recorded in bank of Kshs.35,736,235, Kshs.16,113,894 and Kshs.41,061,070 respectively totalling Kshs.92,911,199 some dating back to August, 2022 and had not been reversed in the cashbook.	processes, which required thorough verification to ensure accuracy and avoid erroneous adjustments.  F - Updated Cashbooks		audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531	
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					<p>and provide a status update to the Senate within 60 days of adoption of this report;</p> <p>3. The committee recommends that the EACC cause an investigation with the view of initiating prosecuting the accounting officer(s) for failure to reconcile the bank transactions some dating back to August, 2022 and thus a possible loss of public resources</p>	
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					<p>amounting to Kshs.92,911, 199;</p> <p>4. The accounting officer to immediately ensure strict adherence and compliance to the provisions of Regulation 90(1) of the Public Finance Management (County Government s) Regulations, 2015 on preparation of bank reconciliation statements.</p>	
<b>Emphasis of Matter</b>						
<b>1. Budgetary Control and Performance</b>	Public Finance Management Act 2012 Section 147(1)	<ul style="list-style-type: none"> <li>The statement of comparison of budget</li> </ul>	<ul style="list-style-type: none"> <li>Underfunding (25% shortfall in budgeted vs. actual receipts)</li> </ul>		The Committee recommends that:	Continuous

	<p>states that the accounting officer of an entity shall monitor, evaluate and oversee the management of their public finances, including-(d) ensuring proper management and control of, and accounting for, their finances in order to promote the efficient and effective use of budgetary resources. Section 81(2)(iv) of the Public Finance Management Act, 2012, states that the Accounting Officer shall prepare financial statements of an</p>	<p>and actual amounts had an underfunding amount of Kshs.4,042,528,105 or 25% of the budget.</p> <ul style="list-style-type: none"> <li>• The County Executive spent an amount of Kshs.11,839,144,461 against actual receipts of Kshs.11,947,471,895 resulting in an under-expenditure of Kshs.108,327,434 or 1% of actual receipts.</li> </ul>	<p>delayed disbursement of the exchequer by the National Treasury.</p> <ul style="list-style-type: none"> <li>• Under-Expenditure (1% of actual receipts unspent) funds were received late could not be spent within the reporting period.</li> </ul>		<p>5. The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and</p> <p>6. The County executive puts in place measures to enhance its own</p>	
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	entity and should include among other things explanation statement of any variations between the actual expenditure and the sums voted.				generated Revenue in order to meet its revenue target and address revenue shortfalls.	
<b>2. Pending Bills</b>	Section 41. (1) of the PFM(CGR) 2015 states that the overall control of county government budget execution shall be exercised through strict application of the following general rules, which shall apply to all transactions with the specific exception of	<ul style="list-style-type: none"> <li>• Pending bills of Kshs 4,440,572,242 were not supported with signed contracts and invoices.</li> <li>• In addition, there was a variance of Kshs. 8,946,048 between pending accounts payables under other</li> </ul>	<ul style="list-style-type: none"> <li>• The variance of Kshs. 8,946,048, this was identified as a mathematical error in the financial statements. The discrepancy has since been reviewed and corrected, and it did not impact the actual pending bills figures</li> </ul>	The corrections made were not availed for review	The Committee recommends that: 1. All County Government s pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year	<ul style="list-style-type: none"> <li>•</li> </ul>

	<p>debt service payments—</p> <p>(a) aggregate reallocations for a particular appropriation line in a given fiscal year may not exceed the amount appropriated for that line in the annual Appropriations Act amended from time to time through budgetary reallocations made pursuant to section 154 of the Act and any supplementary Appropriations Acts enacted under section 135;</p> <p>(b) total payments for a detailed budget line in a given fiscal year may</p>	<p>important disclosures with pending accounts payables at annex 2 to the financial.</p>			<p>2024/2025; and</p> <p>2. that-</p> <p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritized</p>	
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	not exceed the reallocations issued against that budget line.				<p>ng payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear</p>	
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					<p>inherited pending bills when approvin g excheque r releases; iii. County Governm ents shall only pay pending Bills contained in their respectiv e procurem ent plans pursuant to Regulatio n 50 (2) &amp; (3) of the Public Finance Manage ment (County</p>	
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					<p>Governments) Regulations; iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates ;</p> <p>v. County governments, in consultation with the</p>	
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					<p>Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplements</p>	
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					ntary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.	
<b>OTHER MATTER</b>						
<b>2. Unresolved prior year matters</b>	Section 53 (1) of the Public Audit Act, 2015 states that the relevant accounting officer of a state organ or public entity shall within three months after Parliament has considered and made recommendations on the audit report—	<ul style="list-style-type: none"> <li>Management has not resolved prior year audit matters or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates</li> </ul>	<ul style="list-style-type: none"> <li>The prior year audit issues have been addressed in line with the auditor's recommendations and are documented in the financial statements. An extract highlighting the progress is attached for reference</li> </ul>		The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by acting on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the	<ul style="list-style-type: none"> <li></li> </ul>

	(a)take the relevant steps to implement the recommendations of parliament on the report of the Auditor-General; or (b)give explanations in writing to the Parliament on why the report has not been acted upon. <ul style="list-style-type: none"> <li></li> </ul>				adopting this report.	
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>						
<b>1. Non-compliance with Employment Act</b>	<ul style="list-style-type: none"> <li>Section D.21 of the Public Service Commission Human Resource Policies and Procedure Manual, 2016 states that all officers shall retire from the service on attaining</li> </ul>	<ul style="list-style-type: none"> <li>Retention of (96) persons beyond the mandatory retirement age in the county payroll</li> </ul>	<ul style="list-style-type: none"> <li>Section 80 (2) of the Public Service Act permits employment extension beyond the retirement age.</li> <li>75 officers have exited the service, with their retirement letters confirming their</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of the reason for retention or extension was provided</li> </ul>	The Committee recommends that the County Executive strictly adheres to section 80(1) of the Public Service Commission Act, 2017, and Section D.21 of the Public Service Commission Human	within sixty (60) days from the adoption of this report

	the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the government from time to time.		removal from the payroll.		Resource Policies and Procedure Manual, 2016 by ensuring that all officers retire at the mandatory age of 60 years (65 for persons with disabilities) and prohibiting extensions beyond this age unless under exceptional government-prescribed circumstances and provide a status update to the Office of the Auditor General within sixty (60) days.	
<b>2. Non-Compliance with the Law on Fiscal</b>	<ul style="list-style-type: none"> <li>Regulation 25(1) of the Pubic Finance Management (County Government 's)</li> </ul>	<ul style="list-style-type: none"> <li>The reported compensation of employees totalling Kshs.6,287,283,596 represented 57% of the</li> </ul>	<ul style="list-style-type: none"> <li>Due to County Government inheriting employees from the defunct municipal and devolved government</li> </ul>	<ul style="list-style-type: none"> <li>Managem ent has been able to justify the reasons for</li> </ul>	The Committee recommends that- 6. the management should strictly adhere to the	Continu ous

<b>Responsibility on Wage Bill</b>	<p>Regulations, 2015 provide that in addition to the fiscal responsibility principles set out in section 107 of the Act, the following fiscal responsibility principles shall apply in the management of public finances; (a) the County Executive Committee Member with the approval of the County Assembly shall set a limit on the county Government</p>	<p>County's total revenue receipt of Kshs.10,995,108,827. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015</p>	<p>agencies who were majorly unskilled therefore necessitating recruitment of skilled personnel to provide the required services.</p>	<p>noncompliance</p> <ul style="list-style-type: none"> <li>Measures to ensure future compliance were indicated</li> </ul>	<p>provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue;</p> <p>7. the county executive puts in place measures to enhance own source revenue collection to address the high wage bill gap; and</p> <ul style="list-style-type: none"> <li>the management should provide to</li> </ul>	
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	<p>s' expenditure on wages and benefits for its public officers pursuant to section 107(2) of the Act; (b) the limit set under paragraph (a) above, shall not exceed thirty five (35) percent of the county Government s' total revenue</p> <ul style="list-style-type: none"> <li>•</li> </ul>				<p>the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.</p>	
<p><b>3. Irregular Promotion</b></p>	<ul style="list-style-type: none"> <li>• Section 149(1) of the Public Finance Management Act, 2012 requires that an accounting</li> </ul>	<ul style="list-style-type: none"> <li>• County Government records disclosed that sixteen (16) employees were irregularly promoted to</li> </ul>	<ul style="list-style-type: none"> <li>• The promotions were conducted based on merit and in line with service needs</li> </ul>	<ul style="list-style-type: none"> <li>• Management did not provide the performance appraisals for</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. Office of the County Governor undertakes administrative action</li> </ol>	<p>within 60 days of adoption of this report</p>

	<p>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;</p> <p>(a) lawful and authorised;</p> <p>and (b) effective, efficient, economical and transparent.</p>	<p>more than one job group higher during the year without performance appraisal.</p>		<p>the promotions and subsequent promotions for the 16 employees.</p> <ul style="list-style-type: none"> <li>•</li> </ul>	<p>against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The County Public Service</p>	
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					<p>Board to reverse the unlawful promotions, enforce strict compliance with merit-based evaluations and undertake administrative action against the responsible officer(s) for the irregularities and submit a status update to the Auditor General and the Senate within 60 days of adoption of this report.</p>	
<b>4. Non-Compliance</b>	<ul style="list-style-type: none"> <li>Public Service Commission</li> </ul>	<ul style="list-style-type: none"> <li>Two hundred and thirty-seven (237)</li> </ul>	<ul style="list-style-type: none"> <li>The over-commitment of salaries beyond</li> </ul>	<ul style="list-style-type: none"> <li>No evidence was</li> </ul>	The Committee therefore	Continuous

<p><b>with Law on One-Third Basic Salary Rule</b></p>	<p>Policy Manual Section C.1(3) states public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.</p>	<p>employees had overcommitted their salaries and were earning less than one third (1/3) of their basic pay.</p>	<p>the two-thirds (2/3) threshold was attributed to the following factors; Statutory Deductions (NSSF), Disciplinary Actions and Legal Attachments.</p> <ul style="list-style-type: none"> <li>• These deductions were applied after employees had already committed to third-party financial obligations</li> </ul>	<p>provided for the non-compliance with the law.</p> <ul style="list-style-type: none"> <li>•</li> </ul>	<p>recommends that -</p> <p>4. The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate on the issue of non-compliance with the one third of basic salary rule as well as comply with the requirements of Section 19 (3) of the Employment Act 2007.</p>	
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					<p>5. The county should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</p> <p>The Auditor General should continue monitoring the issue in subsequent financial years</p>	
<p><b>5. Irregular Appointment in Acting Positions</b></p>	<ul style="list-style-type: none"> <li>Section 34 of the Public Services Commission Act, 2017 states that; (3) an officer may be appointed in an acting capacity for</li> </ul>	<ul style="list-style-type: none"> <li>Seven (7) employees had acted in various capacities for periods of more than six (6) months</li> </ul>	<ul style="list-style-type: none"> <li>These appointments were formally extended due to; Budget constraints that delayed recruitment or confirmation. Ongoing recruitment</li> </ul>	<ul style="list-style-type: none"> <li>No justification was provided for the appointments</li> </ul>	<p>The Committee recommends that the County Public Service Board (CPSB) immediately advertises the vacant positions, conducts a transparent and</p>	<p>within 60 days of adoption of this report.</p>

	<p>a period of at least 30 days but not exceeding a period of six (6) months;</p> <p>(4) a public officer may be assigned to perform duties vested in another public officer during a temporary absence of the other public officer; and</p> <p>(5) an acting appointment under subsection (4) shall- (b) not undermine the expeditious appointment or deployment</p>		<p>processes that required additional time.</p>		<p>competitive recruitment process, and appoint qualified individuals to fill the positions permanently in compliance with the law to ensure that all acting appointments are regularized within the stipulated timeframe and submit a status update to the Auditor General and the Senate within 60 days of adoption of this report.</p>	
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	of a competent person to the public office concerned.					
<b>6. Avoidable Legal Expenses</b>	<ul style="list-style-type: none"> <li>Regulation 42(1)(d) of the Public Finance Management (County Government) Regulations, 2015 states that an Accounting Officer shall manage, control and ensure that policies are carried out efficiently and wastage of public funds is eliminated.</li> </ul>	<ul style="list-style-type: none"> <li>The County failed to settle the balance of Kshs.8,113,181 with a motor vehicle sales Company which had accrued decretal sums, costs of the suit and interests totalling Kshs.68,578,169.</li> <li>In another case with a contractor, the unpaid amounts have accrued decretal sums, costs of the suit and interest's costs of Kshs.1,239,986 after</li> </ul>	<ul style="list-style-type: none"> <li>The legal liabilities in question stem from contracts and obligations undertaken by the defunct Municipal Council of Mombasa, further certain cases remained active in court, with disputes over the validity of claims, which legally constrained immediate settlement.</li> </ul>	<ul style="list-style-type: none"> <li>County Government has taken concrete steps to resolve these matters, including; Prioritizing settlement of legally confirmed debts, reviewing historical liabilities to establish a structured payment plan &amp; enhancing legal</li> </ul>	<p>The Committee recommends that the County Executive makes a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</p> <ul style="list-style-type: none"> <li></li> </ul>	

		Management failed to settle the contract sum		oversight to prevent recurrence . However, no specific cases were cited.		
<b>8. Incomplete Contract</b>	<ul style="list-style-type: none"> <li>Section 149(1) of the Public Finance Management Act, 2012 states that an accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a</li> </ul>	<ul style="list-style-type: none"> <li>The County Executive paid an amount of Kshs18,000,000 for provision of an Integrated Smart City Surveillance System against a contract signed on 04 March 2024 for a contract sum of Kshs.94,044,042, an initial payment of Kshs.18,000,000, being 20% of the contract</li> </ul>	<ul style="list-style-type: none"> <li>The procurement process for the equipment is ongoing, and the supplier has been engaged to finalize the necessary documentation and confirmations.</li> </ul>	<ul style="list-style-type: none"> <li>No proper documentation in support was provided</li> </ul> <p><b>Issue not Addressed</b></p>	The Committee recommends that the Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status	within sixty (60) days from the adoption of this report.

	<p>way that is; (a) lawful and authorised; and (b) effective, efficient, economical and transparent.</p>	<p>sum was paid to cover preliminary costs such as presentation of survey and mapping report and placing order for equipment, no evidence of order of equipment was provided.</p>			<p>report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
<p><b>9. Irregular Opening of Bank Accounts</b></p>	<ul style="list-style-type: none"> <li>Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires that all County government bank accounts shall be opened at Central</li> </ul>	<ul style="list-style-type: none"> <li>The County Executive held three (3) commercial bank accounts, contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015</li> </ul>	<ul style="list-style-type: none"> <li>All accounts are maintained strictly for their designated purposes. The Standard Bank account remains under the Municipal Council's control, and the County Government is not in a position to operate or access it.</li> </ul>	<ul style="list-style-type: none"> <li>Management did not adhere to the laid down regulations and laws on opening bank accounts</li> </ul>	<p>The Committee recommends that the Office of the County Governor commences the process of closing the three (3) unauthorized commercial bank accounts and transfer all public funds to legally compliant accounts at the Central Bank of Kenya and</p>	<p>within sixty (60) days from the adoption of this report.</p>

	Bank of Kenya				provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
<b>4. Lack of Approved Information Communication Technology Security Policy and Disaster Recovery Plan</b>	<ul style="list-style-type: none"> <li>Regulations 110(1) of the Public Finance Management (County Governments), Regulations states that the Accounting Officer for a County government entity shall institute appropriate access controls needed to minimize breaches of</li> </ul>	<ul style="list-style-type: none"> <li>There was no formal approved ICT policy, Data Recovery Plan (DRP) and ICT Security Policy in place as at 30 June, 2023.</li> <li>County had not installed antivirus programs in its systems and did not have mechanisms for ensuring that there was up-to-date security on the systems software.</li> </ul>	<ul style="list-style-type: none"> <li>County Executive acknowledges the lack of Information Communication Technology (ICT) Policy at the time of audit</li> <li>Currently the County Executive Committee has approved a Draft Risk Management Policy and has submitted it to the County Assembly</li> </ul>	County Executive acknowledges the lack of Information Communication Technology (ICT) Policy at the time of audit	The Committee recommends that; - 1. the Accounting Officer should put in place an Information Communication Technology Security Policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the	within sixty (60) days from the adoption of this report

	information confidentiality, data integrity and loss of business continuity.	<ul style="list-style-type: none"> <li>County also did not have an IT Steering Committee</li> </ul>			<p>same to the Auditor General.</p> <p>2. the Auditor General to closely monitor the development, documentation and communication of these policies within the county entity in the subsequent audit cycles.</p>	
<b>5. Incomplete Project Implementation Status Report</b>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>The county project implementation report lacked relevant information such as the financial year the project relates to, the amount paid during the year and the balance</li> </ul>	<ul style="list-style-type: none"> <li>County Executive submitted a more comprehensive project implementation report</li> </ul>	<ul style="list-style-type: none"> <li>County did not provide the project implementation report as mentioned</li> <li></li> </ul>	<p>The Committee recommends that;</p> <p>1. Office of the County Governor undertakes administrative action against the responsible officer(s)</p>	<p>within 60 Days from the date of adoption of this report</p>

		as at the end of the year.			<p>who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The County Executive establishes a project management and monitoring System to help in proper</p>	
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					project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT ON THE  
RECEIVER OF REVENUE- STATEMENTS FOR THE MOMBASA COUNTY EXECUTIVE FOR THE  
FINANCIAL YEAR 2023/2024**

**Basis of Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>					
<b>Audit Query</b>	<b>Audit Findings</b>	<b>Key issue</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
<b>1. Unsupported Revenue on Physical Planning and Development</b>	Regulation 63(1)(a) of the Public Finance Management (County Governments) Regulations. 2015 states that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other	Out of Kshs. 345,283,567 for revenue on physical planning and development, land valuation and registration fees of Kshs. 3,792,194 and architectural design by County officers of Kshs. 7,453,450 were not supported with schedules.	<ul style="list-style-type: none"> <li>The supporting schedules are provided to support the revenue on Physical Planning and Development, including the specific components such as land valuation, architectural design, plot transfer fees, plot charges, and survey fees.</li> </ul>	<ul style="list-style-type: none"> <li>Supporting schedules not provided.</li> <li></li> </ul>	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	Key issue	Management Response	Committee Observations	Committee Recommendations
	public moneys relating to their county departments or agencies				
<b>2. Unconfirmed Cash and Cash Equivalents</b>	Regulation 90(1) of the Public Finance Management (County Governments ) Regulations, 2015 states that an Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th	Two bank accounts cashbooks and bank reconciliations not provided. Variance in Main Revenue bank account with a balance of Kshs. 2,924,724 was reported to have a balance of Kshs. 134,649 resulting to unexplained understatement of Kshs. 2,790,075 which was not reconciled.	<ul style="list-style-type: none"> <li>The Statement of Financial Assets and Liabilities has been amended to reflect the correct closing balance of Kshs. 2,924,724 for the KCB Main Revenue Bank Account, as per the cashbook balance and the reconciled amount.</li> </ul>	<ul style="list-style-type: none"> <li>Cashbooks and bank reconciliation statements for the two bank accounts not provided.</li> <li>Reconciliation of Kshs.2,790,075 in the main account not provided.</li> </ul>	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	Key issue	Management Response	Committee Observations	Committee Recommendations
	of the subsequent month to the County Treasury with a copy to the Auditor-General.				
<b>3. Undisclosed and Unapproved Revenue</b>	Regulation 42(1) of the Public Finance Management (County Governments) Regulations, 2015, states that an Accounting Officer shall - (c) ensure all appropriation-in-aid due to county government entity are collected and properly accounted for in accordance with the relevant laws, rules and Regulations	Land fees totalling to Kshs. 146,640,000 not included in financial statements from 29,328 new lands registered in the system at valuation fees of Kshs. 5,000 per plot.	The County has adhered to the Mombasa County Finance Act of 2022, which included provisions for valuation and assessment fees related to land registration. However, it is important to note that these fees were omitted in the Finance Act 2023. As per our records, 208 new plots were registered, not 29,328 as	<ul style="list-style-type: none"> <li>Valuation and assessment fees not included in Finance Act 2023</li> <li>Confirmation of the 208 new plots registered not provided.</li> <li>Extract of the Finance Act not provided.</li> <li><b>Issue not Addressed</b></li> </ul>	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	Key issue	Management Response	Committee Observations	Committee Recommendations
	<p>Article 210 (1) of the Constitution of Kenya provides that, no tax or licensing fee may be imposed, waived or varied except as provided by legislation.</p> <p>Mombasa County Finance Act, 2023 Section 15 states that all previous Finance Acts approved prior to this Act are hereby repealed. The Act also provides the schedule of all the revenue streams and the amount payable.</p>		<p>previously indicated. In accordance with the 2022 Finance Act, a fee of Kshs. 5,000 per plot was applied, resulting in a total revenue of Kshs.1,040,000 from these registrations.</p> <p>This revenue has been correctly recorded and reflected in the County's financial records, in full compliance with the provisions of the 2022 Finance Act.</p>		
<b>Budgetary Control and Performance</b>	Section 147. of Public Finance Management Act 2012, states (1)	No report was provided by the Receiver of Revenue to	The report detailing the reasons for the under-realization	<ul style="list-style-type: none"> <li>The County lacks accurate database of businesses,</li> </ul>	<p>The Committee recommends that:</p> <p>7. The County Government</p>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	Key issue	Management Response	Committee Observations	Committee Recommendations
	Subject to the Constitution, the accounting officer of a county assembly shall monitor, evaluate and oversee the management of their public finances, including— (c) implementing financial policies in relation to their finances; (d) ensuring proper management and control of, and accounting for, their finances in order to promote the efficient and effective use of budgetary resources;	the County Executive Committee Member (CECM)- Finance and Economic Planning detailing the reasons for difficulties in revenue collection as required of Kshs. 1,392,959,002 or 24 % of the target.	of revenue was prepared and submitted to the County Executive Committee Member (CECM) for Finance and Economic Planning in compliance with Regulation 63(2) of the Public Finance Management (County Governments) Regulations, 2015. <ul style="list-style-type: none"> <li>The report outlines the challenges encountered in revenue collection and the measures being implemented to enhance revenue performance. A</li> </ul>	<ul style="list-style-type: none"> <li>parking lots and advertisements with precise information leading to under realization of revenue.</li> </ul>	establishes and maintains an accurate and comprehensive database of all businesses, parking lots and advertisements to enhance revenue collection and ensure financial accountability and also conduct a thorough mapping and registration of all revenue sources, implement a digital revenue management system, and enforce strict compliance measures and provide a status update to the Auditor General and the Senate

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	Key issue	Management Response	Committee Observations	Committee Recommendations
	(e) preparing annual estimates of expenditures;		copy of the report is attached for verification.		within 60 days of adoption of this report; and 8. The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.
<b>Unresolved Prior Year Matters</b>	Revised Financial Reporting Template for County Receiver of Revenue, Note 13 Appendix 2- Progress on follow up of prior year auditor recommendations .	Audit issues raised in previous years were not disclosed in revenue statements and were not resolved.	The prior year audit issues have been addressed in line with the auditor's recommendations and are documented in the financial statements. An extract highlighting the progress is	<ul style="list-style-type: none"> <li>The prior year audit issues have not been addressed and documented in the financial statements.</li> <li>The progress reports on the implementation of the audit issues have not been provided.</li> <li><b>Issue not Addressed</b></li> </ul>	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adoption of this report

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	Key issue	Management Response	Committee Observations	Committee Recommendations
			attached for reference.		
Basis of Conclusion					
<b>1. Failure to Prepare Statement of Arrears of Revenue</b>	Section 165 of the Public Finance Management Act, 2012 which states that; (1) At the end of each financial year, a receiver of revenue for a County Government shall prepare an account in respect of the revenue collected, received and recovered by the receiver during that financial year; and (2) The account under subsection (1) shall include; (a) a statement of	Receiver of Revenue did not prepare the Statement of Arrears of Revenue contrary to Section 165 of the Public Finance Management Act, 2012.	The omission of the Statement of Arrears of Revenue was due to significant data inconsistencies and errors, which affected the accuracy of revenue reporting. To address this, a structured data cleanup exercise has been initiated to reconcile discrepancies and ensure completeness. To address the issue comprehensively, we are implementing the following key reforms:	<ul style="list-style-type: none"> <li>There are discrepancies, errors and incomplete and inaccurate data at the County</li> <li>The County does not have a comprehensive property identification framework aimed at formalizing land ownership and ensuring accurate property records.</li> <li>Lack of County specific legislation to support property titling, streamline revenue administration and facilitate</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The Office of the County Governor undertakes administrative action against the receiver of revenue and any other officer(s) responsible for failure to prepare Statement of Arrears of Revenue within the stipulated timelines and submit a report to the Committee within 60</li> </ol>



SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	Key issue	Management Response	Committee Observations	Committee Recommendations
	receipts and disbursement in a form prescribed by the Accounting Standards Board from time to time; and (b) a statement of arrears of revenue.		1. Data Cleanup and Reconciliation: 2. Digitization of Land Records: 3. Legal and Policy Framework: 4. Digital Mapping of Businesses	enforcement of tax collection. <ul style="list-style-type: none"> <li>The County has not rolled out the digital mapping of the businesses.</li> <li>The statement of arrears of revenue was not prepared.</li> </ul>	days of adoption of this report; and 2. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.
<b>2. Use of Outdated Land Valuation Roll</b>	Valuation for Rating Act,1956 Section 3 states every local authority shall from time to time, but at least once in every ten years or such longer	The County applied land valuation on rateable properties based on valuation roll of the year 2002 from the	<ul style="list-style-type: none"> <li>The County is currently in the process of digitizing land records and updating the E-Land Services system to ensure that all</li> </ul>	<ul style="list-style-type: none"> <li>The County does not have an up dated valuation roll since year 2002.</li> <li></li> </ul>	The Committee recommends that the County executives should expedite updating of valuation roll in accordance with Section 3 of the Valuation for Rating

### SUMMARY OF UNRESOLVED ISSUES

Audit Query	Audit Findings	Key issue	Management Response	Committee Observations	Committee Recommendations
	period as the Minister may approve, cause a valuation to be made of every rateable property within the area of the local authority in respect of which a rate on the value of land is, or is to be imposed, and the values to be entered in a valuation roll.	defunct Municipal Council of Mombasa contrary to Valuation for Rating Act, 1956, Section 3 which requires Counties to update the valuation rolls after every ten years.	<p>registered properties are accurately reflected. However, the implementation of a new valuation roll has faced delays due to ongoing litigation cases, which have impacted the digitization process.</p> <p>In line with this, the enactment of the National Rating Bill, 2021, which establishes the office of the Chief Government Valuer, is expected to play a critical role in overseeing and validating</p>		Act CAP 266 to reflect current market values for optimal revenue collection and comply with the guidelines of the Public Sector Accounting Boards of reporting.

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	Key issue	Management Response	Committee Observations	Committee Recommendations
			<p>property valuations. This office will ensure that property valuations are consistent and compliant with national standards. While efforts to digitize the valuation roll and implement updates are ongoing, the litigation challenges have caused some delays. However, the operationalization of the Chief Government Valuer's office is expected to provide the necessary framework and guidance for the timely implementation of</p>		

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	Key issue	Management Response	Committee Observations	Committee Recommendations
			updated valuation rolls, aligning local valuation practices with national requirements. This will enhance the accuracy and legality of property valuations and revenue collection moving forward.		

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF MURANG'A COUNTY EXECUTIVE FOR  
THE FINANCIAL YEAR 2023/2024**

Basis for Qualified Opinion

<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timeline</b>
<b>REPORT ON FINANCIAL STATEMENT</b>						
1	<b>Variance Between the Statement of Receipts and Payments and Integrated Financial Management Information System (IFMIS) Votebook</b>	There were variances between amounts in the financial statements and the IFMIS vote book report.	There were challenges with the IFMIS votebook report. The County Executive has engaged the IFMIS National Treasury Department on the way forward in cleaning the system.	The management failed to reconcile balances in the IFMIS and the financial statements	<p>8. The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.</p> <p>9. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>10. The Office of the Auditor General should progressively review and</p>	60 days from the date of adoption of this report

					report on the matter in the subsequent Financial Years.	
2	<b>Unreconciled Pending Bills Records</b>	The financial statements reflect pending bills totaling Kshs.1,342,502,610 which included Kshs.412,257,670 pending accounts payables. However, available records revealed Kshs.397,460,619 hence a variance of Kshs.14,797,051.	The actual figures of pending accounts payable balance are Kshs. 412,257,670 as per the attached list relating to unpaid suppliers and pending staff payables of Kshs. 930,244,940.	The was a variance of Kshs Kshs.14,797,051 in pending bills records.  The management provided a list of pending bills but did not conduct a detailed analysis of individual pending bills.	<ol style="list-style-type: none"> <li>1. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</li> <li>2. The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.</li> </ol>	60 days from the date of adoption of this report
<b>OTHER MATTERS</b>						

3	<b>Budgetary Control and Performance</b>	The County received Kshs.6,783,549,529 as revenue against a budget of Kshs. 9,515,657,013 hence revenue shortfall of Kshs.2,732,107,484 or 29% of the budget.	The reported underfunding was as a result of unrealized exchequer releases, unrealized Transfers for other government agencies and facility improvement funds received and utilized at source.	There was under-utilization of appropriated funds by the County Executive as a result of delay in exchequer releases by The National Treasury; and  The County did not meet its own source revenue targets.	<ol style="list-style-type: none"> <li>1. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and</li> <li>2. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.</li> </ol>	Continuous
4	<b>Pending Bills</b>	The financial statements reflect pending bills amounting to Kshs.1,342,502,610 as at 30 June, 2024. The amount includes	The opening pending bills for 2023-2024 were Kshs. 1,137,499,457 out of which Kshs 678,120,978	The management had not settled pending bills dating back to 2015-2016.	<ol style="list-style-type: none"> <li>1. All County Governments pay verified pending bills amounting to less than Kshs. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the</li> </ol>	60 days from the date of adoption of this report

		<p>Kshs.448,144,408 in respect to pending bills from the previous year's dating back to the financial year 2015-2016. No explanation why the pending bills were not prioritized as first charge in the county revenue.</p>	<p>were settled during the year leaving a balance of Kshs 459,378,470 at the close of the financial year. A payment plan of Kshs 1,397,349,398 was presented to the controller of budget. Out of this amount, Kshs 445,435,987 had been paid by 11th September 2024 leaving a balance of Kshs 951,913,412 which the County Executive is committed to clear.</p>		<p>financial year 2024/2025; and</p> <p>2. that-</p> <ul style="list-style-type: none"> <li>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</li> <li>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when</li> </ul>	
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					<p>approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p> <p>v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new</p>	
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					<p>projects to cease until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>	
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF THE PUBLIC RESOURCES</b>						
<b>5</b>	<b>Failure to Comply with Staff Establishment</b>	The County Executive had seventy-seven (77) staff members who were not in the approved staff establishment.	This was due to an error in the staff establishment in pages 23, 25, 36 and 41. The errors have since been corrected	77 staff members who were not in the approved staff establishment.	The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report	60 days from the date of adoption of this report
<b>6</b>	<b>Non-Adherence to the Law on Staff Ethnic Diversity</b>	93% of employees of the County Executive were from the same ethnic	Applicants from other communities are usually few. The Board strives to	The County Executive employed 39 staff members, 34 of whom were from the dominant ethnic community,	1. The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the	Continuous

		community contrary to law. During the year, the County Executive employed thirty-nine (39) staff members out of which, 34 were from the dominant ethnic community contrary to law.	ensure diversity through advertisements that encourage persons from other communities to apply by indicating that Murang'a County is an equal opportunity employer.	contrary to the law.	County Government Act on ethnic inclusivity. 2. The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of the County Government Act, 2012.	
7	<b>Non-Adherence to the One-Third Basic Salary Rule</b>	571 employees were drawing net salary of less than one third of their basic salary contrary to Section 19(3) of the Employment Act, 2007	This was due to introduction of other statutory deductions at a time when the officers had already made commitments in their pay. This included housing levy, Social Health Insurance Fund (SHIF) and National	571 employees were drawing net salary of less than one third of their basic salary contrary to Section 19(3) of the Employment Act, 2007.	1. The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate on the issue as well as comply with the requirements of law. 2. the county should configure its IPPD system such that it can lock out	60 days from the date of adoption of this report

			Social Security Fund (NSSF).		commitments beyond the accepted thresholds; and 3. The OAG should progressively review and report the matter in the subsequent audit cycle.	
8	<b>Failure to Comply with Fiscal Responsibility Principles on Wage Bill</b>	Expenditure of Kshs.3,685,639,768 in respect to compensation of employees represents fifty-four (54%) percent of the total county government revenue of Kshs.6,783,549,529. This is contrary to Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 which allows a	The County inherited a large number of staff. SRC reviewed salaries and allowances for public officers upwards several times without the relative revenue rise. Limited own source revenue streams hence inability to improve on the ratio	The expenditure on compensation of employees was 54% exceeded the threshold of 35% prescribed by the Section 107(2) (c) of the Public Finance Management Act, 2012 and Section 25(1) (b) of the Public Finance Management (County Government) Regulations, 2015.	1. The management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue. 2. The county executive puts in place measures to enhance its own source revenue collection to address the high wage bill gap; and 3. The management should provide to the Auditor General a status report of	60 days from the date of adoption of this report

		maximum of 35%.			measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.	
9	<b>Failure to Adhere to Fiscal Responsibility Principles in Budget Allocation to the County Assembly</b>	Kshs.892,709,033 was allocated to Murang'a County Assembly. This was equivalent to 8.58% of the total county revenue budget contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which states that the approved expenditures of a county assembly shall not exceed seven percent (7%) of the total revenues of the	The Kshs. 892,709,033 budget allocations to the County Assembly included Kshs. 25,000,000 for development and Kshs. 42,000,000 for car and mortgage which are items classified as allowable beyond the parliament approved ceiling. The ceiling as set out in the second Schedule to County	The management adhered to the County Allocation Revenue Act which set ceilings for the County Assembly	Resolved	

		County Executive or twice the personnel emoluments of that county assembly, whichever is lower.	Revenue Allocation of Revenue Act (CARA), 2023 was Kshs 830,709,033 which was 7.98% of the total budget of 10,408,366,046, therefore above the Public Finance Regulations, 2015 set ceiling of 7%.			
10	<b>Irregularity on Imprest Management</b>	Imprest amount of Kshs.2,794,575 remained outstanding as at 30 June 2024, some of which dates back to the year 2023. No measures taken by management to ensure accountability. Management failed to operationalize the	<p>The surrender documents for the imprests have been attached for review.</p> <p>The County Executive invited the National Treasury to assist in cleaning up IFMIS and training on the</p>	<p>The management provided a surrender voucher but did not explain the delayed surrender of imprest.</p> <p>The management did not address the non-operationalization of the IFMIS imprest module.</p>	<ol style="list-style-type: none"> <li>1. The sanction and surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015.</li> <li>2. The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity</li> </ol>	60 days from the date of adoption of this report

		imprest management module in the Integrated Financial Management Information System (IFMIS).	use of the imprest management module		building and training in conjunction with the National Treasury within 60 days of adoption of this report	
11	<b>Construction of a Septic Tank at Maragua Level 4 Hospital</b>	An amount of Kshs.1,886,520 paid for construction of a septic tank at Maragua hospital. However, a physical verification revealed that the newly constructed septic tank was overflowing and the waste was spreading to the surroundings resulting to a health hazard. Further, due to poor workmanship, the top surface of	The septic tank requires an exhauster to dislodge when full. This is caused by increase in the number of patients. An exhauster has since been engaged to dislodge. The visible openings are inspection chambers which were left open during inspection by an attendant but have	The management provided photos of the current state of the septic tank, awaiting physical verification	The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle	Continuous

		the septic tank had visible openings and was already worn out.	already been closed. Annex 7: Photos of the current state of the septic tank.			
12	<b>Project Complete but Not in Use - Mabae Dispensary</b>	Mabae dispensary was renovated using an amount of Kshs.1,839,222. The project was completed but not in use.	The department had first budgeted for the first phase of infrastructure works due to resources scarcity. Tender for second phase was advertised and awarded and currently work is ongoing to make the facility usable.	The project was complete but not in use.  The management provided a tender notice.	<ol style="list-style-type: none"> <li>1. County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015.</li> <li>2. The OAG to keep the matter in view and provide a status update to the Committee in the</li> </ol>	Continuous



					subsequent audit cycle.	
<b>13</b>	<b>Failure to Remit Balances from ASDSP II Accounts to National Programme Account</b>	No evidence of closure of two Agricultural Development Support Programme Phase II (ASDSP) bank accounts as required by a circular dated 19 June, 2024.	The funds will be transferred during the current financial year.	The management did not provide evidence of the closure of two ASDSP II bank accounts as required by the circular dated 19 June 2024.	The County Executive immediately comply with Circular JAS/PROJECTS/3/VOL.VI I/071 dated 19 June 2024, by closing the two ASDSP II bank accounts with balances of Kshs.5,569,290 and Kshs.177 transferring the funds to the National Programme Bank account, and submitting a status update to the Auditor General and Senate within 60 days of this Report's adoption.	60 days from the date of adoption of this report
<b>14</b>	<b>Effectiveness in Implementation of Audit Recommendation</b>	Management did not provide progress reports in respect to implementation of prior year audit recommendations . There were no explanations in writing to Parliament on why the report	Prior year auditor's recommendations were addressed and a report on the implementation status included in the audited financial statements under other	The management attached a schedule to the financial statements indicating "resolved/unresolved" but did not explain how the issues were addressed.	The County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	60 days from the date of adoption of this report

		has not been acted upon	important disclosures.			
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
	<b>Lack of Asset Disposal Plan</b>	There was no approved Assets Disposal Plan despite having various grounded/ unserviceable assets due for disposal.	Some of the assets were not yet transferred to the county government until November, 2024 when they were officially transferred to the county.  The county government is in the process of conducting valuation and has engaged the county valuer to provide the current market value for the items. The county will include them in the 2024-2025 financial	The Management had no asset disposal plan in place.  The management had not updated its fixed asset register	<ol style="list-style-type: none"> <li>1. The County entity should update and present its Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board.</li> <li>2. The County entity should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and take charge and provide a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</li> <li>3. The Office of the Auditor General should progressively review and report on</li> </ol>	60 days from the date of adoption of this report

			year disposal plan once the valuer submits the valuation report.		the matter in the subsequent Financial Year.	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF NAIROBI COUNTY EXECUTIVE FOR  
THE FINANCIAL YEAR 2023/2024**

**Basis of Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>Audit Query</b>	<b>Criteria</b>	<b>Audit Finding/Key issue</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>4. Inaccuracies in Compensation of Employees</b>	Regulation 102 of the Public Finance Management (County Government) Regulations, 2015	Basic salaries for permanent employees' expenditure of Kshs.8,239,633,410 differed with the Integrated Personnel Payroll Database basic salary amount of Kshs.7,399,700,121 resulting to an unexplained variance of Kshs.839,933,289. Further, The compensation of employees' expenditure increased from an amount of Kshs.11,185,475,652 to the current	The variance of Kshs.839,933,289 was as a result of payment of payroll related pending bills paid off IPPD (outside payroll) as tabulated below. These payments were made towards pension arrears (LapFund and LapTrust), NMS salary arrears, PAYE arrears, and third party deductions arrears.	The variance, which is attributed to payments outside IPPD should not form part of the basic salary.	The Committee recommends that; 1. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake	Within sixty (60) days from the adoption of this report

		<p>year's expenditure of Kshs.17,290,337,584 by Kshs.6,104,861,932 or 55% of the prior year amount.</p>			<p>e accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report; and</p> <p>2. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting</p>	
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					Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.	
<b>2. Unexplained Double Payments in Bank Statements</b>	Regulation 102 of the Public Finance Management (County Government) Regulations, 2015	Review of bank statements indicated instances of suppliers receiving payments twice for the same transaction.	The double entries in the Bank statement are brought about by bounced payments mainly due to incorrect supplier (payee) bank details. In this circumstance, the payments are normally re-invoiced for payment through the correct account details. This re-invoicing is what makes it look like a double payment. Refer to the returned RTGS.	The re-invoicing was not clearly identified to separate it from subsequent payments done although the RTGS for the bounced payments provided.	The Committee recommends that; 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in	Within sixty (60) days from the adoption of this report

					<p>accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake</p>	
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					<p>accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report; and</p> <p>3. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the</p>	
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					financial statements in the prescribed timelines.	
<b>3. Misstatement of Accounts Payables</b>	Regulation 22(c) of the Public Finance Management (County Government) Regulations, 2015	<p>i. Variance between reported pending bills and accumulated total pending bill of Kshs.118,315,753,589 according to the County Executive records resulting to an unexplained variance of Kshs.478,485,041.</p> <p>ii. County Executive paid Kshs.2,706,330,152 in pending bills, however, the amount differs with the reported amount of Kshs.2,546,724,587 as total paid within the year resulting to a variance of Kshs.159,605,565.</p>	The variance of Kshs.159,605,565 was total amount of pending bills paid in the Period-July 2024. The total amount reported of Kshs.2,706,330,152 out of the total pending payables was the cumulative amount paid to creditors from July 2023 to July, 2024 while a total amount of Kshs.2,546,724,587 was the total payments reported by end of the financial year on 30th June, 2024 covering July 2023 to June 2024. Hence the reported variance of Kshs.159,605,565.	<p>The County Government did not explain variance of Kshs.478,485,041 not explained</p> <p>The Variance of Kshs.159,605,565 explained</p>	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to reconcile and provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor	Within sixty (60) days from the adoption of this report

					<p>General within sixty (60) days from the adoption of this report; and</p> <p>2. The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) should investigate the unexplained variances of Kshs.478,485,041 in reported pending bills and Kshs.159,605,565 in settled bills, which is a misstatement of accounts payables and</p>	
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					possible financial misconduct within the County Executive to check if there is any evidence of fraud, manipulation, or deliberate misreporting and cause prosecution of the responsible officer(s).	
4. <b>Unreconciled Related Entities Balances</b>	Regulation 22(c) of the Public Finance Management (County Government) Regulations, 2015	Included in the balance are pending bills of Kshs.724,964,162 owed to Kenya Power Company. However, records at Kenya Power Company reflects a receivable balance of Kshs.2,730,901,603 as at 30 June, 2024.	KPLC claimed Kshs.2,730,901,603 from Nairobi City County Government. Kenya Power and NCCG conducted a joint physical verification of metering points and both parties thereafter agreed on a debt of Kshs.1,515,000,000. It was later	Correspondences on the matter have not been provided.	The Committee recommends that: 1. that all County Government s pay verified pending bills amounting to less than Ksh. 1 billion by the end of this	Within sixty (60) days from the adoption of this report

			confirmed that between December 2020 and November 2022, the defunct Nairobi Metropolitan Services (NMS) had on behalf of Nairobi City County Government paid KPLC an additional Kshs.706,800,736.35 . Hence the stated amount of Kshs.724,964,162 is accurate		financial year and those above Ksh.1 billion by the end of the financial year 2025/2026; and 2. Resolves that- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments	
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					prepare and submit to the Controlle r of Budget, a payment plan, prioritizi ng payment of pending bills as a first charge on the County Revenue Fund, failure to which the subseque nt quarter budget releases will not be done;	
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					<p>ii. the Controlle r of Budget takes into considera tion the efforts made by a county governm ent to clear inherited pending bills when approvin g excheque r releases;</p> <p>iii. County Governm ents shall only pay pending Bills containe d in their respectiv</p>	
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					<p>e procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations; iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary</p>	
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					<p>re-allocations out of the approved budget estimates ;</p> <p>v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion</p>	
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					<p>on of the existing projects; and vi. County governm ents shall conduct public participat ion while formulati ng suppleme ntary budgets, failure to which the Controlle r of Budget (CoB) shall not approve the suppleme ntary budgets.</p> <p>3. To ensure accuracy and transparency</p>	
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					<p>in financial reporting, Kenya Power and Lighting Company (KPLC) and the Nairobi County Government must establish a structured, periodic reconciliation framework—conducted monthly or at minimum quarterly—to verify and align all financial transactions and outstanding balances between both entities.</p>	
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<b>5. Long Outstanding Pending Accounts Payable</b>	Regulation 25 and Regulation 41 of the Public Finance Management (County Government) Regulations, 2015	<p>Management did not maintain an ageing analysis of the pending bills.</p> <p>Further, analysis of total County receipts of Kshs.31,006,479,217 against total pending bills of Kshs.118,794,238,631 revealed that in order to clear the pending bills, the County Executive might have to halt services to Nairobi citizens for over three (3) consecutive years, as the debt is 383% of the total receipt for the County.</p>	<p>The County executive debt register has aged all the debts and the aging analysis report has since been provided to the auditors.</p> <p>Of the 98 billion, old government guaranteed loans amounting to Kshs 21 billion which the county government has written to the National Treasury to write them off and LapFund debts amounting to Kshs.27 billion, the court expunged the whole amount but there was a consent between Nairobi City County and LapFund of Kshs.8 billion out of which Kshs.800million was paid in financial year 2023-2024. Currently we owe the</p>	<p>The Committee observed that the county had pending bills that had been outstanding for several years. Further, the entity continued to incur further bills without prioritizing payment of verified pending bills as a first charge in the subsequent financial year as required by law with the result that pending bills still keep on accumulating over time.</p>	<p>The Committee recommends that:</p> <ol style="list-style-type: none"> <li>1. that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2025/2026; and</li> <li>2. Resolves that- <ol style="list-style-type: none"> <li>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of</li> </ol> </li> </ol>	<p>Within sixty (60) days from the adoption of this report</p>
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			<p>Fund around Kshs.7.4 billion.</p>		<p>the Public Finance Manage ment (County Governm ents) Regulati ons, 2015, County Governm ents prepare and submit to the Controlle r of Budget, a payment plan, prioritizi ng payment of pending bills as a first charge on the</p>	
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					<p>County Revenue Fund, failure to which the subseque nt quarter budget releases will not be done; ii. the Controlle r of Budget takes into considera tion the efforts made by a county governm ent to clear inherited pending bills when approvin</p>	
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					<p>g excheque r releases; iii. County Governm ents shall only pay pending Bills containe d in their respectiv e procurem ent plans pursuant to Regulati on 50 (2) &amp; (3) of the Public Finance Manage ment (County Governm ents) Regulati ons;</p>	
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					<p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates ;</p> <p>v. County governments, in consultation with the Controller of Budget, to</p>	
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					<p>provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which</p>	
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					the Controlle r of Budget (CoB) shall not approve the suppleme ntary budgets.	
<b>6. Undisclosed Pending Bills</b>	Regulation 25 and Regulation 41 of the Public Finance Management (County Government) Regulations, 2015	A total of Kshs.791,013,848 in pending bills was not reported. This amount related to outstanding payment to three suppliers; Kshs.2,026,320 due to the Cooperative University of Kenya, Kshs.249,429,979 due to Techno Brain for breach of contract for supply, installation, configuration,	The verification of the above debts had not been verified at the time of the audit review and therefore the debt register had not been updated. However, the County executive is geared towards verifying all County debts. The County treasury will update the debt register upon conclusion of the exercise	The Committee observed that the county had not updated the Debt register.	The Committee recommends that; 1. County Government s to take note of judgement in a Kitale High Court Constitutional Petition E003 of 2023 that declared formation of pending bills verification committees unconstitutio nal and engage	Within sixty (60) days from the adoption of this report

		<p>customization, testing, commissioning and maintenance of an Integrated City Revenue Management System (ICMS) and Kshs.539,557,549 due to Hardi Enterprise Ltd being principal and interest amount after a Court ruling on breach of contract for hire of heavy equipment and vehicles. County Executive had not disclosed all pending legal costs and the County Attorney explained that the process of assessing the pending bills is ongoing since some of the costs</p>			<p>Office of the OAG and strengthen the internal audit functions;</p> <p>2. All valid pending bills that have been reviewed by the OAG be paid and a payment plan be submitted to the county assemblies for approval and progress report on implementation sent to the Senate and the Office of the Controller of Budget; and</p> <p>3. The County Executive to make a provision in</p>	
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		are as old as from 1980's.			its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.	
<b>Emphasis of matter</b>						
<b>1. Over and Under Expenditure of Items in the Financial Statements</b>	Regulation 50 of the Public Finance Management (County Governments) Regulations, 2015	There was an Underfunding of Kshs.10,415,459,672 or 25% of the budget and under-utilization of Kshs.333,607,032 or 1% of the budget.	Management recognizes the underfunding of the Budget by 25% during the financial year. The factors that explained the underfunding of the budget includes the following: - The County did not achieve the projected revenue targets	The Committee observed that the County may have set unrealistic revenue targets. Expenditure commitments were not controlled within the budgetary	1) The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and	Continu ous

			during the financial year	allocation and the reallocations were not approved with justifications	comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and 2) The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.	
<b>2. Commitments Over and Above the Approved Budget</b>	Regulation 50 of the Public Finance Management (County Governments) Regulations, 2015	The County committed an additional Kshs.23,073,505,916 which translates to total expenditure and commitments for the year of Kshs.54,611,376,045. This implies that the County	Although the reported total commitments for the year amounted to Kshs.23,073,505,916 as highlighted above, these were manual adjustment in the debt register of historical pending bills and not actual budget commitments	The Committee noted that the Expenditure commitments were not controlled within the budgetary allocation.	<b>The Committee recommends that; -</b> 1. The National Treasury should ensure the timely release of funds to county governments in line with the	Continuous

		overspent /committed a total amount of Kshs.12,324,439,212 over and above the approved budget.	during the year under review. The IFMIS cannot allow commitments beyond budgeted amounts.		cash disbursement schedules approved by the Senate. 2. The county Executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.	
<b>4 Contingent Liabilities</b>	Section 107(2) of the Public Finance Management Act, 2012.	The County had been subjected to several legal claims incidental to its operations and whose outcome and possible loss may not be foreseen or quantified. In the event that those contingent liabilities crystalize, the County may be	The Office of the County Attorney (OCA) has endeavored to come up with a contingent liability register for the ongoing cases where the external advocates have been engaged to handle cases on behalf of the county.	The committee notes that the Numerous litigations against the County is an indictment on the County. Therefore, Management should look into the matters leading to	1) The County Executive makes a provision in its budget for contingent liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management	Continuous

		exposed to huge cash outlay which may affect its ability to meet its obligations when they fall due, thus impacting on service delivery capacity.		litigation and take corrective measures.	(County Government) Regulations, 2015; and 2) The County Executive utilizes the Office of the County Attorney to provide legal advice and court representation. The county should provide evidence of compliance with the County Attorneys Act within 60 days of adoption of this report.	
<b>5 Low Absorption of Development Expenditure</b>	Regulation 25(1)(g) of the Public Finance Management (County Governments)	Actual development expenditure amounting to Kshs.2,733,867,951 which represents	Nairobi City County is service oriented county where bulk of the monies are incurred in payment of non-discretionary	The Committee noted that delays in receiving exchequer	The Committee recommends that: 1. the National Treasury	Continuous

	Regulations, 2015	9% of the total expenditure for the year.	expenditures. It is important to note that personnel emoluments take up the entire county's equitable share	releases from the National Treasury and under-collection of own source revenue hindered optimal program implementation and effective budget execution	should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate; and 2. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.	
<b>6</b> Unresolved Prior Year Matters	Section 31(a) of the Public Audit Act, 2015  Reporting requirements as provided by PSASB	In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in	Management has come up with an audit implementation matrix where Auditors recommendations as highlighted in the Management Letter	The Committee noted that the Implementation matrix of the recommendations has not been shared to	The Committee recommends that: 1) The County Executive should implement the Senate	Within sixty (60) days from the adoption of this report

		<p>Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2024</p>	<p>are addressed and implemented. Management also relies on Internal Auditors reports to improve on internal control weaknesses and manage risks identified in the reports</p>	<p>allow for follow up on senate recommendations and implementation of the same by Management</p>	<p>recommendations in the Auditor General's report for the Financial Year 2018/2019 adopted by the Senate; and</p> <p>2) the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to</p>	
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					the Auditor General within 60 days of the adoption of this report.	
<b>REPORT ON LWAFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>						
<b>7 Lack of Substantive County Secretary</b>	The County Government Act, 2012	As at the time of audit in November, 2024, the County Secretary's Office did not have a substantive office holder. Further, the officer in acting position continued acting for more than six months.	The County Public Service Board is yet to advertise for the position.	The Committee observed that the position has not been advertised and filled competitively.	The Committee recommends that the County Public Service Board (CPSB) immediately advertises the vacant positions, conducts a transparent and competitive recruitment process, and appoint qualified individuals to fill the positions permanently in compliance with the law to ensure that all acting appointments are regularized within the	Within sixty (60) days from the adoption of this report

					stipulated timeframe and submit a status update to the Auditor General and the Senate within 60 days of adoption of this report.	
<b>8 Irregular Engagement of Casual Workers</b>	Sections 66, 67 and 68 of the County Governments Act, 2012	The County Executive engaged revenue casual workers on a contract of service for a period of 3-months renewable. However, casuals' personal records were not maintained by the Human Resource Directorate to indicate how they were recruited and on-boarded.	Authority to hire casuals is sought from the County Public Service Board upon determining the nature of work and budgetary provision. Preference is given to the local labor for ease of service delivery and movement within the project area. Before recruitment a meeting is held with the local administration where the bio data of the casuals is captured together with their skills. Attached please find the	The Committee observed that the workforce of the County and its cost implication has not complied with the fiscal ceiling of 35%.	<p>1. The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;</p> <p>2. Pursuant to Article 235 of the Constitution of Kenya, the</p>	

			correspondences used for recruitment.		Committee directs that the Cabinet Secretary (CS), responsible for Public Service to develop uniform rules and policies to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and the Auditor General to monitor the matter in the subsequent audit cycle.	
<b>9 Irregular Payme</b>	Human Resource Policy, 2016	i. Thirteen (13) staff dismissed were irregularly paid	Management acknowledges the delay in salary	The Committee observed that	The Committee recommends that:	Within sixty (60)

<p><b>nt of Salary to Dismis sed Staff</b></p>		<p>salary backdated for a period of up to 2 years.</p> <p>ii. The County Executive did not have a disciplinary policy to guide the Management of disciplinary cases.</p>	<p>stoppage caused by unauthorized absence which normally results in over payment. The delay is normally caused by delays by immediate supervisor in reporting any unauthorized absence by an employee within 24 hours. This delay has been noted by the county Human Resource Management Advisory Committee (CHRMAC) in their meeting of 8th October 2024, the committee recommended to the County Public Service Board that where a supervisor delays in reporting staff on unauthorized absence and the officer is dismissed, the supervisor shall</p>	<p>the County's Disciplinary policy is yet to come into effect.</p>	<p>1. The County Executive should immediately halt all irregular salary payments made outside the Integrated Personnel and Payroll Database (IPPD) system and conduct a forensic audit to verify the legitimacy of the Kshs.146,277,985 disbursed to former Nairobi Metropolitan Services (NMS) staff;</p> <p>2. All unauthorized recruitments</p>	<p>days from the adoption of this report</p>
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			<p>be surcharged the entire amount the over payment.          (copy of the extract of CHRMAC Minutes attached)          Appendix 1.4</p>		<p>of 2,499 employees by NMS— which violated Sections 5.6 and 5.7 of the Deed of Transfer— should be investigated by the Ethics and Anti-Corruption Commission (EACC) to determine culpability and recover any misused funds;</p> <p>3. The County must enforce strict compliance with payroll systems (IPPD) and transfer protocols, while the Office of the</p>	
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					County Governor undertakes administrative action against the responsible officer(s) for these breaches and provide a status update to the Office of the Auditor General within 60 days of adoption of this report.	
<b>10 Irregular Recruitment of County Staff</b>	Regulation 25 of the Public Finance Management (County Governments) Regulations, 2015 and Section 65 (2) of the County	The County Executive recruited three thousand eight hundred and thirty-four (3,834) staff within the financial year under review. However, the recruitment was not supported with a recruitment plan, advertisement, long	The officer possesses the following skills: - master's in business administration, BSc in information/System, Advanced Diploma (IAD) KCCT Mbagathi (2005), Diploma IMIS (2004)	The Committee observed that the annual recruitment plan has not been developed, which must be in line with the staff establishment	The Committee recommends that; 1. The County Executive must immediately cease all irregular recruitment practices and ensure	Within 90 days from the adoption of this report

	<p>Governments Act, 2012</p>	<p>list and shortlists, interview reports and score sheets. Officers were appointed despite lacking academic qualifications and other requirements</p> <p>Recruitment was done for cadres that could not be traced in the staff establishment,</p>	<p>The officer had the relevant qualification as per the indents. Strategic Leadership Development Course (SLPD) was not a mandatory requirement as per the advertisement and PSC, 2020 guidelines.</p> <p>The officer possesses the following qualification: - Bachelor of Science in Information Technology KCA University 2014, Diploma in information Technology K.N.E.C, Certificate in Micro-Computer Technology Part I and II, N+</p>	<p>with the result that the County is not cognizant of the fiscal responsibilities as regards employee costs.</p>	<p>strict adherence to established public service guidelines in all future hiring processes with all the subsequent recruitments being supported by; duly approved recruitment plan aligned with existing vacancies in the staff establishment, public advertisement of positions, proper documentation of long lists, shortlists,</p>	
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					<p>interview reports and score sheets, and thorough verification of candidates' academic qualifications and professional experience against the scheme of service requirements;</p> <p>2. The County Public Service Board should implement mandatory pre-recruitment clearance procedures to confirm vacancy existence in</p>	
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					<p>the establishment before initiating any hiring process.</p> <p>3. the County should conduct a comprehensive staff audit within 90 days to validate all 3,834 recruitments and revoke appointments of all unqualified personnel (particularly the highlighted cases of Directors and Assistant Directors lacking required qualification</p>	
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					s and experience).	
<b>11 Late Remittance of Staff Deductions</b>	<p>Review of the payment vouchers provided revealed the County Executive paid Kshs.100,000,000 being payment of unremitted staff deductions to NCCG third parties and staff pension contribution. In addition, the County Executive incurred Kshs.100,000,000 in respect of payment to Kenya Revenue Authority being payment for tax arrears. However, it was not established why the County had failed to</p>	<p>During the year under review, the county paid all statutory deductions in full while paying staff salaries. The above mentioned payments related to pending bills from previous years.</p>	<p>The payments relate to pending bills from prior years.</p> <p>Issue partially addressed.</p>	<p>The Committee observed Staff deductions were not remitted upon deduction whereas the failure to remit is punishable by law or attract a fine</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The county Executive should disclose all pending bills in the format prescribed by the Public Sector Accounting Standards Board;</li> <li>2. the KRA should cease imposing penalties on counties for late statutory deductions remittances as it is caused by late</li> </ol>	<p>Within sixty (60) days from the adoption of this report</p>

	remit the deductions when they fell due.				<p>exchequer releases from the National Treasury;</p> <p>3. The Office of the County Governor undertakes administrative action against the officer(s) responsible for non-remittance of statutory deductions and provides a status report to the Committee within sixty (60) days from the adoption of this report;</p> <p>4. the National Treasury should</p>	
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					<p>ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate to enable county entities to settle their obligations on time; and</p> <p>5. the county executive puts measures to enhance its generated revenue to meet its revenue target and address revenue shortfalls</p>	
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					that contribute to the challenge of pending bills.	
<b>12 Non-Compliance with Fiscal Responsibility Principles</b>	Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015	Compensation of employee expenditure totalling Kshs.17,290,337,584 represents approximately 56% of the total revenue of Kshs.31,006,479,217.	Non-compliance with fiscal responsibility is a historical issue carried over from Defunct City Council whereby before constitution 2010.	The Committee observed that the County did not adhere to the Fiscal Responsibility Principle on Wage Bill.	deems it so. 1. The management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue; 2. the county executive puts in place measures to enhance own source revenue collection in	Within sixty (60) days from the adoption of this report

					order to address high wage bill gap; and The management should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.	
<b>13      Fail ure to Settle Pending Bills</b>	Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015	Pending accounts payable totalling Kshs.118,794,238,631 remained unsettled despite the County Executive having unspent funds amounting to Kshs.1,478,245,241 in the County Revenue Fund.	The last disbursement of 2023/2024 equitable share was received on 26 <sup>th</sup> July 2024 long after we had closed the financial year even after extension by two weeks in July 2024. Invoicing of new	The committee observes that No evidence was provided to show that the pending bills formed a first charge. In addition, the	The Committee therefore recommends that: 1.      That all County Governments pay verified pending bills amounting to less than Ksh. 1	Within sixty (60) days from the adoption of this report

			<p>payments in IFMIS is restricted up to 30<sup>th</sup> June of every financial year. Therefore, no invoicing could be carried out in July 2024.</p>	<p>Accounting officer did not put in place stricter restriction on procurement by ensuring that they are initiated only after confirmation of availability of funds</p>	<p>billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and</p> <p>2. Resolves that-</p> <p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County</p>	
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					<p>Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County</p>	
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					<p>Governments) Regulations; iv.       Supplem entary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re- allocations out of the approved budget estimates; v.       County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and vi.       County governments</p>	
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					shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.	
<b>14 Pending Legal Costs</b>	Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015	Four (4) Advocates out of the total pending legal cases, are owed a total of Kshs.6,269,546,657 which is 29% of the total pending legal fee of Kshs.21,371,004,293 which is 11% of the total pending billings.	the office of the county attorney pursuant to the recommendation of the committee which was appointed by the H.E the Governor to look into the legal pending bills established an assessment committee to assess and reassess the fee notes The committee in its report during the	The County should limit hiring of outside Counsel and utilize in-house Counsel, which is more cost effective. Review of the legal costs still ongoing	4. The County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County	

			<p>year under review assessed and reassessed fee notes which had been presented totaling to Ksh19,554,805,263.12 which after assessment and reassessment was reduced to Ksh3,569,524,268.85</p> <p>Pending bills relating to decrees against the county is largely attributed to inadequate budgetary allocation for the purpose hence the escalation of interests and penalties as ordered by courts.</p>		<p>Government) Regulations, 2015.</p> <p>5. The County Executive utilizes the Office of the County Attorney to provide legal advice and court representation and should provide evidence of compliance with the County Attorneys Act within 60 days of the adoption of this report.</p>	
<b>15 Non-Settlement of Payments Due</b>	Regulation 41(2) of the Public Finance Management (County Governments)	An expenditure amounting to Kshs.180,712,573 in respect of interest and penalties awarded to a garbage contractor	The amounts queried are in relation to HCC NO E140 OF 2020; HARDI ENTERPRISES	The committee observed that the debt is still outstanding.	<p>The Committee recommends that;</p> <p>1. The County Executive should</p>	within 60 days of adoption of this report

	Regulations, 2015	<p>by High Court of Kenya for non-payment of Kshs.358,844,976 with an interest of 12% at commercial rate.</p> <p>This cost could have been avoided had Management put in place prudent public finance management controls in payment of pending bills and by honoring court orders</p>	<p>LTD-VS-NAIROBI CITY COUNTY</p> <p>In the matter, the plaintiff sued the County with regard to contract No. NCC/WEFE and NR/DP/276/2017-2018 Hire of Heavy Equipment and Vehicles (service).</p> <p>The Plaintiff alleged that the Contractual Services were valued at Kshs 948,986,822.13 between 5th July 2018 and 4th July 2018 and of which the County Settled Kshs.590,141,916.55 leaving an outstanding balance of Kshs.358,844,975.58 which is the subject matter of the suit.</p> <p>Judgment was entered against the</p>	Relevant documents in support of the above are as underlisted and contained in Annexure 2.3.	<p>implement robust measures to prevent avoidable interest and penalties, including :</p> <p>establishing a Pending Bills Settlement Unit to prioritize and expedite valid payments before disputes escalate to litigation, enforcing strict contract management protocols,</p>	
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			<p>County for the Sum of Kshs 358,844,975.58 and interest at commercial rates from 4th July 2018 until Payment in full.</p> <p>Relevant documents in support of the above are as underlisted and contained in Annexure 2.3.</p> <ol style="list-style-type: none"> <li>1. Memo dated 5th July 2021.</li> <li>2. Letter dated 11th March 2022.</li> <li>3. Letters dated 2nd March 2022.</li> <li>4. Memo dated 22nd November 2022.</li> <li>5. Letter dated 14th December 2022.</li> <li>6. Memo dated 16th December 2022.</li> </ol>		<p>including timely invoice processing and dispute resolution mechanisms, developing a tracking system for court-awarded payments to ensure compliance with judgments and avoid accruing additional interest;</p> <ol style="list-style-type: none"> <li>2. The County Executive makes a</li> </ol>	
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<b>16 Non-Payment of Dues Arising from Court Award</b>	Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015	Kshs.10,080,000 incurred as interest for delayed payment. This loss would have been avoided had Management honored the court orders.	Non-payment was due to cash flow constraints. The county is committed to honouring all its debts when funds are available.		provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015; and 3. The County Executive utilizes the Office of the County	
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					Attorney to provide legal advice and court representation. The county should provide evidence of compliance with the County Attorneys Act within 60 days of adoption of this report	
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<p><b>17 Irregular Pending Bills</b></p>	<p>Regulation 93(4)(d) of Public Finance Management (County Governments) Regulations, 2015</p>	<p>Kshs.176,741,698 was due to County Executive staff in relation to domestic and subsistence allowances.</p>	<p>The County employees from all sectors were engaged in various work-related activities during the period under review. Such duties/assignments required employee compensation prior to attendance. However, the County Executive was unable to compensate the employees on time due to cash flow constraints</p>	<p>The committee observed that the Accounting officer had accumulate irregular staff pending bills on in-valid claims on domestic allowances. The amount is still outstanding</p>	<p>The Committee therefore recommends that:</p> <ol style="list-style-type: none"> <li>1. That all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and</li> <li>2. Resolves that- <ol style="list-style-type: none"> <li>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County</li> </ol> </li> </ol>	
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					<p>Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Governments</p>	
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					shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations.	
<b>18 Failure to Provide Support for Bursary and Scholarship Applications Vetting</b>		Management did not provide Wards Bursary Committees deliberations minutes that stipulated their recommendations for individual vetted cases and a list of the vetted applicants and some scholarship forms for the successful applicants did not have the committee's recommendations and Head Teacher's recommendations as	Wards bursary committee's deliberations and minutes stipulating their recommendations for individual vetted cases and a list of the vetted applicants forwarded to the executive Scholarships and Bursary processing committee are hereby attached marked appendix A (Ward Committees Minutes).	The committee observed that Committee deliberation minutes were not readily available for verification by interested parties Except that appointment letters for the committee were provided.	The Committee recommends that; 1. The County Executive should implement corrective measures to ensure transparency and accountability in the administr	60 Days from the date of adoption of this report

		required by the guidelines.			<p>ation of bursaries and scholarships by establishing a centralized digital database to track all applicants, beneficiaries, and disbursements, ensuring proper documentation of committee recommendations and Head Teachers' endorsements;</p> <p>2. The County</p>	
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					<p>Executive management should ensure submission of Wards Bursary Committees' minutes and vetting reports for all awarded cases, with clear justifications for each beneficiary selection, conduct an audit to reconcile the Kshs.3,7</p>	
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					00,615 in unaccounted scholarship recommendations and recover any misallocated funds and publicly publish beneficiary lists with eligibility criteria to allow for community scrutiny and feedback and provides a status report to the Office of the	
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					Auditor General within sixty (60) days from the adoption of this report.	
<b>19 Failure to Prepare and Submit Separate Fund Financial Statements</b>		The County Executive Management did not prepare and submit financial statements for the funds whose enabling legislation requires that they prepare books of account for audit.	<p>Nairobi City County Betting, Lotteries and Gaming Control Board.</p> <p>The court nullified the Act that had earlier established the Board. Currently the county is coming up with the new Act of establishing a fund.</p> <p>WARD DEVELOPMENT FUND- Controller of Budget raised a number of concerns with respect to <u>validity, legality and constitutionality</u> of the Act</p> <p>Nairobi City County Revenue Authority-</p>	<p>The committee observed that there ought to be legal framework for NCC Betting, Lotteries and Gaming Board and Ward Development Fund.</p> <p>The committee also noted that the County Executive is required to prepare and submit financial</p>	The Committee recommends that County Executive Management in conjunction with the Funds; Disaster and Emergency Fund, Nairobi City County Betting, Lotteries and Gaming Control Board, Ward Development Fund, Pumwani Maternity College of Nursing and Midwifery and Nairobi City County Revenue	60 Days from the date of adoption of this report

			<p>The NCRA has not been fully operationalized and Revenue operations are still under the County Revenue Department. Disaster and Emergency Fund- the fund has not been fully operationalized hence separate financial statements were not prepared.</p>	<p>statements for the funds whose enabling legislation requires that they prepare books of account for audit.</p>	<p>Authority should ensure strict compliance with Section 47(1) of the Public Audit Act, 2015 by preparing and submitting separate financial statements for each fund as required by their enabling legislation and a detailed status update be submitted to the Office of the Auditor General within 60 days of adoption of this report.</p>	
<p><b>20 Irregular Insurance Payments</b></p>		<p>i. Non fulfilment of obligations by insurer for provision of Work Injury Benefit Act (WIBA), Group Personal Accident and Employer Liability</p>	<p>i. The Insurer delayed in implementing the specified terms of reference due to delayed payment by the County and therefore most activities failed to</p>	<p>The committee observed that</p> <p>Issue No. 5.1 not addressed due to delay in</p>	<p>The Committee recommends that County Executive should immediately review the insurance contract to</p>	<p>60 Days from the date of adoption of this report</p>

		<p>ii. Unmet requirements by service provider for Provision of Comprehensive Medical Insurance Cover</p> <p>iii. Provision of General Insurance Services</p> <p>iv. Irregular Direct Procurement of Insurance Cover</p>	<p>take place as per schedule. The insurer has issued invoice No DHRHQS24093394 for an additional 2400 staff totaling Kshs 14,555,684.00 dated 22nd November 2024 which is being reviewed before payment.</p> <p>ii. The following documents requested are hereby attached</p> <ol style="list-style-type: none"> <li>1. Appointment letters for seven (7) members from the County</li> <li>2. Monthly reports from the committee</li> <li>3. Training and sensitization reports</li> <li>4. Identification of reputable rehab centers.</li> </ol> <p>Refer to Appendix 5.2 I, II, III and IV</p> <p>iii. The variance in the number of vehicles listed in the</p>	<p>implementation of terms of tender</p> <p>Issue no. 5.2 addressed. Supporting documents provided</p> <p>Issue no. 5.3 addressed. List of motor vehicles provided.</p> <p>Issue no. 5.4 not addressed. The procurement was not competitive</p> <p>In summary, the committee observed that the Accounting Officer did not ensure that Insurance Companies</p>	<p>address the identified irregularities to ensure that contract terms align with the actual policy commencement date to avoid liability gaps, the insurer fulfills its obligation to conduct staff training or refunds the proportionate cost, a transparent claims settlement mechanism is established with mandatory monthly reports to verify compliance with the 14-day timeline and a dynamic staff roster system is implemented to</p>	
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			<p>tender document versus the attached list arose from an inconsistency in data consolidation during the tender preparation process. However, we confirm that the insurance coverage provided was based on the final approved vehicle list, ensuring all insured vehicles were accurately documented.</p> <p>iv. The County Executive decided to enter into a new contract with the same insurance company when there was an existing active Contract instead of reviewing Clause 4 because the previous Contract did not cover ex-gratia which covers chronic illness.</p>	<p>fulfil their contractual obligations following successful claim filing.</p>	<p>update the insurer on new hires and retirements, ensuring continuous coverage and detailed update be submitted to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
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<b>21 Management of Motor Vehicles</b>	<p>Regulation 132 of the Public Finance Management (County Governments) Regulations, 2015 and</p> <p>This was contrary to Regulation 176(1) of the Public Procurement and Asset Disposal Regulations, 2020</p>	<p>i. Four hundred and eighty-three (483) operational vehicles against 338 drivers. Therefore, one hundred and forty-five (145) vehicles remained idle</p> <p>ii. 402 Grounded Vehicles-No disposal plan or evidence of claims from insurance companies</p> <p>iii. Motor Vehicle held in private Garage due to outstanding bill of Kshs.36,223,235</p> <p>iv. Irregular procurement of prime mover at contract sum of Kshs.39,793,429. However, contract agreement was not provided. It was burnt down 2 months after delivery. NO evidence of claim lodged with insurer</p>	<p>i. The operational vehicles include vehicles handed over to vocational school, GSU and those at Statehouse which are Thirty-one (31). The remaining 108 drivers are County staff who have not been redesignated as drivers but are performing duties of drivers after doing a suitability test at Garage.</p> <p>ii. Nairobi County Government Fleet Section prepared a Vehicle Disposal list which was handed over to asset Management department.</p> <p>iii. The documents containing comprehensive details regarding the repairs performed on vehicles, the corresponding inspection reports, as</p>	<p>The committee noted that:</p> <p>1. The number of available motor vehicles for use, exceed the number of drivers and therefore 114 vehicles remain idle.</p> <p>2. There was no disposal plan for grounded vehicles</p> <p>3. Insurance premium for prime mover had not been settled.</p>	<p>4. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>5. Office of the Auditor General should progressivel</p>	<p>60 Days from the date of adoption of this report</p>
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			<p>well as the contracts established between the county and the suppliers, have been included and are available in Annex 11 for your reference.</p> <p>iv.- While the contract agreement was not availed during the initial audit review, we wish to confirm that the vehicle in question falls under the additional motor vehicle category. Consequently, the insurance premiums for additional motor vehicles were issued to us, serving as proof that a valid contract agreement was entered into for this procurement</p>		<p>y review and report on the matter in the subsequent Financial Years.</p>	
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<b>22 Unsupported Payment of Taxes</b>	section 156 of the Public Finance Management Act, 2012	The County Executive paid a total of Kshs.330,689,333 to KRA However, there was no acknowledgement of the payment from KRA.	The county executive has written to KRA for confirmation of all payments done to the Authority.	The Committee noted that the Accounting Officer did not keep in safe custody, all payment record and any other supporting documents and acknowledgement from KRA is yet to be provided.	The Committee therefore recommends that: 1. The County Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days	60 Days from the date of adoption of this report
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					<p>from the adoption of this report;</p> <p>2. The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report; and</p> <p>3. the KRA should cease imposing penalties on counties for late statutory deductions</p>	
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					remittances as it is caused by late exchequer releases from the National Treasury.	
<b>23 Irregular Procurement of Services</b>	Regulation 78(1) of the Public Procurement and Assets Disposal Regulations, 2020	<p>i. No evidence to indicate that requests for quotations were made to at least three suppliers and that the bidders' quotations were subjected to quotation opening, evaluation and award.</p> <p>ii. Expenditures not supported with documents which include signed attendance lists by participants, advertisement, tender opening minutes and register, tender evaluation committee reports, letters appointing both opening and</p>		The Committee noted that the County Government did not adhere and comply with directives issued vide circulars and laws.	The Committee therefore recommends that: 1) The County CEO undertakes administrative action against the responsible officer(s) who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the	60 Days from the date of adoption of this report

		evaluation committee and evidence of regret letters sent to the unsuccessful bidders.			Auditor General within sixty (60) days from the adoption of this report; and 2) The County Executive ensures that staff in the county legal department are adequately trained and qualified to provide the services required and ensure that the County Executive does not enter into contracts that are detrimental to the interests of the County and its people.	
<b>Irregular Procurement of Hire of Heavy Machinery</b>	Section 106(2)(b) of the Public Procurement and Assets	i. Non-Compliance with Contract Terms for Hire of Heavy Machinery resulting to an excess	i. The billing for the heavy machinery in question is in compliance with the contract, the claim of overpayment due	The committee observed that when engaging the contractors for	The Office of the County Governor undertakes administrative action against	60 Days from the date of adoption of this report

	<p>Disposal Act, 2015.</p> <p>Regulation 78(1) of the Public Procurement and Assets Disposal Regulations</p>	<p>payment of Kshs. 6,562,063</p> <p>ii. Unconfirmed Work Hours for Hire of Heavy Equipment, Plant and Machinery at Dandora Dumpsite- Machines worked non-stop for 2 shifts daily of 8 hours. There was no corroborative evidence for the hours worked and no LPO issued when engaging the contractors</p>	<p>to incorrect billing is invalid.</p> <p>ii. During this period, the city was sinking in garbage and there was a lot of public outcries on uncollected waste in the city estates. (Rephrase) There was need to mobilize any available resource in terms of trucks and machinery to sort out the mess. In order to ensure no interruption of disposal activities at operation areas, all machines are fueled before the beginning of any shift.</p>	<p>hire of heavy machinery, the County should clearly indicate the duration for hire and provide fuel consumption records for the machines</p> <p>In addition, Corroborative evidence for the work hours of the equipment not provided.</p>	<p>the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
<b>24 Irregular Purchase of Office Equipment</b>	<p>Section 106(2)(b) of the Public Procurement and Assets Disposal Act, 2015.</p>	<p>i. Payments not supported with evidence of quotations sent to registered suppliers.</p> <p>ii. The payment was not supported with</p>	<p>No responses</p>	<p>The committee observed that that there was non-adherence and non-compliance</p>	<p>The Office of the County Governor undertakes administrative action against the Head of Procurement and</p>	<p>60 Days from the date of adoption of this report</p>



	Regulation 78(1) of the Public Procurement and Assets Disposal Regulations, 2020	requisite procurement documents  iii. The local purchase order validity period of thirty (30) days was not adhered to as supplies were delivered after the 30 days validity period.		with circulars and laws. In addition, management did not provide any response on this issue	other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
<b>25 Irregular Procurement of Garbage Skips and Skip Loaders with</b>	Section 106(2)(b) of the Public Procurement and Assets Disposal Act, 2015.  Regulation 78(1) of the Public Procurement	Supply and delivery of 120 garbage skips at a contract sum of Kshs.51,600,000, only forty-one (41) garbage skips had been delivered and the contract validity period had already lapsed. LPO for supply and delivery of twenty-	The Order was placed on 20th April 2023 after the Contractor accepted the offer upon finalization of procurement Process. Since the Special Conditions in the Local Purchase Order did not cover the scope	The committee observed that the Contract validity period lapsed before delivery of all garbage skips.  In addition, there was non-	The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching	60 Days from the date of adoption of this report

<b>Complementary Skips</b>	and Assets Disposal Regulations,	seven (27) large tippers and ten (10) skip loaders with complementary skips were placed before the contract was binding on both parties.	of the Conditions required for such Contract a Form of Contract Agreement which contained all the Special Conditions that bound both parties (Contractor and the County) was signed. Both Pre and Post Delivery Inspection were conducted as per the reports of the two Inspection reports attached	adherence and non - compliance with circulars and laws	procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
<b>26 Irregular Payment for Consultancy for Development of the Tourism Policy for</b>	This was contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015	Review of payment voucher of Kshs. 4,999,999 paid for development of the tourism policy for Nairobi County revealed the following anomalies;  An evaluation report summarizing the results of the preliminary, technical and	The tender was advertised on 22nd February and opened on 28 <sup>th</sup> February 2024 tender No. NCC/CCAT/Q/190/NEGO.NO-1471152/2023-2024 and only one bidder responded in the e-procurement portal. Please find the attached Appendix 12.1(i).	The committee observed that an evaluation report summarizing the results of the preliminary, technical and financial evaluation and signed by all evaluation	The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in	60 Days from the date of adoption of this report

<b>Nairobi City County</b>		financial evaluation and signed by all evaluation committee members was not provided for audit. In addition, a copy of the contract was not provided as one of the supporting documents for payment.	ii) There was only one bidder hence there were no regret letters. iii) There was no contract signed but the bidder was issued with PO NO. 52 as attached	committee members and the reports and draft policy developed are attached	accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
<b>27 Anomalies on Routine Maintenance of Motor Vehicles</b>	Regulation 78(1) of the Public Procurement and Asset Disposal Regulations, 2020	Payment of Kshs.7,280,357 was not supported with requisite procurement documents  i. The Logbooks (GP55) for services, repairs and maintenance undertaken were not provided for audit. Therefore, the audit could not determine whether the record of work	i. The requested documents are attached. (Annex 3) ii. Garage Technical Examiners undertakes thorough inspection of all repaired vehicles from external garage to ascertain new parts have been fitted and old parts are returned back as instructed on Repair/Works instruction forms	The committee observed that the issue was Partially addressed when  1. Procurement documents provided 2. Records of goods received not provided 3. Evidence of Hand over of asset from	The Committee recommends that; 1. the County Executive management should immediately conduct a comprehensive fleet audit to rationaliz	60 Days from the date of adoption of this report

		<p>done was posted in vehicle logbooks, or work tickets.</p> <p>ii. Efficiency analysis reports for county vehicles were not provided for review.</p>	<p>iii. Job card attached (Annex 4)</p> <p>iv. Therefore, we have attached the reports for February 2024, May 2024 and June 2024(Annex 5) for your reference and the computation of efficiency</p>	NMS to NCCG has not been provided.	<p>e vehicle allocation and optimize driver deployment, ensuring all operational vehicles are assigned to drivers while non-operational vehicles are either repaired, disposed as provided for by the Public Procurement and Asset Disposal Act Cap.</p>	
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					<p>412C, or repurposed to cut maintenance costs;</p> <p>2. the County Executive management should develop a centralized digital tracking system to monitor vehicle usage, driver assignments, and maintenance schedules, with clear guidelines;</p> <p>3. the County</p>	
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					Executive management should develop a Fleet Management Policy to standardize driver-to-vehicle ratios (prioritizing essential services like ambulances and fire engines) and introduce periodic reviews to prevent inefficiencies and provides	
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					a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
<b>28 Payment for Stalled Construction of Perimeter Wall in Mji wa Huruma</b>		Whereas works commenced on 10 September, 2015 and valuation of works recommended payment of Kshs.4,870,690, the amount remained unpaid until June, 2024. Inspection indicated that the structure had developed cracks and here was no evidence of re-inspection on the extent of damage	The payment was done as per the valuation done in 2015 and not as a result of re-inspection on the extent of damages and nature of repairs works. Attached- letter from the Legal department (Office of the County Attorney) marked <b>Appendix 15.1(a) and Appendix</b>	The committee observed that the perimeter wall was not re-inspected to assess the extent of damages and nature of repair works required	The Committee recommends that; 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning,	60 Days from the date of adoption of this report

		and the nature of repair works done.	<b>15.1(b)</b> copy of payment certificate.		<p>execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled</p>	
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					<p>projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
<b>29 Rehabilitation of Lot 13 Roads in Eastleigh Area</b>	Section 68(1) of the Public Procurement and Asset Disposal Act, 2015	i. The payment was not supported with requisite procurement documents	The works commenced on 8th December, 2021 with an initial contract period of 10.0months and the	The committee observed that the Accounting Officer did	<p>The Committee recommends that;</p> <p>4. The County Executive establishes a</p>	60 Days from the date of adoption of this report

<p><b>Nairobi (Athumani, Kipande, Mwendu Road, Blue Estate and Kitui Village)</b></p>		<p>ii. Performance security of Kshs.800,133, constituting only 1% of the contract sum was not commensurate with the value of works and contract sum.</p> <p>ii. Construction and civil works totalling Kshs.86,011,253 revealed various gaps which include non-compliance with procurement laws and failure to attach relevant documents in support of payments.</p>	<p>order to commence was given on 6<sup>th</sup> December 2021 a completion date of 21<sup>st</sup> July, 2022. Due to delays in payment of IPC No 1 due to the Transition from NMS to NCCG, the works were completed as intended on 21<sup>st</sup> July 2022. The Deed of Novation was signed dated 18<sup>th</sup> April 2023. The contractor was awarded an interim extension of time totaling 12 months vide a letter date 8<sup>th</sup> July 2024. The works were procured by NMS and during the handing of the contracts, the procurement documents were not handed over. However a request has been made to</p>	<p>not keep records for each procurement for at least six years after the resulting contract has been completed including any other accountable documents. However, the matter is partially addressed</p>	<p>project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within</p>	
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			Executive office of the President for the requisite documents.		<p>60 Days from the date of adoption of this report;</p> <p>5. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>6. The Office of the County Governor undertakes administrative action against the</p>	
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					<p>Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; and</p> <p>7. The OAG to keep the matter in view and provide a</p>	
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					status update to the Committee in the subsequent audit cycle.	
<b>30 Irregular Payment for Rehabilitation of Roads in Industrial Area</b>		<p>The contract period lapsed without commencement of works and there was no evidence of contract extension approval.</p> <p>The payments were not supported with requisite procurement documents</p>	<p>The works were procured by NMS and during the handing of the contracts, the procurement documents were not handed over. However, a request has been made to Executive office of the President for the requisite documents.</p>	<p>The committee observed the Works were procured by NMS which has since been moved the Presidency. In addition, the contract period lapsed, and therefore ceases to be legally binding on both parties.</p>	<p>The Committee recommends that;</p> <p>8. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for</p>	60 Days from the date of adoption of this report

					<p>in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>9. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor</p>	
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					<p>General within 60 days of the adoption of this report;</p> <p>10. The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor</p>	
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					General within sixty (60) days from the adoption of this report; and 11. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
<b>31 Irregular Engagement of Bidders Without Advertising of Tenders for Construction</b>	<p>This was contrary to Section 96(1) and (2) of the Public Procurement and Asset Disposal Act, 2015</p> <p>Section 135 (3) of the Public Procurement</p>	Various projects amounting to Kshs.179,621,620 were procured without publishing of advertisements in the public procurement portal as required by law.	The works that were paid by the Sector were procured by NMS and during the handing of the contracts, the procurement documents were not handed over. However, a request has been made to Executive office of the President for the requisite documents.	The committee observed the procurement law was breached as there was no evidence of advertisement	<p>The Office of the County Governor undertakes:</p> <p>1. The Office of the County Governor undertakes administrative action against the Head of Procurement</p>	60 Days from the date of adoption of this report



<p><b>and Civil Works Projects</b></p>	<p>and Asset Disposal Act, 2015</p>				<p>and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; and</p> <p>2. The OAG to keep the matter in view and provide a status update to the</p>	
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					<p>Committee in the subsequent audit cycle;</p> <p>The Nairobi County Executive should demand from NMS and the Executive Office of the President all financial, procurement, HR, and operational records covering the delegation period, including contracts, payment vouchers, payrolls, and asset registers and a detailed update be submitted to the Office of the Auditor-General within 60 days</p>	
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					of adoption of this report.	
<b>32 Irregular Procurement of Electrical Materials for Street Lighting</b>	Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015	The specifications from the user department and the local purchase order issued to the supplier were different from what was delivered. the framework contract agreement was signed on 17 January, 2024. This date was not within the tender validity period of 150 days from the date of opening of tender cables supplied by a general merchant and received in the store on 16 May, 2024 were missing	Arising from above, the procurement officer in-charge electrical stores consulted the Director of supply chain management who responded through Memo dated 20 <sup>th</sup> May, 2024 (Copy attached). The Memo indicated that the supplier had both cables in the frame contract and were both costed the same at Kshs.250 per metre. The supplier was then advised to deliver 2x16mm ABC aluminium	The committee observed the issue is partially addressed since explanation is provided but not supported with evidence of the supply of the correct material  There was non-adherence and non-compliance with circulars and laws	The Office of the County Governor undertakes: 1. The Ethics and Anti-Corruption Commission (EACC) should immediately investigate the procurement anomaly to establish whether the discrepancy between the ordered 3x16mm	60 Days from the date of adoption of this report

		<p>from the store due to pilferage incidences the materials were received beyond the stipulated period as local purchase orders are valid for a period of 30 days from the date of issue.</p>	<p>round stranded compressed conductor which was the right cable. The inspection and acceptance of the materials was done guided by the Supply chain management Director's MEMO. The inspection and acceptance team produced a report hence the materials were utilized. Late signing of the contract agreement was due to delay in processing contract agreements because of the big number of bidders who had responded to the two category of frameworks at the same time and a serious understaffing in the County Attorney's office.</p>		<p>conductors and delivered 2x16mm specifications—despite payment of Kshs.38,442,000 constituted fraudulent misrepresentation, collusion between suppliers and county officials, or deliberate flouting of procurement procedures. The probe should focus of the roles of the inspection team that certified non-compliant materials,</p>	
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					<p>officials who authorized payment for undelivered specifications and suppliers who may have knowingly shortchanged the County;</p> <p>2. The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the</p>	
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					<p>Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>3. The County Executive to identify training needs of its staff serving in the Procurement and Finance Department and initiate capacity building and training in conjunction with the National</p>	
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					Treasury within 60 days of adoption of this report.	
<b>33 Supply and Delivery of 5000 Tonnes of Quarry Chips</b>	Section 88 of the Public Procurement and Asset Disposal Act, 2015	The framework contract agreement was signed on 24 November, 2024. This date was not within the tender validity period of 150 days from the date of opening of tender not supported with delivery notes for each day of delivery against which the daily deliveries could be verified.	Late signing of the contract agreement was due to delay in processing contract agreements because of the big number of bidders who had responded to the two category of frameworks at the same time and a serious understaffing in the County Attorney's office.	<p>The committee observed the issue is partially addressed since explanation is provided but there was noncompliance with the tender validity period.</p> <p>There was non-adherence and non-compliance with circulars and laws</p>	1. The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management	60 Days from the date of adoption of this report

<b>34 Supply and Delivery of 8000 Tonnes of Crusher and 1,200 Drums of K160</b>	Section 54 of the Public Procurement and Asset Disposal Act, 2015	<p>Examination of payment in respect of an amount of Kshs. 21,600,000 for supply and delivery of 8000 tonnes of crusher run and Kshs. 39,600,000 in respect of supply and delivery of 1,200 drums of 200 kilograms of K160</p> <p>No evidence of market survey carried out to inform the placing of orders, no evidence of acceptance of award, performance bond and signed framework contract agreement binding the contractor and the County Executive.</p>	<p>This was an open tender and prices are determined by the competitive price offered by bidders and was evaluated within the given price range for goods. The prevailing market price may not have other charges loaded it for example delivery charges, taxes and markup to cover for the goods purchased on credit. This framework contract was through call-offs order where the price has been determined in the contract by applying the terms specified without reopening competition.</p>	<p>The committee observed the issue is not addressed since acceptance of award, performance bond and signed framework contract agreement binding</p>	<p>Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The County Executive to identify training needs of its staff serving in the Procurement and Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of</p>	<p>60 Days from the date of adoption of this report</p>
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					adoption of this report.	
<b>35 Irregular Procurement of Bitumen</b>	Regulation 101(3) and 103(1) and (2) of the Public Procurement and Asset Disposal Regulations, 2020.	The County Executive paid a supplier an amount of Kshs.33,000,000 for supply and delivery of one thousand (1,000) drums of 200kg of bitumen. The contract was executed through framework agreement which was signed on 22 June, 2023. However, the procurement method did not meet the conditions for the frame work agreement because there was no proof of competition	This was an open tender and prices are determined by the competitive price offered by bidders and was evaluated within the given price range for goods. The prevailing market price may not have other charges loaded it for example delivery charges, taxes and markup to cover for the goods purchased on credit. This framework contract was through call-offs order where the price has been determined in the contract by applying the terms specified without reopening competition.	The committee observed that it was not clear how the supplier was selected from the two hundred and sixty-seven (267) bidders who were evaluated and recommended for consideration as per the professional opinion. Tender documents, tender opening minutes and attendance register,	1. The Ethics and Anti-Corruption Commission (EACC) should investigate this irregular procurement of bitumen worth Kshs.33,000,000 to determine whether the improper use of a framework agreement, without evidence of competitive bidding as required by law, constituted	60 Days from the date of adoption of this report

				<p>tender evaluation minutes and award were not provided for audit.</p> <p>Tender documents not provided</p>	<p>fraudulent procurement practices, collusion, or financial loss to the County; and</p> <p>2. The County Executive to identify training needs of its staff serving in the Procurement and Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.</p>	
<b>36 Irregular Procurement</b>	Section 53(8) of the Public Procurement	Procurement of services commenced with insufficient	It is unrealistic to extend a non performing contract.	The committee observed that	The Office of the County	60 Days from the date of

<b>ement of Renova tion of County Flats in Uhuru Estate</b>	and Asset Disposal Act, 2015	budgetary provision of Kshs.17,750,000 against a contract sum award of Kshs.39,866,880. The contract duration had already lapsed while the paint works and roofing remained incomplete.	The county therefore allowed for the suspension until the payment is made for the contractor to resume the works. It is worth noting that the project is still valid but on prolonged suspension. Once the payments due are made, the contract time will be extended.	the Issue is not addressed since the Contract duration lapsed without completion of works	Governor undertakes: 1. Administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.  2. The County Executive should have in place a projects	adoption of this report
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					implementation team that tracks projects from initiation to timely completion. Contractors that perform substandard works should be blacklisted	
<b>37 Payment for Construction of ECDE Centre at Ngungu Primary School</b>	Section 88(1) of the Public Procurement and Asset Disposal Act, 2015	Examination of records in respect of an amount of Kshs. 4,088,753 for construction of ECDE Centre at a contract sum of Kshs.13,975,680 indicated that the practical completion date for the works was 3 November, 2020. Discussions with Management revealed that the construction was currently at 95% completion  However, given that the contract period	The contractor raised the first Interim Payment Certificate on 18th August 2020 which was within the contract period (See attached copy of the certified payment certificate). The payment was delayed due to the delayed transition from NMS to Nairobi City County government. The contractor's first IPC was settled in July 2024. Thereafter the contractor applied for time extension to	The committee observed that the Issue is not addressed since the Contract duration lapsed without completion of works	The Committee recommends that; 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely	60 Days from the date of adoption of this report

		<p>had lapsed, the contractor was performing the works with an invalid contract and there was no evidence of extension of contract duration. This was contrary to Section 88(1) which provides that before the expiry of the period during which tenders shall remain valid, the accounting officer of a procuring entity may extend that period.</p>	<p>enable her complete the outstanding works (See attached copy of the application) which was granted.</p>		<p>completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the</p>	
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					<p>County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to</p>	
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					the Committee in the subsequent audit cycle.	
<b>38 Irregular Procurement of Events Management Services</b>	This was contrary to Section 68(1) of the Public Procurement and Asset Disposal Act, 2015	Payment of Kshs.49,955,400 for provision of events management Services at Kenyatta International Conference Centre (KICC). The audit could not establish justification for contracting the same services through a third party, while the venue for the event could offer all the services tendered at a fair price. contract binding the County and the service provider was not provided for audit. No evidence of payments of performance bond	The county opted for open tender and KICC did not bid for the tender which was awarded to the service provider who qualified. The evaluation signed scoring sheets and the performance bonds are attached in <b>Appendix B 21</b> . The evidence of advertisement of the tender NO. NCC/CCAT/T/142/1373098/2023 - 2024 in the PPIP portal is attached in <b>Appendix B 21</b> . The invitation date was done in minimum of seven days It was published on 22nd	The committee observed that the issue is partially addressed and Supporting evidence provided  However, performance bond not provided	1. The Ethics and Anti-Corruption Commission (EACC) should investigate the irregular procurements totaling Kshs.82,941,658 for events management services to determine whether the blatant violations of the Public Procurement and Asset Disposal Act, 2015, including unsourced	60 Days from the date of adoption of this report

		no evidence of publishing of advertisement of the tender	<p>November, 2023 and opened on 29th November, 2023.</p> <p>The tender evaluation scoring was signed as attached and there is evidence of the evaluation report signed.</p> <p>The performance bond was not indicated in the document.</p>		<p>justification for third-party contracts, lack of competitive bidding, unsigned evaluation reports, missing performance bonds, and unlawful tender timelines, were deliberate acts to defraud public funds; and</p> <p>2. The Office of the County Governor undertakes administrative action against the Head of Procurement</p>	
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					and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
<b>39 Anomalies in Provisions of Legal Services</b>	Section 103 of the Public Procurement and Asset Disposal Act, 2015	i. The basis of the fee notes in view of the Advocates Remuneration Order together with a detailed summary of services rendered by the lawyer upon	Advocates raise fee notes in line with the Advocates Remuneration Order(ARO). However, under <b>schedule 5</b> , of the Order, the Advocate	The committee observed that the County did not limit hiring of outside Counsel and	The Committee recommends that; 1. The Office of the County Governor undertakes	60 Days from the date of adoption of this report

		<p>which the fee note is based was not provided for audit review.</p> <p>ii. The advocates were directly appointed from a list of prequalified advocates without subjecting the process to mini competition</p> <p>ii. The contracts between the Advocates and the County and the current status of the legal cases was not provided for audit.</p>	<p>and the client can agree on fees provided the same is not below the stipulated minimum under the Order as that would amount to undercutting. Where the value of the subject matter is pleaded <b>Schedule 6 and 7</b> apply. when the list for prequalified firms were forwarded to the office of the county attorney, the legal firms were not subjected to another bidding process because the law which govern the legal profession does not contemplate the process, reason being, ultimately the fees shall be charged as per the advocates remuneration order. The legal framework for the public procurement of</p>	<p>utilize in-house Counsel, which is more cost effective and less prone to abuse.</p> <p>In addition, the response does not provide how the prequalified advocates were engaged for service</p>	<p>administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Ethics and Anti-Corruption</p>	
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			<p>consultancy services in Kenya, under <b>PPADA 2020</b> and the procuring public entities should therefore be aware of and take into consideration the tenets of the legal profession and demand special exception in the public procurement of the legal services. On the question of agreements, the law in <b>Section 46 of the Advocates Act</b> which governs the legal profession forbids advocates from entering into certain agreements with their clients and even goes ahead to invalidate such agreements. However, there are Formal Instruction Letters which are issued to the legal</p>		<p>Commission (EACC) should investigate the expenditure of Kshs.483,835,759 in legal fees and the outstanding Kshs.21.37 billion in pending legal bills to determine whether the direct appointment of advocates without competitive procurement, unexplained fee revisions, and missing documentation violated Sections of the Public Procurement and Asset</p>	
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			<p>service providers, and are binding. The Payments may not be according to the principle of first in first out basis and this is attributable to the following factors;</p>		<p>Disposal Act, 2015 and potentially enabled fraud or inflated costs;</p> <p>3. The County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015; and</p> <p>4. The County Executive utilizes the Office of the County Attorney to provide legal</p>	
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					advice and court representation and should provide evidence of compliance with the County Attorneys Act within 60 days of the adoption of this report.	
<b>40 Unfair Award of Cases and Payment to Advocates</b>	Regulation 91(5) of the Public Procurement and Asset Disposal Regulations, 2020	65 cases were awarded to eight (8) advocates with the number of cases allocated to each ranging between four (4) and twenty (20). Criteria for allocation not explained.  County paid some advocates who defended the County in new cases while some old cases remained unpaid for years.	In allocating the files to external counsel, we take into consideration past experience of the advocate in handling our cases, familiarity with the matter, complexity of the case or cases and areas of specialization. Contrary to what is alluded herein, the list of cases and the advocates on record for the financial year	The committee observed that the County did not limit hiring of outside Counsel and utilize in-house Counsel, which is more cost effective and less prone to abuse Issue again is not addressed since all	The committee recommends that 1. the Ethics and Anti-Corruption Commission (EACC) should investigate the irregular allocation of 65 cases to only 8 out of 350 prequalified advocates, in clear	60 Days from the date of adoption of this report

			under review are as per <b>Annexure 22.2</b>	prequalified advocates are eligible for award of cases.	violation of Regulation 91(5) of the Public Procurement and Asset Disposal Regulations, 2020 to determine whether this selective case distribution-coupled with the questionable prioritization of payments for newer cases over longstanding ones-involved favoritism, collusion, or fraudulent diversion of public	
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					<p>funds. The probe should address the unexplained criteria for case allocation to specific advocates, potential kickbacks or conflicts of interest in the payment prioritization process, and compliance with Sections 57, 71, and 106 of the Public Procurement and Asset Disposal Act Cap. 412C on equitable rotation of</p>	
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					<p>prequalified service providers; and</p> <p>2. The County Executive utilizes the Office of the County Attorney to provide legal advice and court representation and should provide evidence of compliance with the County Attorneys Act within 60 days of the adoption of this report.</p>	
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<b>41 Long Outstanding Court Payments</b>	<p>Review of record in respect of legal cases indicated that the County had been involved in numerous legal disputes dating back to the 1990s which have resulted in heavy fines and penalties. Despite these outcomes, Management has consistently failed to comply with court orders, leading to accumulation of interest on unpaid fines. This exposes the County to additional financial strain and legal consequences</p>	<p>Regulation 41(2) of the Public Finance Management (County Government) Regulations, 2015</p>	<p>The greatest challenge in complying with payment of decrees is attributed to budgetary constraints and that is the reason why some of these decrees remain unpaid to the extent of the decree holders proceeding to file contempt proceedings against the County officials.</p>	<p>The committee observed that the County has consistently failed to comply with court orders, leading to accumulation of interest on unpaid fines. Court payments still remain outstanding</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertake administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public</li> </ol>	<p>60 Days from the date of adoption of this report</p>
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					<p>Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance</p>	
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					<p>Management (County Government) Regulations, 2015; and</p> <p>3. The County Executive utilizes the Office of the County Attorney to provide legal advice and court representation and should provide evidence of compliance with the County Attorneys Act within 60 days of the adoption of this report.</p>	
<b>42 Non - Adherence to Salaries and</b>	SRC Circular Ref. No. SRC/TS/COG/6/61/48	i. The contract sum of Kshs.235,323,395 was against the Salaries and Remuneration Commission	The County Government exceeded the cost of Governors house with Ksh. 190,323,395 because	The committee observed that the County has failed to Construct	1. The Office of the County Governor undertakes administrative	60 Days from the date of adoption of this report

<b>Remuneration Commission Guidelines</b>		<p>Circular Ref. No. SRC/TS/COG/6/61/48 Kshs.45 million. Title deed for the land on which it intended to build the Governor's residence not provided</p> <p><b>ii.</b> Failure to Construct Deputy Governor's Residence and Irregular Rental House Allowance</p>	<p>of the following reasons:</p> <p>i) This is a complex building with multiple interconnected facilities and amenities that serve a variety of other official purposes.</p> <p>ii) There will be two(2no) blocks, the Governor's house and an Administration block with various sub offices and His Excellency the Governor will be conducting some of his Official duties and responsibilities in the sub offices</p> <p>The ownership documents of the land situated on the northern boundary of plot no. 2368 is attached for reference.</p>	<p>Deputy Governor's Residence and Irregular Rental House Allowance issue is not addressed</p> <p>In addition, the ownership documents for land not provided</p>	<p>action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The County Executive complies with section 53 of the Public Audit Act, 2015 by taking action</p>	
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			The county is sourcing for land to construct the Deputy Governor's residence		on the issues raised by the Auditor General and submitting a report to the Office of the Auditor General.	
<b>43 Irregular Payments to Dishina County Implementor</b>	Regulation 72 of the Public Finance Management (County Government) Regulations, 2015	<p>The County Executive ought to have paid the implementor Kshs.20 per plate served to form part of the contract cost of Kshs.25 as provided in the contract. Instead, the County paid Kshs.25 per plate served.</p> <p>There was no agreement or memorandum of understanding signed between the County and the Company the County Executive for the pilot</p>	<p>The County Executive entered into a contract with Food for Education on 5 December, 2023 for the provision of school feeding services as part of the Dishina County Nairobi School Feeding Program for (one) (1) year at a rate of Kshs.25 per plate.</p> <p>The Ksh 25 per plate paid by the county aligns with the contract, while an additional Ksh 5 is contributed by parents.</p>	<p>The committee determines that the donation, given that it is given under the Dishina County program, it should be disclosed and accounted for.</p> <p>The County Government should pay the implementor Kshs.20 per plate as stipulated in the contract.</p>	The Committee recommends that the Office of the County Governor should regularize all irregularities in the Dishina County program by recovering the overpaid funds resulting from the incorrect Kshs.25 per plate payment (which should have been Kshs.20), formalizing the engagement with Food for	60 Days from the date of adoption of this report

		<p>exercise. The Embassy of France disbursed Kshs.145,725,000 directly to Food for Education. The audit could not establish its accountability.</p>	<p>Food4Education covers the remaining Kshs.15, as outlined in the tender's terms of reference. The total meal cost includes food ingredients, distribution and logistics, sourcing, utilities such as water and electricity, cooking fuel, technology, cooking labor and overhead costs. Nairobi City County Government did not receive any grant towards the Dish na County School Feeding Program. The said grant was awarded to Food for Education Foundation who signed an MoU with the French government. The allocation was to support vulnerable learners whose</p>		<p>Education through a signed contract or MoU to clarify roles and payment terms, establishing clear guidelines for managing donations, including tracking and auditing the Kshs.145.7 million from the French Embassy and implementing stringent oversight mechanisms to ensure future compliance with contractual and financial protocols and provide a copy of the revised contract be provided to the Office of the Auditor General</p>	
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			parents were unable to pay for their meals.		within sixty (60) days from the adoption of this report.	
<b>44 Irregular Procurement of Proposed Construction of Central Kitchen</b>	Section 44(2)(h) of the Public Procurement and Asset Disposal Act, 2015	<p>i. This contradiction of the individual scoring of each member of the evaluation committee and the outcome of the evaluation</p> <p>ii. indicated that none of the evaluators signed against their individual score sheets casting doubt on the authenticity of the scores</p> <p>Physical verification of Central Kitchens for the Dishina County Programme carried out in the month of October, 2024 revealed poor workmanship</p>	<p>Each evaluator signed against their score sheet. See attached hard copies of the individual evaluator scores in the appendix provided.</p> <p>Corporate Transfers Solution Ltd under Contract No. NCC/TSDC/T/309/2022-2023 was non-responsive at the preliminary stage of the evaluation hence could not proceed to Financial evaluation. The payment for the meter and power installation was made to Kenya Power. The payment receipts and EPRA Certificates were sent. According to</p>	<p>The committee determines that the issue partially addressed as the explanation for donation provided, however, the allocation is being utilized under dishina county programme by the implementer, therefore, the donation should be disclosed and accounted for. Further, even though the</p>	<p>The Committee recommends that the County Executive should regularize all irregularities in the Central Kitchen construction projects by holding the contractors accountable for substandard work (e.g., cracks, missing utilities, and incomplete installations) by enforcing contractual penalties or demanding remedial work, recovering funds</p>	60 Days from the date of adoption of this report

		<p>The central kitchen at Mutuini Primary School noted that the kitchen was feeding 17 schools among them 5 high schools. The audit team was informed that the high school students pay Kshs. 30 per plate per student. Feeding of high school students was beyond the scope of the program and therefore irregular.</p>	<p>Kenya Power, meter number <b>25700736579</b> has been assigned to the kitchen.</p> <ul style="list-style-type: none"> <li>• Water connection was done by Nairobi Water and Sewerage Company and Meter number 5255585 was allocated to Toi Central Kitchen.</li> <li>• The kitchen uses briquettes as the primary source of cooking energy, whereby gas is used as a backup, and all infrastructure is in place. The connection of gas to the cooking vessels is underway.</li> <li>• The contractor satisfactorily did light paving of the driveway and</li> </ul>	<p>Meter installation done, the connection of gas to the cooking vessels is not yet done.</p>	<p>paid for undelivered services (e.g., water tanks and driveway lights) and reviewing the Mutuini Primary School kitchen's operations to align with the program's original scope by ensuring high school payments (Kshs.30/plate which is high) do not divert resources from vulnerable beneficiaries and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
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			<p>parking at the time of handing over. It is noted that there is a typo whereby the BQ for the parking and driveway (D) is erroneously assigned to the ELECTRICAL WORKS section. Make reference to the Farasi lane BQ where the driveway and parking is assigned under PROVISIONAL SUMS and not ELECTRICAL WORKS.</p> <ul style="list-style-type: none"><li>• The contractor installed the three (3) water tanks as per the BQ specifications. There is photo evidence of the same. The high schools being fed from the</li></ul>			
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			<p>Mutuini Kitchen have been previously feeding from the Dagoretti South National Constituency Development Fund kitchen before Dishina County was initialized. Below are the high schools with their corresponding number of meals;</p> <p><b>Ndurarua Secondary-550; Mutuini Girls-89; Kagira High-60 and Riruta High-210.</b> Payment for these meals is done directly to Food for Education by the respective schools.</p>			
<p><b>45 Irregular Procurement for Construction of Market</b></p>	<p>Regulation 137 of the Public Procurement and Asset Disposal Regulation, 2020</p>	<p>The contract period had lapsed and there was no evidence of approval of extension of the contract while the performance bond</p>	<p>The performance bond was delivered accompanied by the acceptance on 2nd January 2024 and was valid until 2nd July 2024;</p>	<p>The committee determines that the issue is only partially addressed as</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Office of the County</li> </ol>	<p>60 Days from the date of adoption of this report</p>

		<p>expired on 2 July, 2024. The project had since stalled.</p>	<p>iii. The contractor raised the first certificate of Ksh. 69,000,000 on 15th March 2024. The inspection certificate and payment vouchers were done before mid-May 2024 awaiting payment;</p> <p>iv. Payment delayed and was done on 18th July 2024;</p> <p>v. The performance bid was valid by the time the certificate was being invoiced and uploaded on IB;</p> <p>vi. The project is currently at 80% completion rate.</p>	<p>the Contract duration lapsed without completion of works</p>	<p>Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the</p>	
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					<p>adoption of this report;</p> <p>2. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public</p>	
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					<p>Finance Manageme nt (County Governmen t) Regulations , 2015 within 60 Days from the date of adoption of this report;</p> <p>3. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the</p>	
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					<p>adoption of this report;</p> <p>4. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
<b>46 Procur ements above the Budget ed Amoun t</b>	Section 44(2) of the Public Procurement and Asset Disposal Act, 2015	The County Executive budgeted an amount of Kshs.36,000,000 and awarded the contract at a contract price of Kshs.47,917,860, therefore incurring Kshs.11,917,860 over and above the budgeted amount.	The contract for procurement of medical equipment of sum amount of Kshs.47,917,860 is a pending bill incurred during financial year 2022/2023 being payment of supply and delivery of medical equipment for Mbagathi and Pumwani hospitals.	The committee determines that the issue is only partially addressed as the activity has resulted into a pending bill but whose payment has not been completed	The Committee recommends that the County Executive must immediately take corrective action to address these procurement irregularities by conducting a comprehens	60 Days from the date of adoption of this report

					ive review of all contracts awarded above budgeted amounts to determine justification for the over- expenditure s totaling Kshs.26,916 ,754, enforcing strict adherence to Section 44(2) of the Public Procurement and Asset Disposal Act, 2015 by ensuring all future procurement s remain within approved budgets and implementin	
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					g stronger budgetary controls to prevent unauthorized spending.	
<b>47 Supply and Delivery of Non-Pharmaceuticals</b>	Section 48 of the Public Procurement and Asset Disposal Act, 2015	The County Executive incurred an amount of Kshs.13,890,000 on supply and delivery of non-pharmaceuticals. Review of stores received statement indicated that goods were received in the stores on 3 August, 2023. However, the appointed inspection and acceptance committee carried out inspection on 6 October, 2023, two months after receipts of goods in the stores.	Management noted that there was delay in appointment of inspection and acceptance committee however this did not cause any loss of material defect on the commodities supplied since the appointed team inspected and accepted goods supplied were of good quality and quantity as per the attached LPOS issued. The LPO issued was validated by the authorized officer therefore giving its extension of validity period.	The committee determines that the Inspection carried out two months after receipts of goods in the stores revealed that the goods were delivered after the 30 days validity period of LPOs.  Delay in appointment of inspection and acceptance committee and delivery of goods after	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;	60 Days from the date of adoption of this report



				lapse of LPO validity period	2. The County Executive to identify training needs of its staff serving in the Procurement and Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.	
<b>48 Supply and Delivery of Health Products for Mutuini Hospital</b>	Section 48 of the Public Procurement and Asset Disposal Act, 2015 which states that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services; (a)	The County Executive incurred an expenditure of Kshs. 8,880,632 for supply and delivery of health products for Mutuini Hospital. Review of procurement documents indicated that opening of the tender was done on 29 June, 2023 while evaluation was performed on 28	Although the validity period for the LPO had lapsed, the stores LPO copy had been validated on 21/9/2023 thus giving the LPO validity, an extension and it's on this strength that receipts were done (stores LPO copies attached).	The committee determines that the Inspection carried indicated that that opening of the tender was done on 29 June, 2023 while evaluation was performed on	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of	60 Days from the date of adoption of this report

	inspect and where necessary, test the goods received; (b) inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract; and (c) accept or reject, on behalf of the procuring entity, the delivered goods, works or services	June, 2023 a day before opening. Further, the award letter stated a contract period of 14 days. However, local purchase order (LPO) were issued on 14 July, 2023 while delivery was done on 27 September, 2023. Therefore, the goods were delivered after the 30 days validity period of the LPOs. In addition, inspection was done on 21 November, 2023; almost two months after delivery of goods.		28 June, 2023 a day before opening. F  Opening of the tender was done on 29 June, 2023 while evaluation was performed on 28 June, 2023 a day before opening. the goods were delivered after the 30 days validity period of the LPOs.	the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The County Executive to identify training needs of its staff serving in the Procurement and Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.	
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<b>49 Supply and Delivery of Non-Pharmaceuticals and Linen for Health Facilities</b>	<p>Section 150 of the Public Procurement and Asset Disposal Act, 2015.</p> <p>Section 48 of the Public Procurement and Asset Disposal Act, 2015</p>	<p>i.The contracted supplier delivered goods partially on 30 August, 2023 and issued a credit note of Kshs.2,496,000. No explanation was provided for failure by the contractor to deliver all the items</p> <p>ii. Goods were delivered after the 30 days validity period of LPOs. Date inconsistencies implying that how the goods were received in the stores before being delivered by supplier. inspection was done more than one month after delivery of goods.</p>	<p>The supplier delivered the items on 21/8/23 after expiry of the validity period of the LPO. However, the stores copy of the LPO had been validated on 18/8/23 (copies attached) giving it an extension informed by the nature and purpose of the goods, the extension was necessary in line with PPDA 178(i). The supplier was unable to service all the items on the LPO because the cost of shipping the few items that were not locally available then which necessitated the raising of the credit note.</p>	<p>The committee determines that the Inspection carried out revealed that delivery had not been concluded upon which there was a lapse of tender validity period</p>	<p>The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The County Executive to identify training needs of its staff serving in the Procurement and</p>	<p>60 Days from the date of adoption of this report</p>
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					Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.	
<b>50 Supply and Delivery of Yellow Fever Certificate</b>	<p>Section 48 of the Public Procurement and Asset Disposal Act, 2015</p> <p>The inspection and acceptance committee shall immediately after the delivery of the goods, works or services—</p>	<p>The County Executive paid Kshs.8,000,000 for the supply and delivery of yellow fever certificates. However, delivery notes indicated that goods were delivered on 5 July, 2023 but received in the stores through stores received statement dated 25 July, 2023. This was more than 20 days after delivery by the supplier. Further, goods were inspected on 18 July, 2023, before being</p>	<p>The goods were delivered on 5<sup>th</sup> July 2023. Inspection and acceptance certificate serial no 3388 was duly signed on 18<sup>th</sup> July 2023. (copy attached)</p> <p>The goods were posted in the Stores received statement (SRS) on 25<sup>th</sup> July 2023(copy attached) after inspection and acceptance in accordance with Section 159 of the PPAD Act 2015 .</p>	<p>The committee determines that the goods were received but there were delays. Inspection and acceptance committees were signed way later</p>	<p>The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the</p>	60 Days from the date of adoption of this report

		received in the stores, therefore casting doubt on whether the stores received the goods. In addition, the County Executive paid another supplier an amount of Kshs.19,875,000 for supply and delivery of yellow fever certificates, however, it was established that goods were delivered and received in the stores on 28 August, 2023 after expiry of LPO validity period of 30 days. The LPO number 4300 was issued on 14 July, 2023.	The store cannot receive goods into the official accounting document i.e. the SRS until they have been duly inspected and accepted by the ad hoc Inspection and Acceptance committee. The stores received items on 28 <sup>th</sup> August 2023 vide LPO 4300 (copy attached) which had been validated by the HSCM on 22/8/2023 therefore the LPO was valid at the time the delivery was done.		Auditor General within sixty (60) days from the adoption of this report; 2. The County Executive to identify training needs of its staff serving in the Procurement and Finance Department and initiate capacity building and training in conjunction with the National Treasury within 60 days of adoption of this report.	
<b>51 Procurement and Payme</b>	Regulation 78(1) of the Public Procurement	i. The tender was not supported with appointment letters for tender opening	i. The documents providing the register of members for both the Tender	The committee determines that	The Office of the County Governor undertakes	

<p><b>nt of Fuel, Oil and Lubricants</b></p>	<p>and Asset Disposal Regulations, 2020.</p> <p>Regulation 91(5) of the PPAD Regulations, 2020</p>	<p>committee. Further, the tender opening committee and the tender evaluation committee consisted of the same members</p> <p>the County Executive procured fuel from only one company without ensuring fair rotation among the companies</p> <p>County Executive fueled vehicles belonging to the County Assembly totalling to Kshs.2,564,401.</p> <p>Management had fueled vehicles whose speedometers were defective. Due to the defect, it was not possible to ascertain the fuel</p>	<p>Opening Committee and the Tender Evaluation Committee, which demonstrate that the members are not the same, are attached in Annex 6 for your reference</p> <p>ii. The documents evidencing the notification and acceptance of the award from the companies that were awarded the framework contract to supply and deliver fuel and oil have been attached in Annex 6 for your reference. (Annex 6)</p> <p>ii. There is a strong and mutually beneficial working relationship with Vivo Energy, which allows them to extend credit facilities to us before the payment is fully processed</p>	<p>Repair of speedometer is ongoing</p> <p>However, Opening, committee members appointment was not provided, evidence of acceptance letter was from only one supplier in the framework agreement.</p>	<p>administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The County Executive to identify training needs of its staff serving in the Procurement and Finance Department and initiate capacity building and</p>	
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		<p>consumption by the vehicles.</p> <p>Un updated work tickets</p> <p>Lack of fuel card policies and procedures in order to ensure that there are sufficient controls over management of fuel,</p> <p>fuel consumption records for generators were not provided for audit.</p>	<p>iii. Work tickets for all County Executive and County Assembly vehicles are issued and surrendered at a central point, the Transport Inspection Unit (TIU) at Muoroto, along Landhies Road..</p> <p>iv.As a County Government we have started repairing the faulty speedometer as evidenced by Job car od KAT 535X (Annex 7) which has been replaced</p> <p>v. Due to the bulk nature of the records and the limited workforce handling them, occasional errors may arise during the data entry process. These errors are generally</p>		<p>training in conjunction with the National Treasury within 60 days of adoption of this report.</p> <p>.</p>	
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			typographical in nature, such as incorrect digits or miswritten details, and do not have a significant impact on the overall integrity of the data.			
<b>52 Construction of Gikomba Fire Station</b>	Regulation 137 of the Public Procurement and Asset Disposal Regulation, 2020	<p>Tender Opening committee members were appointed as tender evaluation committee members.</p> <p>Further, inspection and acceptance certificate no. 1 not supported with a technical report detailing the works done, including the remaining works against which the contract completion period could be compared. The project was incomplete despite lapse of contract period.</p>	<p>The Chairpersons of the two respective committees were different individuals as per the Act.</p> <p>The Quantity Surveyor appeared in both Committees as the Competent Technical Authority who had prepared the project's Bill of Quantities</p> <p>The User Department nominated one officer who had been taken through intensive training and demonstrated a good understanding of the then newly</p>	<p>The committee determines that the County did not have in place a projects implementation team that tracks projects from initiation to timely completion. Contractors that perform substandard works should be blacklisted. Contract period lapsed without completion of works.</p>	<p>The Committee recommends that ;</p> <ol style="list-style-type: none"> <li>1. the Ethics and Anti-Corruption Commission (EACC) investigates potential procurement</li> </ol>	60 Days from the date of adoption of this report



			<p>introduced E-procurement system</p> <p>Valuation of the Contract period is in the process to determine the validity period and enable the Contractor to complete the project once payment for the Valuation certificate 1 raised is settled. Refer to <b>Appendix 28</b></p>		<p>violations in the Gikomba Fire Station project, particularly the unlawful dual role of committee members in both tender opening and evaluation</p>	
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					and the unsu ppor ted paym ent of Kshs. 30,02 4,578 witho ut prope r docu ment ation of work progr ess; and 2. The Coun ty Exec utive to identi fy traini ng	
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					needs of its staff servi ng in the Proc urem ent and Finan ce Depa rtme nt and initia te capac ity build ing with the relev ant instit ution s in a bid to regul arize	
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					its procu reme nt practi ces by estab lishin g separ ate, legall y- comp liant tende r openi ng and evalu ation com mitte es for all futur e proje cts, imple	
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					menting mandatory technical progress reports before any payments are approved and conducting a comprehensive audit of all ongoing contracts to verify	
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					y comp letion status and value for mone y and subm it a status repor t to the Offic e of the Audit or Gene ral withi n 60 days of adopt ion of this repor t.	
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<b>53 Irregular Procurement of Affordable Housing Project</b>	<p>Section 134(2) of the Public Procurement and Asset Disposal Act, 2015</p> <p>Section 142 of the Public Procurement and Asset Disposal Act, 2015 which states that subject to the regulations, a successful tenderer shall submit a performance security equivalent to not more than ten (10) per cent of the contract amount before signing of the contract.</p>	<p>The contracts were not cleared by the Attorney General before they are signed.</p> <p>Clause 6 of the agreement, contradicted the conditions in the tender document which defines the total development cost to include the value of the land on which the project shall be implemented. The cost of the land is the contribution of the County Government.</p> <p>The value of the performance bond for the Woodley not commensurate with the value of works.</p> <p>Section 9 of the joint venture agreement contradicts Section</p>	<p>a) The tender document for the Woodley site provided the following as <b>per Appendix B 29 (i)</b> – Bid Form 1 table B &amp; C; <u>Development cost</u> which is cost for project construction which the Developer tendered at Kshs 10,288,284.589.00</p> <p>b) <u>Total Development cost</u>, which is Development cost in (1) above plus land value. The contract amount is Ksh 10,288,284,589.00, however the public exposure, which need to be de-risked, is on the value of land estimated at Ksh 2,897,310,000.00</p>	<p>The committee determines that the Accounting Officer did not ensure that award of contracts takes into account all relevant financial considerations, including issues of propriety, regularity and value for money.</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive should take corrective action to regularize these irregular Affordable Housing Projects by submitting all contracts to the Attorney-General for ex-post facto clearance as required</li> </ol>	<p>60 Days from the date of adoption of this report</p>
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		<p>12 of the same agreement. This clause might be abused by either party.</p> <p>Evaluation report contradicted the findings of the scores documented for mandatory requirements</p> <p>the County Accounting Officer responsible did not submit the tender documents and the proposed procedure to the Cabinet Secretary for approval detailing the justification for the use of the method.</p> <p>Titles for the land on which the affordable housing projects were to be built were not provided for audit. This includes</p>	<p>(9.6 Acres valued at Ksh 300,000,000.00 per acre) and therefore the Ksh 57,946,200 is 2% of the land value, which is within the PPADA range not more than range of 10%.</p> <p>After the functions were returned to Nairobi City County Government, the County Secretary wrote to Principal Secretary the National Treasury vide letter: URHBS/HOU./6/2/MR/sm dated 6th December, 2022 to request approval for use of specially permitted procurement method and the same was approved by Cabinet Secretary vide letter: NT/PPD/CONF/5/5/007(12) dated 7th February, 2023.</p>		<p>by Section 134(2) of the Public Procurement and Asset Disposal Act, 2015, reconciling the contract sums to properly include land valuation as stipulated in Clause 6 of the agreements and requiring developers to provide compliant</p>	
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		the title for Jevanje land.			<p>performance bonds equivalent to 10% of contract sums (Kshs.1.03 billion for Woodley and Kshs.1.07 billion for Bahati) within 30 days;</p> <p>2. the County Executive should resolve the contradictory clauses in joint venture agreement</p>	
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					nts by either renegotia ting terms or terminati ng non- complian t contracts , while providin g all missing land titles (includin g Jevanjee ) to the Office of the Auditor General to verify ownershi p and proper valuation of county contribut ions	
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					within sixty (60) days from the adoption of this report.	
<b>54 Irregular Procurement for Completion Works of a Modern OPD Complex at Mutuini Hospital</b>	Regulation 137 of the Public Procurement and Asset Disposal Regulation, 2020	<p>Awarding of Kshs.236,524,771 for completion works of the Modern OPD Complex at Mutuini Hospital for 18 months is deemed irregular, since the remaining works of 45% amounted to Kshs.67,087,995 in respect of the initial contract sum. Therefore, a cost of Kshs.169,436,775 for an extra floor was more than the initial contract sum of</p> <p>Kshs.149,084,435.44</p>	<p>The defunct Nairobi Metropolitan Services (NMS) awarded M/s Pinnie Agencies limited via tender No. NMS/RT/008/2020-2021 for the construction of a modern OPD complex at Mutuini Hospital at a contract price of Kshs. 149,084,435.44. The works entailed construction of a new 2-storey medical block with a slab to await for phase two of the construction. The project stalled at approximately 55% completion and the</p>	<p>The committee determines that the Accounting did not ensure that award of contracts takes into account all relevant financial considerations, including issues of propriety, regularity and value for money.</p>	<p>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act,</p>	60 Days from the date of adoption of this report

			<p>contractor had raised two certificates totaling Ksh. 81,966,439. The Contractor was paid <b>Ksh. 57,952,341.35</b> of the first payment certificate which is equivalent to 45% contract sum. The NCCG awarded a new contract vide tender No. NCC/HWN/T/349/2023-2024 at a contract price of Kshs. 236,524,771. Phase two of the construction was factored into this contract</p>		<p>2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; and</p> <p>2. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely</p>	
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					completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.	
<b>55 Stalled Projects</b>	Section 108 of the Public Finance Management Act, 2012	i. Desert Playground in California- ii. Construction of Social hall at Kahawa west	Due to budgetary constraint, the phases of the project entailed construction of the foundation, sub structure and	The committee determines that the Accounting Officer did	1) The County Executive establishes a project management	60 Days from the date of adoption of this report

		<p>iii. Other stalled projects valued at Kshs.2,282,899,172 -Contract period had lapsed and no extension request had been lodged by the contractor.</p>	<p>super structure for ground floor and 1<sup>st</sup> floor slab. (Sees attached BQ). This phase 1 of the project is complete (See attached completion certificate). Phase II which entails finishes has been planned for FY 2024/2025.</p>	<p>not put in place a projects implementation team that tracks projects from initiation to timely completion. Contractors that perform substandard works should be blacklisted</p>	<p>and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report; 2) The Office of the County Governor to prioritise</p>	
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					completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
<b>56 Irregular Expenditure under Framework Contracting on Purcha</b>	Regulation 91(5) of the Public Procurement and Asset Disposal Regulations, 2020	County awarded contracts to the highest bidders on food items under the framework contract resulting in excess expenditure of Kshs.16,510,760 which could have been avoided if the County considered	The county had challenges in rotating the contractors in the framework contract due to the following reasons; i. Due to the prevailing economic environment, most	The committee determines that the Accounting Officer did not provide a response that was supported with documentary	The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and	60 Days from the date of adoption of this report

<p><b>se of Food and Non food Items</b></p>		<p>awarding the contracts to the lowest bidders. Further, the County did not rotate contractors while awarding purchase orders.</p>	<p>of the contractors who had quoted lower prices were unable to supply due to lower profit margins or potential losses arising from increased product costs.</p> <p>ii. Delays in payments for goods supplied by some Contractors caused reluctance by others to supply especially if their prices were lower.</p> <p>Other Contractors were reluctant to sign contract agreements with the County even after being shortlisted in the Framework contract; hence could not be awarded purchase orders.</p>	<p>evidence that other contractors within the framework contract were engaged.</p> <p>In addition, the Accounting officer should ensure that all procurements of goods and services are competitive even in framework contract by inviting a mini-competition amongst the suppliers.</p>	<p>timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>3) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status</p>	
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					update to the Auditor General within 60 days of the adoption of this report; The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
<b>57 Irregularities at Nanyuki Road Stores</b>	Section 162(2) of the Public Procurement and Asset Disposal Act, 2015  Regulation 176(1) of the Public Procurement and Asset Disposal Regulations, 2020	Physical inspection carried out in store revealed; i. 120 drums valued at Kshs.3,960,000 could not be accounted for. ii. Management did not conduct quarterly and annual inventory stock take iii. Items left to deteriorate in the stores. iv. Unautomated weighbridge v. The County Executive did not	i. This was a case of theft and is under investigation internally and by Kenya Police The county has increased security personnel from two to five officers ii. The county conducted quarterly annual stock takes and the reports are provided in Annex ii iii. The above items were procured by NMS and records were not handed	The committee determines that the Accounting Officer did not prepare and provide a disposal plan.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance	60 Days from the date of adoption of this report

		prepare an annual disposal plan vi. Items received in the store on 9 September, 2021 had not been issued to the user department.	over when the deed of transfer of functions ended iv. Weights and Measures department has since calibrated the weighbridge The Disposal plan is attached in Annex v		Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. In addition, the Office of the County Governor undertakes to investigate the cases of pilferage and stock variances and appropriate action taken including preparing a disposal plan annually.	
<b>58 Asphalt Plant Store</b>	Regulation 133 of the Public Finance Management (County Government)	i. 25 drums amounting to Kshs.825,000 could not be accounted for. Bitumen	These drums of the bitumen were wrongly delivered at kagundo road asphalt plant depot. This depot does not	The committee determines that the Accounting Officer did	The Office of the County Governor undertakes administrative action against	60 Days from the date of adoption of this report

	Regulations, 2015	ii. Unexplained variances between quantities requisitioned and issued from Nanyuki Stores	bin cards for receiving deliveries from suppliers. They had to be transferred to Nanyuki road stores which is equipped as such. In the process of moving these drums it was discovered that 25 of them were leaking and they were used in the plant.	not prepare and provide a stock reconciliation to ensure that stock take is conducted periodically and records maintained  In addition, the supporting evidence for the leaking drums not provided	the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;	
<b>59 General Store</b>	Regulation 133 of the Public Finance Management (County Government) Regulations, 2015	i. The County Executive did not have any inventory management and control software for effective stores management.	The medical machines were transferred from the ministry of Health under the Managed Equipment Services (MES) program. However,	The committee determines that the Accounting Officer did not utilize the machines	The Office of the County Governor undertakes implement policies that guide on stock levels for	60 Days from the date of adoption of this report

		<p>ii. Management had not implemented policies and procedures to guide on slow moving and obsolete items</p> <p>iii. Thirteen (13) pieces of medical machines (ACT machines, Mammograph machines, Biochemical analysis and Ski graph (medical equipment) donated in May, 2014 were still in the store unused for more than 10 years after receipts in the stores.</p>	<p>skills/training on how to operate these machines were not impacted on the county and the machines have remained idle.</p>	<p>which remained idle for years.</p>	<p>various inventory items in order to avoid wastage.</p> <p>The medical equipment should be put into use in the County's hospitals and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p>	
<b>60 Irregularities in Projects implementation</b>	Regulation 137 of the Public Procurement and Asset Disposal Regulation, 2020	<p>i. Dandora Stadium- Non-functional flood lights and public address system, field uneven, exposed electrical cables, visibly deteriorated roof.</p> <p>ii. Huruma Estate <b>Renovations-</b> The project was</p>	<p>1. The floodlights are working, PA system is working, perimeter wall boards were replaced</p> <p>2. No Response</p> <p>3. The contracted works involved installation of artificial turf,</p>	<p>The committee observes that the works remain incomplete and contract duration had lapsed.</p>	<p>1) The County Executive establishes a project management and monitoring System to help in</p>	60 Days from the date of adoption of this report

		<p>incomplete. The contract duration had also lapsed. Rooftop tiles were leaking .</p> <p>iii. <b>Rehabilitation of Joe Kadenge City Stadium-</b> Contract duration lapsed with contractor having not completed works. The artificial tuff had not been installed, the drainage was partially done and the chain link had not been Contractor had abandoned the site.</p> <p>iv. <b>Renovation of Uhuru Estate-</b> Physical inspection revealed that painting works were poorly done and the contractor was not on site</p> <p>v. <b>Construction of Jericho Perimeter</b></p>	<p>drainage and chain link. The artificial turf is at the grounds of Joe Kadenge and the ground works have been completed awaiting laying of the turf. Attached herein are photos of the turf at the Joe Kadenge marked “JK1”.</p> <p>4. Not all houses were renovated, due to budgetary constraints the renovation was limited to repair roof work of damaged roof and painting works.</p> <p>5. According to the inspection/acceptance team and technical team, works were complete and thus the issuance of completion certificate.</p> <p>I. 6. All incomplete works not completed by first contractor</p>	<p>In addition, the Accounting Officer did not have in place a projects implementation team that tracks projects from initiation to timely completion. Contractors that perform substandard works should be blacklisted</p>	<p>proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015</p>	
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		<p><b>Wall- Works incomplete, however</b> inspection and acceptance report indicated that the expected works were 100% <b>completed.</b></p> <p><b>vi. Rehabilitation of Joseph Kangethe/Woodley Stadium-</b> A new contract was awarded to another contractor on 2 August, 2024 at a contract sum of Kshs.123,957,878.It was observed that the incomplete works of the former contractor were not included in the scope of the new contractor.</p>	<p>were incorporated in the new contract hereby report that:</p> <ol style="list-style-type: none"> <li>1. Drainage system works ongoing.</li> <li>2. Earthworks for laying of turf have been completed just awaiting laying of the turf.</li> <li>3. Turf was already on site.</li> </ol> <p><b>II.</b> The terms citing terraces and main stand terraces refer to the same thing. Refer to <b>Appendix 34.6</b></p>		<p>within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>The OAG to keep the matter in view and provide a status update to the Committee in</p>	
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					the subsequent audit cycle.	
<b>61 Lack of Non-Current Assets Ownership Documents</b>	Regulation 166(4) of the Public Procurement and Asset Disposal Regulations, 2020 which states that, for effective, economic, efficient, and transparent use of government inventory, stores and assets at all levels, an Accounting Officer of a procuring entity shall take full responsibility of the management or control of inventory and assets.	<p>Ownership records on the parcels of land where the buildings and structures are constructed were not provided for review.</p> <p>Detailed analysis of the specific works done and the current status in the year under audit was not provided for audit.</p> <p>A detailed schedule of infrastructure done over the years totalling Kshs.18,983,591,616 was not provided for audit.</p>	Ownership documents are provided in <b>Appendix 35</b>	The committee observes that except for Only Title deed for Dandora dumpsite land( 15.02 Hectares), the Accounting Officer did not provide and ensure safe custody of all the ownership documents of its parcels of land.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;	60 Days from the date of adoption of this report

<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
<b>62 Lack of Human Resource Manual and Policies</b>	Regulation 22(1)(b) of the Public Finance Management (County Government) Regulations, 2015	The County Executive did not have an approved staff establishment document, human resource and procedure manual, career progression guidelines, succession plan policy, disciplinary procedure policy, casual policy, recruitment plan and procedures relevant for the effective management of its public services. However, the County Executive's Schemes of Service and Human Resource Policy Manual, 2016 indicated that they were prepared and developed by the National Government for use	The County has been fully relying on the Public Service Commission (PSC) Human Resource Manual 2016 and national government career progression guidelines. However, we are in the final stages of developing the Nairobi County Human Resource Manual. The Zero Draft was submitted to the Auditors for review. The same is re-attached herewith for perusal. The manual contains: Human Resource policy, Succession Plan, disciplinary procedure policy, casual policy  The Board can hardly project the	The committee observes that the County is in the final stages of developing the Nairobi County Human Resource Manual. The Accounting Officer is responsible for ensuring that manuals and policies are developed and approved in order to enhance internal controls	1) The County Executive should put in place a Human Resource Manual and Policies within sixty (60) days from the adoption of this report and submit the same to the Auditor General. The Auditor General to closely monitor the development,	60 Days from the date of adoption of this report



		by its officers. In addition, the schemes of service adopted by the County Executive did not include all the cadres of staff employed by the County Executive or incorporate the changes that have occurred within the County Executive's staff establishment over the years.	County Staffing needs at the beginning of the Financial Year. This is because, recruitments are done as per sector needs. The Board recruits based on sector needs which are submitted in terms of formal recruitment requests supported by availability of budget and existence of vacancy in the staff establishment.			
<b>63 Incomplete Assets Register</b>	Regulation 136 of the Public Finance Management (County Government) Regulations, 2015	The asset register provided by Management was incomplete and had not been updated to reflect the balances disclosed in Annex 5 to the financial statements.	The county maintains an asset register that is continuously updated whenever a new asset is acquired. The county has engaged the services of County valuers for valuation of immovable properties (Land and Buildings) which	The committee observes that the County is in the process of obtaining asset values to ensure the asset register is complete. However, the current asset	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance	60 Days from the date of adoption of this report

			appear in our assets register with no values. This ongoing process ensures that all assets owned by the county are systematically documented and reflected in the register in real time.	was not provided for audit.	with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; In addition, the County Executive should identify all its assets and record them in the asset register.	
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**REPORT OF THE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE AUDITOR GENERAL'S REPORT  
ON RECEIVER OF REVENUE FOR THE COUNTY EXECUTIVE OF NAIROBI CITY FOR FINANCIAL YEAR  
2023/2024**

**Basis for Adverse Opinion**

<b>Audit issue</b>	<b>Criteria</b>	<b>Key issue</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>1.Lack of Ageing Analysis Listing of Revenue in Arrears</b>	Regulation 63(6) of the Public Finance Management (County Government) Regulations, 2015	The statement of arrears of revenue reflects total outstanding revenues in arrears of Kshs.1,509,346,118,578. However, this was not supported with a listing of all individual debtors as per the ageing analysis. require unique strategies.	As of 30 June, 2024, the land rates balance as per current revenue collection system, Nairobi Pay, stood at Kshs.1,509,346,118,578 whose ageing analysis is hereby attached as per appendices. The County keeps on developing and improving the system using ICT technical capacity that solve all system issues. <b>Appendix 1- List of ageing analysis report. (soft copy)</b>	The committee observed that the issue is not addressed since what has been provided are block figures without the listing per overdue days	1. The Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of	within 60 days of adoption of this report;

					<p>adoption of this report;</p> <p>2. The Accounting Officer should ensure adequate books of accounts are kept relating to revenue collection and debt management.</p>	
<b>2.Variance Between Reported Revenue and Transaction Schedules</b>	Regulation 22(1) of the Public Finance Management (County Government) Regulations, 2015	<p>Included in the revenue report are eleven (11) revenue streams totaling Kshs.12,053,763,650 and other income valued at Kshs.909,380,942. However, the transaction report per revenue stream provided for audit totaled Kshs.10,714,304,140 which differed with the reported revenue amount of Kshs.12,963,144,592 resulting in an</p>	<p>The County collected Kshs.12,963,144,592 during the Financial year 2023/2024, This collection included amounts collected in County Hospitals and the Liquor Boards. The said transaction report per revenue stream that was provided for audit of Kshs.10,714,304,140 was an analysis all revenues excluding liquor Kshs.270,747,747 and hospitals Kshs.1,154,091,268 which are run and audited independently. The</p>	<p>The committee observed that the issue is not addressed since the County provided transactions for OSR now totals Kshs.11,493,614,033 This varies with what was provided during audit</p>	<p>1. The Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to</p>	<p>within 60 days of adoption of this report;</p>

		<p>unreconciled variance of Kshs.2,248,840,452. Further, review of the bank statements revealed that three (3) Mpesa transactions totaling Kshs.32,994,754 could not be traced in the revenue bank accounts.</p>	<p>County transactions for the OSR amounting to Kshs.12,963,144,592 are as provided for your reference.</p> <p>The three (3) Mpesa transactions totaling Kshs. 32,994,754 that could not be traced in the revenue bank accounts were a consolidated figure for 3 days' collection and were actually received in the County bank account as indicated in the Table below, extracts of the statements confirming the same are hereby attached in appendix 2(b) and 2(c) for your reference.</p> <p>RECONCILIATION OF VARIANCE OF MPESA TRANSACTIONS – KSHS 32,994,754</p> <p>Appendix 2. (a) List of OSR transactions (soft copy)</p> <p>Appendix 2. (b) Extract from Mpesa statements on</p>		<p>the Committee within 60 days of adoption of this report;</p> <p>2. The Accounting Officer should ensure adequate books of accounts are kept relating to revenue collection and debt management</p>	
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			<p>3No. M-pesa transactions worth Kshs.</p> <p>32,994,754</p> <p>Appendix 2. (c) Extract of Co-op bank statements confirming receipt of M-pesa payments from M-pesa utility account.</p>			
<p><b>3. Irregular Bank Charges</b></p>	<p>Regulation 22(1) of the Public Finance Management (County Government) Regulations, 2015</p>	<p>Analysis of bank charges accrued in one of the revenue accounts revealed that the bank charges totaled to Kshs.67,700,753. This amount comprised of a debit entry of Kshs.4,728,500 in respect of excise duty and another debit entry for uncollected ledger fees of Kshs.23,642,750. These debit entries were made on 11 April, 2024 and the same repeated on 6 May, 2024.</p>	<p>The County has already communicated with the said Bank requesting for a verification of Bank Charges for April and May 2024 via letter ref REV/CC/124/2024 dated 4th November 2024 which is attached for your reference.</p> <p>Further the bank has so far responded on the same explaining their tariffs and how they charge the County per attached letter dated 11th November 2024.</p> <p><b>Appendix 3.(a) letter ref REV/CC/124/2024 from the County dated 4<sup>th</sup> November 2024</b></p>	<p>The Committee observed that the County Executive has not provided adequate explanation on the charges and amount differed with the expected bank charges from this specific account of Kshs.200,0</p>	<p>The Office of the County Governor undertakes measures to provide a verification of Bank Charges for April and May 2024.</p> <p>Further the Office of the County Governor to provide a reconciliation of the bank transactions and balances taking into account the high tariffs by the bank and further to ensure that</p>	<p>within 60 days of adoption of this report;</p>

		<p>Further, a cumulative amount of Kshs.2,733,850 in respect of ledger fees was charged in the month of June, 2024. However, review of the bank's tariff guide indicated that Kshs.500 is charged for all real time gross transfer of funds regardless of the amount. An excise duty of 15% was also made on the charge. Therefore, the charge for each amount swept to County Revenue Fund account was expected to be Kshs.575 per transaction. A monthly ledger fee of Kshs.300 was also charged. Therefore, the charged amount differed with the expected bank charges from this specific account of Kshs.200,000 resulting in an unexplained</p>	<p><b>Appendix 3.(b) a response from Co-op bank dated 11<sup>th</sup> November 2024.</b></p>	<p>00 resulting in an unexplained variance of Kshs.67,500,753.</p>	<p>irregular bank charges are not levied on the County bank accounts. In addition, the County Executive should initiate the process of making considerations for favorable rates and bank charges when opening a bank account</p>	
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		variance of Kshs.67,500,753.				
<b>4. Accumulated Uncollected Ground Rent and Land Rates Arrears and Penalties</b>	Regulation 63(6) of the Public Finance Management (County Government) Regulations, 2015	<p>Analysis of land rates balances of arrears maintained by the Nairobi Pay System revealed that the County had total outstanding arrears and penalties on uncollected land rates of Kshs.1,504,240,612,353. However, this amount differed with the reported land rates arrears of Kshs.1,505,829,973,824 in the statement of arrears of revenue resulting in an unreconciled variance of Kshs.1,589,361,471. No evidence was provided on measures taken by Management to ensure recovery of the receivables. Further, included in the outstanding land rates arrears in the Nairobi Pay System, is</p>	<p>The amount provided as Land Rates arrears of Kshs.1,505,829,973,824 represents total balances including arrears accumulated in the current year while Kshs.1,504,240,612,353 was in respect to arrears only and therefore the variance Kshs.1,589,361,471 is as a result of time difference. The County uses Various strategies to recover Land Rates and Ground Rent Arrears which include and not limited to issuance of Demand Notes, Legal Notices, Filing of Court Cases to Recover Owed Rates, listing of plots in arrears in print Media, adverts putting Rental units whose rates are in arrears under Nairobi City County Management until all outstanding rates are paid in full.</p>	<p>The committee observed that there was an accumulation of uncollected Ground Rent and Land Rates Arrears and Penalties</p>	<p>The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to reconcile the accounting records balances with the revenue figures in the financial statements which may expose the County to revenue loss.</p> <p>2. In addition, the The accounting officer should incorporate debt collection strategies in its debt management to ensure that the amount in the Nairobi Pay system should</p>	<p>within 60 days of adoption of this report;</p>



		Kshs.682,060,368 in respect of land rates arrears that was noted to belong to the Nairobi City County Government. The County owing itself casts doubt on the reliability of the revenue records maintained by the County which may result to possible loss of public funds.	The outstanding land rates debt of Kshs. 682,060,368 that was noted to belong to the Nairobi County Government is actually owned by both the County and individuals who were allocated parcels of land by Nairobi City County through allotment letters. Some of the properties are owned by the County facilities like schools, hospitals, Social halls while the individual properties are county schemes allotted to individuals Appendix 4: Soft Copy of Land Rates Closing Balances 30 <sup>th</sup> June 2024.		represent the actual position of land rate arrears	
<b>5. Bank Balances - Due to CRF</b>	Regulation 22(1) of the Public Finance Management (County Government) Regulations, 2015	The statement of receipts and disbursements reflects balance due for disbursement as at 30 June, 2024 of Kshs.1,461,695,056. However, the balance differs with the bank balances of Kshs.28,750,605 in	The statement of receipts and disbursements reflects balance due for disbursement as at 30 June, 2024 of Kshs. 1,461,695,056 this balance includes figures from hospital fees and Liquor Fees of Kshs 1,154,091,268 and Kshs 270,747,747 whose	The committee observed that there were unreconciled and unexplained bank balance variance of	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to reconcile the accounting	within 60 days of adoption of this report;

		respect of disbursements - due to CRF reflected in the statement of financial assets and liabilities and Note 14 resulting to an unreconciled and unexplained bank balance variance of Kshs.1,432,944,451.	collections does not go through CRF but managed separately by respective Boards.	Kshs.1,432,944,451 between the statement of receipts and balances due for disbursement to CRF.	records balances with the revenue figures in the financial statements and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The County Executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submitting a report to the Office of the Auditor General.	
<b>6. Gaps in Single</b>	Regulation 63(6) of the Public Finance	The statement of receipts and disbursements reflects unified business	The gaps are as a result of permit applications made but no payment was done	The committee noted that the County	The Committee recommends that the county executive should	within 60 days of adoption

<b>Business Permit Application Number</b>	Management (County Government) Regulations, 2015	permits amount of Kshs.2,394,575,767 as disclosed in Note 3 to the financial statements. However, analysis of the single business permit (SBP) fee records from Nairobi Pay System revealed significant gaps in the application number sequence. These gaps, relating to twenty-two thousand-three hundred and sixty-nine (22,369) unaccounted SBP application numbers with a total value of Kshs.630,275,000 raises concerns of potential revenue loss.	and consequently no permits were issued. When an Application for UBP is paid, its Status moves from an invoice to a record in UBP register and is given a permit number. Therefore, the gaps in the permit numbers is as a result of applications that have not been paid for. Appendix 6: A list of 155,743 No. permit applications indicating those paid for with permit numbers and unpaid showing invoice numbers. (on soft copy)	executive had admitted that there are gaps in the application number sequence as a result of applications that have not been paid for.	fully automate their revenue collection to seal the gaps in the application number sequence and submit a status report to the Auditor General, within sixty (60) days from the adoption of this report.	of this report;
<b>7. Failure to Provide Ledgers</b>	Regulation 22(1) of the Public Finance Management (County Government)	As previously reported, the statement of receipts and disbursements for the year ended 30 June, 2024 reflects comparative County total own source revenue from twelve	In the year under review the county collected 12.9b whose ledgers are hereby attached.  Appendix 7. Ledgers indicating revenue transactions. (Soft copy)	Ledger provided; however, the ledger balance is now Kshs.11,493,614,033	1. County should expedite the process of updating and presenting their ledgers in the format prescribed by the Public Sector	

	Regulations , 2015	(12) revenue streams all totaling to Kshs.10,561,592,492 whose ledgers were not provided for audit verification.			Accounting Standards Board and provide a status update to the OAG within 60 days of adoption of this report;  2. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.	
<b>Budgetary Control and Performance</b>	Regulation 58 of the Public Finance Management (County Government) Regulations , 2015	The County Government had budgeted to raise Kshs.19,999,322,415 from locally generated receipts for the financial year ending 30 June, 2024 as disclosed in the statement of comparison of budget versus actual amounts. However, the actual amount collected was	No management response provided	The committee observed that the County had a revenue shortfall of 35% attributed to system-related downtimes, which caused	1) The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate; and	within 60 days of adoption of this report;

		<p>Kshs.12,963,144,592 or 65% of the projected revenue, resulting in to a shortfall of Kshs.7,036,177,823. Management attributed this shortfall to system-related downtimes, which caused frequent disruptions in the collection system and affected revenue collection efficiency.</p> <p>The under collection may have affected the service delivery to the public.</p>		<p>frequent disruptions in the collection system and affected revenue collection efficiency.</p> <p>The under collection may have affected the service delivery to the public.</p>	<p>2) The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.</p>	
<b>Unresolved Prior Year Matters</b>	<p>Section 31(a) of the Public Audit Act, 2015</p> <p>Reporting requirements as provided by PSASB</p>	<p>In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of</p>	<p>No management response provided</p>	<p>The Committee noted that the Implementation matrix of the recommendations has not been shared to</p>	<p>The Committee recommends that: The County Executive should implement the Senate recommendations in the Auditor General's report for the Financial Year 2018/2019</p>	<p>within 60 days of adoption of this report;</p>

		Internal Controls, Risk Management and Governance which have remained unresolved.		allow for follow up on senate recommendations and implementation of the same by Management	adopted by the Senate. the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adoption of this report.	
<b>1. Failure to Prepare and Submit Nairobi City County Revenue</b>	Section 41 of the Nairobi County Revenue Administration Act, 2021 required that within one hundred and twenty	During the year under review, the Nairobi City County Revenue Authority Board of Governors were appointed and the approved budgetary allocation for the Authority was Kshs.550,000,000. However, the Authority did not prepare and submit	Although the Nairobi County Revenue Administration Act 2021 was enacted, and the acting Board and Interim C.E.O appointed, the secondment of staff is in the process through the County Public Service Board as per correspondences attached. Therefore, the NCRA has not been fully	The committee observed that the NCRA has not been fully operationalized and Revenue operations are still	The County Governor undertakes administrative action against the responsible officer(s) who failed to Prepare and Submit Nairobi City County Revenue Authority Financial	within 60 days of adoption of this report;

<b>ue Autho rity Finan cial State ments</b>	days of coming into force of the Act, the County Executive Committee Member was required to wind up the County Revenue Department and transfer all its functions, operations and powers to the Authority	separate financial statements for audit. Further, discussions held with Management revealed that, whereas the Board Chairperson was appointed on 18 May, 2023, and an interim Chief Executive Officer appointed in May, 2024, revenue administration staff were yet to be seconded to the Revenue Authority. This constitutes one (1) year after the appointment of the Revenue Authority Board, casting doubt on the operationalization of the Revenue Authority.	operationalized and Revenue operations are still under the County Revenue Department.	under the County Revenue Department	Statements for audit to the office of the Auditor-General in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;	
<b>4. Irregu laritie s in the Reven ue Collec</b>	Regulation 22 (1) of the Public Finance Management (County Government)	On enquiry of who owns and controls the revenue management system, the County Management indicated that the system architecture is based on a Software as a Service	The Technical Support Framework between NCC and ICT Authority has been attached showing; i. The specific terms and conditions of the service, including features,	The committee noted that the County Executive did not provide the Complete	The Committee recommends that the Office of the County Governor undertakes administrative actions against	within 60 days of adoption of this report;

<p><b>tion Systems</b></p> <p><b>4.1 Ownership and Control of the Nairobi Pay System</b></p>	<p>Regulations , 2015</p> <p>Regulation 109 and 110 of the Public Finance Management (County Government) Regulations , 2015</p>	<p>(SaaS) model provided by Nairobi Pay. Management further explained that in this setup, Nairobi Pay hosts and manages the Nairobi Pay System, including its underlying infrastructure and security, while NCCG accesses and utilizes the system through a VPN connection.</p> <p>However, the SaaS agreement between Nairobi Pay and Nairobi City County Government to determine the following critical issues were not provided:</p> <p>i. The specific terms and conditions of the service, including features, limitations and support obligations.</p>	<p>limitations and support obligations</p> <p>- The Technical Support Framework between NCC and ICTA provides the specific terms and conditions of service and limitations (2.1. annual technical support (ATS) scope, outlines the features (1.2. components of the current system) and provides the specific obligations of NCC</p> <p>under 4 roles and responsibilities (4.1. NCCG) and MICDE. (4.2. MICDE).</p> <p>ii. The legal rights and obligations of both parties especially in case of disputes or breaches.</p> <p>The legal rights and obligations of both parties are covered under the NCCG MoU with MoICDE under XIV (Dispute Resolution).</p>	<p>Technical Support framework not provided.</p> <p>This has only been supported with a government data center-Requisition Form</p>	<p>the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Office of the Auditor General within 60 days from the adoption of this report; and report;</p>	
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		<p>ii. The legal rights and obligations of both parties especially in case of disputes or breaches.</p> <p>iii. Provisions on how the service provider ensures confidentiality, security measures, handles and protects personal data in ensuring compliance with Data Protection Act, 2019.</p> <p>iv. Intellectual property rights to clarify ownership of the intellectual property developed during the service.</p> <p>v. Service levels including uptime guarantees, response times and remedies for non-compliance.</p>	<p>iii. Provisions on how the service provider ensures confidentiality, security measures, handles and protects data in ensuring compliance with Data Protection Act, 2019.</p> <p>This is as provided for in the MoU (Article VIII: CONFIDENTIALITY AND DATA PROTECTION) outlining the roles of each party in handling the information and data exchanged or contained in various systems. Article VIII (5) is particular on the adherence to the Kenya Data Protection Act No. 24 of 2019.</p> <p>This is also provided in the technical support framework (2.1. Annual Technical Support (ATS Scope (ixi) on system</p>			
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			<p>security providing the roles of MICDE and NCCG in guaranteeing system security.</p> <p>iv. Service levels including uptime guarantees, response time and remedies for non-compliance.</p> <p>The Technical Support Framework (5. General issues) indicates that ICTA shall provide 24/7 support for the system. Further, the TSF provides for the roles of each of the parties.</p>			
<b>4.2 Hosting Arrangements of the Nairobi Pay System</b>	Regulation 109 and 110 of the Public Finance Management (County Government) Regulations, 2015	According to Nairobi City County Management, the development, test, production and disaster recovery environments were hosted by the Ministry of ICT and Digital Economy (MoI&DE). However, there was no contractual agreement between	<p><b>HOSTING MODEL:</b></p> <p>- To understand whether it is a shared infrastructure with other business or is dedicated resources offering greater control and security. The technical support framework (2.1 Annual Technical Support (ATS) Scope</p>	The committee observed that the County Executive did not provide the Complete Technical Support framework.	The Committee recommends that the Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide documents to the auditors in	within 60 days of adoption of this report

		<p>Nairobi City County Government and MoI&amp;DE, to indicate the following critical issues:</p> <p>i. The hosting model to understand whether it was a shared infrastructure with other business or dedicated resources offering greater control and security.</p> <p>ii. Data encryption protocols and compliance with Data Protection Act, 2019 especially on data transfer.</p> <p>iii. Service level agreements on uptime guarantees, incident response and remedies for any breaches.</p> <p>iv. Scalability and performance.</p>	<p>(ix)) provides the details of the hosting arrangements between NCC and MICDE as follows</p> <p>System Hosting – primary, secondary environments, backups MICDE will provide appropriate, adequate and fit for purpose hosting environment to support the operations of the system. This environment will include both primary hosting and secondary hosting (DR site). The environment will provide for production (live site for NCCG), staging (testing for NCCG and development team) and development (for the development team).</p> <p>Data encryption protocols and compliance with Data Protection Act, 2019</p>	<p>This has only been supported with a Government data center- Requisition Form</p>	<p>accordance with section 156 of the Public Finance Management Act and provides a status report to the Office of the Auditor General within 60 days from the adoption of this report; and report;</p>	
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			<p>especially on data transfer.</p> <p>This is provided in the Technical Support Framework (2.1 Annual Technical Support (ATS) Scope (viii)) as follows;</p> <p>The Ministry through ICT Authority will ensure secure and convenient online payments between customer and payment channels. Management of the customer in the front-end checkout and, payment processing through the online payment system's backend. In particular, the following areas need to be supported and maintained:</p> <p><b>Encryption:</b></p> <p>Once the customer submits payment for the service on the platform, the payment gateway should encrypt</p>			
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			<p>data sent from the customer i.e the customer's private information and sensitive card details to guarantee that the data is passed safely from the customer to the acquiring bank or any other payment channel. It is also provided for in the MoU</p> <p><b>Article VIII: CONFIDENTIALITY AND DATA PROTECTION)</b> outlining the roles of each party in handling the information and data exchanged or contained in various systems. Article VIII (5) is particular on the adherence to the Kenya Data Protection Act No. 24 of 2019. Service level agreements on uptime guarantees, incident response and remedies for any breaches The Technical Support Framework (5. General issues) indicates that ICTA</p>			
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			<p>shall provide 24/7 support for the system. Further, the TSF provides for the roles of each of the parties.</p> <p><b>SCALABILITY AND PERFORMANCE</b></p> <p>The technical support framework (2.1. Annual Technical Support (ATS) Scope (xiii)) identifies Facilitation of Development and implementation of other revenue supporting systems: Facilitate the county in engaging service providers using the most viable procurement process for any new identified revenue supporting systems and On boarding of emerging services as and when requested.</p>			
<b>4.3 Failure to Provide Configuration</b>		During the three-year period, NCCE operated the following three (3) systems whose payment channels were configured to specific bank accounts;	<p>During the said period, NCC had only two revenue systems that were integrated to bank accounts. These are;</p> <p>a. Revenue sure connected to National</p>	The committee noted that the County Executive did not	The Committee recommends that the Office of the County Governor undertakes administrative	within 60 days of adoption of this report

ns of all Payme nt Chann els of the Reven ue Mana gemen t Syste ms at the Nairo bi City Count y				Bank Account 01071225251100 b. Nairobi Revenue System (Nairobi Pay System) connected to Cooperative Bank Account no. 01141709410000 and 01141232396600 and Equity Bank Ac no. 1770279910476 and 1600284509139. The banks were instructed to configure the bank accounts to the revenue system.	provide the evidence of configuratio ns	actions against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Office of the Auditor General within 60 days from the adoption of this report; and 2. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.	
			Name of System				
		1	Revenue Sure				
		2	Nairobi Revenue System				
		3	Nairobi Pay System				
		<p>These payment channels included mobile money transfer services, VISA and commercial banks. However, evidence of system configurations of these banks in the systems was not provided to confirm which specific bank accounts received public funds. Therefore, it was not possible to determine whether the bank accounts were opened and operated as per the Public Finance Management Act, 2012 and Regulations thereto. Given that the contracts with Jambo</p>					

		<p>Pay, Revenue Sure and Nairobi Revenue System have since expired, there was no evidence provided to support closure of all the payment channels. Further, the County engaged a contractor for developing an Enterprise Resource Planning system (ERP). However, the contract was not provided for audit review. Therefore, the audit could not confirm value for money that would accrue from the ERP system, while the County already had a separate revenue system. This was contrary to Regulation 110(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer for a County Government entity to institute</p>				
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		appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity.				
<b>1. SBP Payment Records Without Payment Reference Number and Date</b>		Nairobi County Government fully automated the end-to-end collection of Single Business Permit (SBP) fees, including the issuance of e-permits. A substantive analysis of the SBP fee records revealed that a total of 95 permits, valued at Kshs.1,277,600 were issued as valid e-permits, however, their transaction records lacked payment reference codes (mobile money/bank codes) and the date of payment. As a result, it was not possible to verify whether the County Government	A close analysis of the 95 permits said to have missing numbers shows that 74 transactions had reference numbers in the system and attached is the list of the transactions as per Appendix. Through the use of Permit Numbers, we were able to match 74 Permits to their Bank Reference Numbers. The remaining Permits do not have proper descriptions to enable us attach Bank Reference Numbers. The County frequently changes the Vpns to allow access to authorized officers only for control purposes. <b>Appendix 12: List of the permits with</b>	The committee observed that Single Business Permit (SBP) fees transaction records lacked payment reference codes (mobile money/bank codes) and the date of payment with the result that verification of whether the County Governmen	The Committee recommends that the Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Office of the Auditor General within 60 days from the	within 60 days of adoption of this report

		received the corresponding payments before providing the services.	<b>corresponding Bank reference codes &amp; date of payment(softcopy).</b>	t received the corresponding payments before providing the services was not provided.	adoption of this report; and 2. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.	
<b>2. Inaccurate Taxpayers' Data</b>	Section 149(2)(o) of the Public Finance Management Act, 2012	The County Government of Nairobi's land rates records within the Nairobi Pay System were found to be incomplete, making it challenging to identify and contact delinquent taxpayers. Further, the outstanding land rates records had the following key information missing: i. 129 records totalling Kshs.370,828,658 had missing debtor names. ii. 57 records valued at	The County Government of Nairobi embarked on a data cleansing exercise to ensure accurate, completeness and validity of our customers' data in our information systems. The exercise is still on going and owing to the multiplicity of revenue streams in the County a Committee appointed to spearhead the exercise started with Land Rates and thereafter shall move to the other streams. The Team has made major strides and all identified gaps, and issues are being addressed as per copies of	The committee notes that the County Executive has submitted that the exercise of data cleansing has been ongoing since the last financial year 2022/2023. A report on the current status and	The Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of	within 60 days of adoption of this report

		<p>Kshs.365,472,593 had missing parcel numbers.</p> <p>iii. 123 records amounting to Kshs.370,588,269 had missing system-generated customer numbers.</p> <p>Further, there was no evidence to indicate that the records had been validated and updated.</p>	<p>minutes of meetings attached.</p> <p><b>Appendix 13 Report on Data Cleansing Committee Activities</b></p>	<p>updates have been provided regarding the exercise.</p>	<p>adoption of this report</p>	
<p><b>4. Operation with an Outdated ICT Security Policy</b></p>		<p>The Nairobi City County Government provided an Information and Communication Technology Security Policy for the City Council of Nairobi (March 2009), which was operational during the three (3) financial years. Given that the County operates Nairobi Pay System on a Software as a Service (SaaS) as per the management's</p>	<p>NCCG has an updated ICT policy Act 2024 that was approved by the county Cabinet and presented to the Nairobi City County Assembly. The draft policy is attached.</p> <p><b>Appendix 15: Copy of I.C.T policy at the Assembly.</b></p>	<p>The committee notes that the draft policy has been provided. However, Management has not explained when it plans to have it approved.</p>	<p>1) The committee recommends that the process be fast tracked and the policy be implemented within sixty (60) days from the adoption of this report and submit the same to the Auditor General.</p> <p>2) The Auditor General to closely monitor the development,</p>	<p>within 60 days of adoption of this report</p>

		explanation, the emerging security requirements of a SaaS model have not been adequately addressed in the outdated policy.			documentation and communication of these policies within the county entity in the subsequent audit cycles.	
<b>5. Ineffective Systems of Collection of Rent Arrears</b>	Regulation 63 of the Public Finance Management (County Government) Regulations, 2015	The statement of arrears of revenue reflects uncollected house rent and market stalls arrears amounting to Kshs.723,780,207. Therefore, the County Government incurs an opportunity cost arising from forgone investment opportunities from tying their cash as arrears.	The County provides subsidized Houses and Market Stalls for low-income residents of Nairobi to uplift lives and livelihoods. Efforts are being made to collect the outstanding arrears of Kshs723,780,207 by Bulk Messaging to Tenants, making phone calls to defaulters, sending Demand notices and eviction notices to tenants, in addition the Nairobi County has a debt collection unit that follows up all debts that are difficult to collect through normal compliance efforts by respective revenue streams. Details of such debts are communicated to the D.C.U. who serve	The committee noted that the issue is not addressed since the rent arrears have been accumulating over the years.	The Office of the Governor to ensure that: (1) adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies; (2) adequate measures, including legal action where appropriate, are taken to obtain payment;	within 60 days of adoption of this report

			<p>7days notices to defaulters and take appropriate action thereafter, in accordance with the law. Other efforts include calling defaulters and media advertisements reminding defaulters to pay.</p> <p><b>Appendix 16(a) ,(b) and (c) Copies of demand notices</b></p>			
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF NAKURU COUNTY EXECUTIVE FOR  
THE FINANCIAL YEAR 2023/2024**

**Basis For Qualified Opinion**

<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
1.	<b>Undisclosed Decrease in Retention Money</b>	<p>The cash flow statement reflects a Nil balance in respect of changes in deposits and retentions.</p> <p>However, Note 18 to the financial statements reflects a decrease of Kshs.104,985,718 resulting to a variance of same amount</p>	<p>The movement of cash in this account was mainly captured in the statement of cash flows under investing activities since it related to the acquisition of assets. In our view adjusting the decrease in deposits and retentions amount of Kshs.104,985,718 under operating meant double accounting.</p>	<p>The statement of cash flows reflects Nil balance in respect of increase/(decrease) in deposits and retentions. However, Note 18 to the financial statements reflects a decrease in deposits and retentions amount of Kshs.104,985,718 resulting to a variance of Kshs.104,985,718 not disclosed in the statement of cash flows.</p>	<p>The Committee recommended that the management take administrative actions against the officers who failed to comply with Regulation 63 (4) of the Public Finance Management (County Governments) Regulations 2015, in the management of retentions account, and submit a status report to the auditors, within 60 days of adoption of this report.</p>

			A schedule of the movement of cash has since been provided to the Auditors for verification.		
2.	<b>Inaccuracies in the Compensation of Employees</b>	The statement of receipts and payments reflects compensation of employees amount of Kshs.6,447,452,070 as disclosed in Note 3 to the financial statements. Review of the supporting ledgers revealed that some of the expenditure components had variances	We agree with the Audit finding that the statement of receipts and payments reflects compensation of employees amount of Kshs. 6,447,452,070 as disclosed in Note 3 of the financial statements. The supporting ledgers as analyzed by the auditor which is hereby attached shows compensation of employees as Kshs. 6,289,067,854.47 the auditor has omitted Kshs. 5,533,346,41 and Kshs.	The Committee observed a variance of Kshs.6,447,452,070 in compensation of in Note 3	The Committee recommends that; 3. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 4. Office of the County Governor undertakes administrative action against the accounting

			<p>152,850,962.70 being payment in respect of employees' death gratuity and debt resolution to LAPTRUST respectively. Evidence of which is hereby provided under Appendix 2.1.</p> <p>Hon. Chair, we wish to state that there is no variance between the amount in financial statement and the amount indicated in the ledger.</p>		<p>officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report;</p> <p>5. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.</p>
3.1	<b>Unsupported Expenditure on Domestic Travel and Subsistence</b>	Training expenses of Kshs.19,566,952 were not supported by a comprehensive training needs assessment	We agree with the Auditor's finding that Kshs.19,566,952 in relation to trainings was not supported by a	Kshs.19,566,952 in relation to trainings was not supported by a comprehensive training needs assessment.	<p>The Committee recommends that;</p> <p>1. the County Executive of Nakuru should ensure strict controls for</p>



			<p>comprehensive training needs assessment.</p> <p>The nomination of officers for trainings was being undertaken by the Departmental Human Resources Management Advisory Committees based on individual requests.</p>		<p>training expenditures by implementing mandatory training needs assessments before approving any programs and standardized procedures that align with the Public Service Human Resource Manual, including pre-expenditure verification of training justifications and post-training evaluation reports; and</p> <p>2. the County Executive of Nakuru should ensure that all future training budgets must be supported by documented needs assessments and approved workplans, with</p>
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					the Human Resource department maintaining centralized records of staff development projections and actual participation and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
3.2	<b>Unsupported Training Expenses</b>	Training expenses of Kshs.93,316,938 were not based on a training policy, training needs assessment plan, departmental skills inventory records and course approvals.	We agree with the Auditor's finding that the training expenses were not based on a training policy, training needs assessment plan, departmental skills inventory records and course approvals. However, the nomination of officers for	Training expenses were not based on a training policy, training needs assessment plan, departmental skills inventory records and course approvals.	The Committee recommends that; 1. the County Executive of Nakuru should ensure strict controls for training expenditures by implementing mandatory training needs assessments before approving any programs and

			<p>trainings was being undertaken by the Departmental Human Resources Management Advisory Committees based on individual requests.</p>		<p>standardized procedures that align with the Public Service Human Resource Manual, including pre-expenditure verification of training justifications and post-training evaluation reports; and</p> <p>2. the County Executive of Nakuru should ensure that all future training budgets must be supported by documented needs assessments and approved workplans, with the Human Resource department maintaining centralized records of staff development projections and</p>
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					actual participation and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
4. 4. 1	<b>Misclassification of Expenditure</b>  <b>Misclassification of Foreign Travel and Subsistence Expenditure</b>	Expenditure of Kshs.5,885,363 in relation to domestic travel and subsistence was wrongly classified under foreign travel	We are in agreement with the auditor's findings. We have since instructed our accountants to be keen when posting expenditures to the ledgers. We have since instituted measures to ensure proper posting of expenditures to the ledgers. We apologize for the mis posting of the domestic travel to foreign travel ledgers.	The County failed to provide documentation at the time of audit.  Expenditure of Kshs.5,885,363 in relation to domestic travel and subsistence was wrongly classified under foreign travel	The Committee recommends that; 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the

					<p>adoption of this report;</p> <p>2. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report;</p> <p>3. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.</p>
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4. 2	<b>Misclassification of Routine Maintenance-Other Assets Expenditure</b>	Payments amounting to Kshs.15,967,213 which were not related to repairs and maintenance were irregularly included as such.	<p>We are in agreement with the auditor's findings that Kshs. 6,513,298.55 was treated as routine maintenance whereas they were not related to repairs and maintenance and the balance of Ksh.9,453,914 was rightfully charged.</p> <p>We have since instituted measures to ensure proper posting of expenditures to the ledgers. We apologize for the mis posting.</p>	Payments amounting to Kshs.15,967,213 which were not related to repairs and maintenance were irregularly included as such.	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</li> <li>2. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to</li> </ol>
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					<p>undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report; and</p> <p>3. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.</p>
4.3	<b>Misclassification on Purchase of Office Furniture and General Equipment Expenses</b>	Kshs.25,771,536 was spent on items not related to purchase of furniture	We take note of the auditor's and wish to respond that Ksh.24,586,535.90 out of Kshs.25,771,536 was rightfully charged. We apologize that	Kshs.25,771,536 was spent on items not related to purchase of furniture.	<p>The Committee recommends that;</p> <p>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide</p>

			<p>one transaction amounting to Ksh.1,185,000.00 was wrongly classified. We have since instituted measures to ensure proper posting of expenditures to the ledgers.</p>		<p>documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to</p>
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					<p>the Committee within 60 days of adoption of this report; and</p> <p>3. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.</p>
5.	<b>Unconfirmed Cash and Bank Balances</b>	<p>Unexplained variance of Kshs.339,508,665 between financial statements and cashbook balances</p> <p>Bank charges of Kshs.19,390 were not recorded in the cashbook</p> <p>Five (5) stale cheques amounting to</p>	<p>We are in agreement with the Auditor's finding that there was unexplained variance of Kshs.339,508,665 result of the amounts disclosed in the statement of financial position</p>	<p>Unexplained variance of Kshs.339,508,665 between financial statements and cashbook balances</p> <p>Bank charges of Kshs.19,390 were not recorded in the cashbook</p>	<p>The Committee recommends that;</p> <p>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time</p>

		<p>Kshs.1,125,461 had not been reversed in the cashbook</p>	<p>and the amounts in the cashbooks vouched by the Auditor. The variance of Kshs.339,508,665 was as result of extension of our operations up to 2nd August 2024 whereas cashbooks considered for audit were up to 30</p>	<p>Five (5) stale cheques amounting to Kshs.1,125,461 had not been reversed in the cashbook</p>	<p>of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of</p>
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					<p>adoption of this report; and</p> <p>3. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.</p>
6.	<b>Inaccuracies in the Summary of Non-Current Assets Register</b>	<p>The asset registers and the non-current assets register summary at Annex 6 to the financial statements revealed a total variance of Kshs.4,880,176,340 in respect of fixed assets</p> <p>ii. The additions amount of Kshs.2,829,148,933 during the year includes ICT equipment balance</p>	<p>Hon Chair we agree with the Auditors' observation and we wish to state and clarify as follows;</p> <p>That the variance of Motor vehicles and land of Kshs.60,267,635 and Kshs. 4,820,995,189 respectively was</p>	<p>Annex 6 to the financial statements revealed a total variance of Kshs.4,880,176,340 in respect of fixed assets.</p> <p>Review of the land register provided for audit revealed that 490 parcels of land did not have any historical value indicated against them</p>	<p>The Committee recommends that;</p> <p>1. The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act and</p>

		<p>of Kshs.67,202,985 that was not reflected in Note 9 to the financial statements on acquisition of assets.</p> <p>iii. Review of the land register provided for audit revealed that 490 parcels of land did not have any historical value indicated against them</p> <p>iv. Asset registers were not updated as required.</p>	<p>as a result valuation of assets inherited from the Defunct local Authorities and Devolved functions which had earlier on been included in the register without any value.</p>	<p>Asset registers were not updated as required</p>	<p>provides a status report to the Office of the Auditor General within 60 days from the adoption of this report;</p> <p>2. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</p> <p>3. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor</p>
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					<p>General within 60 days of adoption of this Report; and</p> <p>4. The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>
1.0	<p><b>Closure of Nakuru War Memorial Hospital</b></p>	<p>Nakuru War Memorial Hospital sits on plot No. Nakuru Municipality Block 11/107 that measures approximately 11.25 Hectares and hosts Nakuru Provincial General Hospital Annex and State House landing field/helipad.</p> <p>The land was leased to War Memorial Hospital for lease of ninety-nine years from 1 May, 1922 which has since expired. The hospital has remained closed to date due to ownership wrangles.</p>	<p>We agree with the auditor's finding that Nakuru War Memorial Hospital has remained closed and idle since the expiry of the lease due to ownership wrangles between the County Government of Nakuru and the previous lessee.</p>	<p>The land was leased to War Memorial Hospital for lease of ninety-nine years from 1 May, 1922 which has since expired. The hospital has remained closed to date due to ownership wrangles</p>	<p>The Committee recommends that;</p> <p>1. The County Government of Nakuru, in collaboration with the National Lands Commission and other relevant stakeholders, should urgently expedite the resolution of the ownership dispute surrounding Nakuru War Memorial Hospital to facilitate its reopening and operationalization for public use</p>

					<p>given the hospital's strategic location and the critical need for healthcare services;</p> <p>2. the Management of the Nakuru County Executive should put in place a multi-agency task force with clear timelines to conduct a rapid assessment of the hospital's infrastructure to determine renovation needs and allocate budgetary resources for its swift rehabilitation to ensure the hospital is operational within the shortest time possible, thereby expanding access to healthcare services for Nakuru residents</p>
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					and provide a status update to the Office of the Auditor General and the Senate within 60 days of adoption of this report.
2.0	<b>Budgetary Control and Performance</b>	The budget was under-funded by Kshs.6,947,956,209 or 30% of the budget. County Executive spent Kshs.15,661,259,832 against an approved budget of Kshs.23,310,531,513, resulting in an under-performance of Kshs.7,649,271,681 or 33% of the budget.	We take note of the audit findings, however, we wish to respond that the sum of Kshs.6,947,956,209 was not an underfunding but the difference between the final budget and transfers from the CRF which includes fiscal balances carried forward, FIF utilized at source and unrealized donor funds and OSR.	The County Executive spent an amount of Kshs.15,661,259,832 against actual receipts of Kshs.16,362,575,304, resulting in an under-performance of Kshs.701,315,472 or 4% of the receipts	The Committee recommends that: 5. The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and 6. The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and

					address revenue shortfalls.
3	<b>Authenticity of Pending Bills</b>	<p>The Executive has pending bills amounting to Kshs.1,478,761,394 consisting of balances of;</p> <ol style="list-style-type: none"> <li>1. payables of Kshs.1,441,352,540,</li> <li>2. staff payable of Kshs.28,535,088 and</li> <li>3. other payables of Kshs.8,873,766</li> </ol> <p>Included in the pending accounts payable for the year are bills relating to 2022/2023 and prior years with some dating as way back as 2011/2012 financial year and which have remained outstanding since then.</p>	<p>We are in agreement with the Audit findings. The Old pending bills inherited from the defunct local authorities have remained outstanding due to unavailability of sufficient documents to support payment.</p>	<p>The Executive has pending bills amounting to Kshs.1,478,761,394 consisting of balances of;</p> <ol style="list-style-type: none"> <li>1. payables of Kshs.1,441,352,540,</li> <li>2. staff payable of Kshs.28,535,088 and</li> <li>3. other payables of Kshs.8,873,766</li> </ol>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>7. Pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done.</li> <li>8. The Controller of Budget takes into consideration the</li> </ol>



					<p>efforts made by a county government to clear inherited pending bills when approving exchequer releases.</p> <p>9. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations.</p> <p>10. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates.</p>
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					<p>11. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>12. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>
1	<b>Unresolved Prior Year Matters</b>	In the audit report of the previous year, several issues raised under the report on financial statements, Report on	We agree with the auditors' findings that some of the prior year audit issues	Management had not resolved these issues as at 30 June, 2024 and no satisfactory reasons	The Committee recommends that the County executive complies with section 53 of the Public Audit Act,

		Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance.	raised have not been resolved and that no explanation was provided for this unsatisfactory situation. Efforts have made to address these prior years matters and we shall continue addressing them as guided by the Senate County Public Accounts Committee.	were provided for failure to resolve them.	2015 by acting on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.
1	<b>Project Implementation</b>	<p>Review of project implementation status revealed that out of the one thousand, seven hundred and twenty-one (1,721) projects featured in the report;</p> <p>Seventeen (17) projects with a total contract cost of Kshs.66,297,783. were incomplete and at different stages of execution.</p>	<p>We are in agreement with the findings of the auditor that projects amounting to Kshs. 66,297,783 had extended beyond the expected date of completion as at the end of the financial year. Fifteen projects out of the</p>	<p>During the year under review, the county had one thousand, seven hundred and twenty-one (1,721) projects.</p> <p>Seventeen (17) projects with a total contract cost of Kshs.66,297,783.50 were incomplete</p> <p>Twenty-six (26) projects with a total contract price of</p>	<p>The Committee recommends that;</p> <p>4. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion</p>

			<p>seventeen have since been competed as per <b>appendix 1.1</b> and remaining two are still ongoing.</p>	<p>Kshs.56,189,717 had stalled</p> <p>Kshs.95,521,099 meant for twenty-one (21) projects during the financial year 2023/2024 were reallocated to other budget items</p> <p>Five hundred and sixty-five (565) projects started in several accounting years with a total contract price of Kshs.7,497,850,588 were still ongoing and at different levels of execution</p>	<p>of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>5. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p>
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					6. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.
2.0	<b>Payment of Court Decrees</b>	<p>Review of records provided indicate that several legal cases filed in court against the County Executive were decreed in the interest of the claimants and amounted to Kshs.154,906,998 out of which Kshs.66,472,548 has been paid leaving a balance of Kshs.88,434,450.</p> <p>Further, the County Executive has not disclosed the contingent liability of potential court awards in the financial statements over the years</p>	<p>The amount of Kshs 154,906,998/= was in favor of decretal amounts awarded to 3rd party advocates engaged by private entities to secure claims against the County Government of Nakuru by various courts. However, the county paid Kshs.66,472,548 as decretal amount as per the available budget provision.</p>	<p>Several legal cases filed in court against the County Executive were decreed in the interest of the claimants and amounted to Kshs.154,906,998 out of which Kshs.66,472,548 has been paid leaving a balance of Kshs.88,434,450.</p>	<p>-The Committee recommends that;</p> <p>1. Pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p>

					<p>2. The County Executive makes a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015; and</p> <p>3. The County Executive utilizes the Office of the County Attorney to provide legal advice and court representation. The county should provide evidence of compliance with the County Attorneys Act within 60 days of adoption of this report.</p>
3.0	<b>Unsupported Legal Fees</b>	Review of records provided indicate that the County Executive made payments of Kshs.22,643,700 in respect of legal fees to	The law firms were duly prequalified and listed in the Panel of Law Firms under Framework	County Executive made payments of Kshs.22,643,700 in respect of legal fees to six (6) law firms	<p>-The Committee recommends that;</p> <p>1. The Office of the County Governor undertakes administrative action</p>

		<p>six (6) law firms. Further, documentation on how the law firms were identified, signed service level agreements, certificates of appointment, evidence of court attendance, fee notes and monthly performance reports from each law firm in respect of each case were not provided for audit verification.</p>	<p>FY 2023/2024 by the County Government through a competitive process.</p>	<p>Documentation were not provided - how the law firms were identified, signed service level agreements, certificates of appointment, evidence of court attendance, fee notes and monthly performance reports from each law firm in respect of each case</p> <p>County Executive did not utilize the County Attorney in violation of Section 16(1) of the Office of the County Attorney Act, 2020</p>	<p>against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. Pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County</p>
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					<p>Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>3. The County Executive makes a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015; and</p> <p>4. The County Executive utilizes the Office of the County Attorney to provide legal advice and court representation. The county should provide evidence of compliance with the County Attorneys Act within 60 days of adoption of this report.</p>
4.0	<b>Delay in the Construction</b>	The contract period for the project lapsed on 1 December, 2022 and	Hon Chair, we agree with auditors finding	The contract period for the project lapsed on 1 December, 2022	The Committee recommends that;



	<p><b>of Treasury Headquarters</b></p>	<p>was renewed up to 04 October, 2024 through letter Ref No;NKR.C/COF/Treasury Building/Vol.II (117) of 23 June, 2023. The extension that was the final one has also lapsed. Further, the Architects were paid an amount of Kshs.54,189,963 for structural and architectural plan (des</p>	<p>that there was lapse of contract of treasury building up to 4 October 2024. However the same was renewed up to 25 May 2025 as per the attached application letter dated 11th September 2024, minutes dated 7 October 2024 and approval letter for extension of contract period dated 9 October 2024.</p>	<p>Architects were paid an amount of Kshs.54,189,963 for structural and architectural plan &amp; consultancy. However, the designs had not been approved by National Construction Authority and the Physical Planning Department</p>	<ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</li> <li>2. The Office of the County Governor to prioritise completion of</li> </ol>
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					<p>existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
5.0	<b>Voided Transactions</b>	Review of the system payments indicated that 570 transactions of Kshs.308,061,121 were voided during the financial year 2023/2024	<p>Hon. Chair, we are in agreement with the findings of the Auditor that 570 transactions amounting to Kshs.308,061,121 were voided during the financial year 2023/2024</p> <p>The reasons as to why these</p>	<p>Payments revealed that five hundred and seventy (570) transactions amounting to Kshs.308,061,121 were voided during the financial year 2023/2024</p> <p>Management did not provide the supporting approvals and justification for the voided transactions</p>	<p>The Committee recommends that;</p> <p>13. The Controller of Budget to liaise with the Auditor General to confirm whether the payments were canceled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days</p>

			<p>transactions were voided include wrong vote used, dormant bank accounts, wrong bank accounts, wrong KRA PIN numbers and where the name of the company has special characters as indicated in</p>	<p>amounting Kshs.308,061,121 to</p>	<p>of adoption of this report;</p> <p>14. The Office of the County Governor undertakes administrative action against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of Finance for voiding payments without approval and diverting funds;</p> <p>15. Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved; and</p> <p>16. The Committee recommends that the EACC should expedite investigations on the matter in line with the</p>
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					Controller of Budget Act.
6.0	<b>Acquisition of Land by the Department of Lands</b>	<p>i. The Department acquired 4.17 acres of land for an amount of Kshs.6,490,000 out of which an amount of Kshs.4,490,000 was paid during the year under review for construction of an ECD Centre at Mbombo in Elementaita Ward Gilgil Sub County. However, evidence of official search and consent from the Lands Control Board was not provided for audit. Further, partial payment amounting to Kshs.4,490,000 was done on 28 June, 2024 even though the sale agreement was executed on 3 February, 2021. it was not clear why the payment was done several years after the</p>	<p>We are in agreement with the auditors finding. We wish to state that the said parcel of land was purchased from Nakuru Mutukanio Farmers Co. LTD. A search from the cooperative's records confirmed its rightful ownership.</p> <p><b>Appendix 6.1</b></p>	<p>The Department purchased four (4) parcels of land during the year under review for different projects within the county.</p>	<p>The Committee recommends that;</p> <p>9. the County Executive Management urgently expedites its engagement with the Ministry of Lands to process and secure the title deeds for the land acquired by the Department of Lands;</p> <p>10. the County Executive should establish a systematic process to ensure that all future land acquisitions are accompanied by proper legal documentation at the time of purchase to avoid similar issues and uphold transparency and</p>

		<p>sale agreement was signed.</p> <p>ii. The Department acquired 0.43 Ha of land for Kshs.2,000,000 for road opening in Githengera St.John Community Gilgil. However, as at the time of audit there was no evidence that consent to sell had been granted by the land control board and search documents were incomplete. Transfer of interest in land was not fully executed.</p> <p>iii. The Department acquired two pieces of land for an amount of Kshs.2,000,000 each for St.John water. However, as at the time of audit there was no evidence that consent to sell had been granted by the land control board and search</p>			<p>accountability in asset management;</p> <p>11. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report; and</p> <p>12. The County Executive should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets</p>
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		<p>documents were incomplete. Transfers of interest in land were not fully executed.</p> <p>iv. The Department acquired land in Elburgon Township at an amount of Kshs.5,000,000 out of which Kshs.1,000,000 was paid during the financial year under review, for construction of Kasarani Health Centre in Elburgon Ward.</p> <p>However, as at the time of audit there was no evidence that consent to sell had been granted by the land control board. Further, transfer of interest of land or proof of transfer of ownership were not provided for audit even though full payment had been made</p>			<p>and liabilities from defunct Local Authorities and provide a status update to the Office of the Auditor General within 90 days of the adoption of this Report.</p>
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7.0	<b>Project Verification - Department of Water and Irrigation</b>	<p>The Department of Water and Irrigation awarded tenders to various contractors to supply pipes and fittings and drill boreholes totaling Kshs.84,457,359.</p> <p>Physical verification of projects revealed that project sign posts were missing, pipe marks where the pipes were laid were not installed and there was no water connections and distributions at the piping ends. Hence the objective of providing water to the residents was not achieved.</p>	<p>We take note of the auditor's finding and wish to respond on individual project as per Appendix 7.0</p>	<p>Physical inspection of projects revealed that project sign posts were missing, pipe marks where the pipes were laid were not installed and there was no water connections and distributions at the piping ends</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</li> </ol>
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					<p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
8.0	<b>Implementation of Contracts – Department of Youth, Gender, Sports and Social Services</b>	The Department of Youth, Gender, Sports and Social Services undertook procurement for various works with a total contract amount of Kshs.21,331,241. An audit verification of the projects revealed in	Hon Chair, we agree with the auditors' findings, and we would wish to respond to each of these as per the Appendix 8.0	Projects paid full amount without practical certificate of completion and handover certificates, projects extended beyond contract period with no approval, incomplete projects that	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring</p>



		<p>some instances there were no completion certificates, inspection and acceptance committee reports, approved project extensions, signage and on some occasions the projects were incomplete</p>		<p>had the contract sums fully paid with no ownership documents and one project with significant time lapse between issuance of the Local Purchase Order and signing of the contract agreement</p>	<p>System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status</p>
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					<p>update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
9.1	<b>Menengai and Kiamaina Water Project</b>	<p>A contractor was contracted for the purchase and supply water pipes through at a contract sum of Kshs.5,703,650 to Menengai and Kiamaina water projects. However, the records provided for audit did not include delivery notes, counter receipt vouchers, inspection and acceptance committee report and distribution of items to the two sites.</p>	<p>We agree with the auditor's finding that project records were not provided during the time of audit. This is highly regretted. The documents have since been provided to the auditors for verification. Appendix 9.1.1</p>	<p>County did not provide the following documents delivery notes, counter receipt vouchers, inspection and acceptance committee report and distribution of items to the two sites</p> <p>Physical inspection carried out on 02 October, 2024 revealed that the supplies were issued to the community for implementation of the project without any accountability mechanism being put in</p>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance</p>

				place by the Accounting Officer.	<p>Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the</p>
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					subsequent audit cycle.
9.2	<b>Rapland Water Project</b>	Unsupported supply of materials worth Kshs.9,570,162 to Naivasha Water and Sanitation Co. Ltd	<p>We agree with the auditor's findings and wish to respond as follows: -</p> <ul style="list-style-type: none"> <li>Naivasha water company being an agent of county government of Nakuru was issued with the pipes and an agreement to undertake laying of main distribution lines and last mile connectivity for Rapland community.</li> </ul>	<p>Physical inspection carried out on 02 October, 2024 revealed that the supplies were delivered to Naivasha Water and Sanitation Co. Ltd. for implementation of the project without any accountability mechanism being put in place by the Accounting Officer</p> <p>Goods delivered at Naivasha Water and Sanitation Co. Ltd. were not supported by counter receipt vouchers and stores records</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of</li> </ol>
10.	<b>Lack of Feasibility Study for the Construction of County Aggregation and Industrial Park (CAIP)</b>	The contract for the construction of Nakuru County Aggregation and Industrial Park was awarded in the financial year 2023/2024 with a contract sum of Kshs.464,221,150 and	We are agreeing with the Auditor's observation that the feasibility study reports were not provided during	It was not clear how the location of the industrial park was identified because feasibility study reports were not provided for audit. Further, it was also not possible	

		was equally funded by the County Government of Nakuru and the National Government. Land ownership documents and evidence of feasibility study were not provided for audit	the time of audit. This is highly regretted. The feasibility study was conducted by the Ministry of Industrialization, Trade and Enterprise Development as part of the prefeasibility studies done for Naivasha.	to confirm ownership of the piece of land as ownership documents were not provided for audit.	adoption of this report. 2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;
11	<b>Ineffective and Uneconomical Use of Completed Projects – Department of Health</b>	Four projects under the department of health though complete were not in use.	We agree with the auditors' findings and we would wish to respond to each of these as per the <b>Appendix 11.0</b>	Department of Health carried out on 08 October, 2024 revealed that four (4) projects totalling Kshs.30,217,614 were complete and certificates of practical completion issued.  Projects were not in use due to non-equipping in three (3) of the facilities and non-installation of generators in one of the facilities	3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.

12	<b>Irregular Procurement of Drugs and Medical Supplies</b>	Department of Health procured medical drugs worth Kshs.114,697,212, out of which an amount of Kshs.51,609,662 was procured from other various suppliers leaving a balance of Kshs.63,087,550 that was rightfully procured from Kenya Medical Supplies Authority (KEMSA) contrary to Section 4(1)(c) and (e) of the Kenya Medical Supplies Authority Act, 2013	We agree with the auditor's findings and wish to state that the department of health procures drugs and other essential health products from KEMSA on a first call so that we benefit from the cost advantage in purchasing economies of scale and benefitting in the optimum combination of cost and quality for value of money. However, upon making orders to KEMSA, there are times when some essential commodities are out of stock and we receive the list of non-supplies	The County Government procured medical drugs from unauthorized suppliers contrary to Section 4(1)(c) and (e) of the Kenya Medical Supplies Authority Act, 2013	The Committee recommends that; 1. The County Government ceases procuring medical drugs from unauthorized suppliers and fully comply with Section 4(1)(c) and (e) of the Kenya Medical Supplies Authority Act, 2013 by channeling all medical procurements through KEMSA to ensure quality, cost-effectiveness, and legal compliance; and 2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement
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			from KEMSA. Based on the non-supply list we are now able to make orders from contracted suppliers.		officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.
13	<b>Proposed Construction of Outpatient Block at Molo Level 4 Hospital</b>	<p>Contract sum was Kshs.150,095,777 and amount paid as at 30<sup>th</sup> June, 2024 was Kshs.138,008,038.</p> <p>Audit inspection of the project on 08 October, 2024 revealed that certificates was not supported by way of;</p> <p>i. Inspection and acceptance reports on the work done as per the certificates.</p> <p>ii. Joint measurement of works to quantify the works</p>	Hon. Chair, we agree with the auditor's findings. The Management wishes to respond that the works paid had certificates of inspection and acceptance to support the payments	<p>The contract period was not specified in the contract agreement.</p> <p>The total amount paid to the contractor as at 30 June, 2024 was Kshs.120,121,170.</p>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as</p>

		<p>done and there was no extension of duration for completion.</p> <p>The project was incomplete and workmanship was poor</p>			<p>provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the</p>
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					Committee in the subsequent audit cycle.
15	<b>Irregular Payment of Salaries Outside the Integrated Payroll and Personnel Database (IPPD)</b>	Review of the Integrated Personnel Payroll Database (IPPD) payroll for June, 2024 revealed that salaries amounting to Kshs.1,067,250 made to thirteen (13) officers outside the IPPD system	Hon, chair we agree with findings of the auditor that as a County we have not achieved the five percent statutory requirement of the People Living With Disability in the workforce, we are however, progressively working towards achievement of this through affirmative actions.	<p>Review of the Integrated Payroll and Personnel Database (IPPD) payroll for June, 2024 revealed that salaries amounting to Kshs.1,067,250 made to thirteen (13) officers outside the IPPD system.</p> <p>The county violated Treasury Circular No.13/2019 of 28 August, 2019</p>	<p>3. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;</p> <p>4. The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60</p>

					<p>days of adoption of this report;</p> <p>5. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and the Auditor General to monitor the matter in the subsequent audit cycle.</p>
16 .	<b>Non-Compliance with Law on Recruitment of Staff Living</b>	Review of the Human Resource Integrated Payroll and Personnel Database (IPPD) Compliment data as at	Hon, chair we agree with findings of the auditor that as a County we have	Out of the five thousand, three hundred and sixty-five (5,365) employees,	<p>The Committee recommends that-</p> <p>3. the County Executives should work</p>

	<b>with Disabilities</b>	30 June, 2024 revealed that out of the five thousand, three hundred and sixty-five (5,365) employees, eighty-five (85) were public officers living with disability or 2% of the total staff instead of the recommended 5%	not achieved the five percent statutory requirement of the People Living with Disability in the workforce, we are however, progressively working towards achievement of this through affirmative actions.	eighty-five (85) were public officers living with disability or 2% of the total staff. This was contrary to Article 54 (2) of the Constitution of Kenya and Section B.23 (1) and (2) of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016	<p>progressively towards attaining the requirement of the Section 13 of the Persons with Disabilities Act, 2013 which provides a reservation of five percent (5%) of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities.</p> <p>4. The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with Section 13 of the Persons with Disabilities Act, 2013.</p>
17.	<b>Irregular Engagement of Casuals</b>	Casuals engaged beyond 3 months and without approval of County Public Service Board	Hon, Chair we take note of the findings of the auditor and we	Review of the Integrated Financial Management Information System (IFMIS) payment	1. The County Governor should ensure that casual workers are engaged in line with

		<p>(CPSB). Payments were not also made through IPPD</p>	<p>wish to respond that the approvals by the County Public service Board have since been availed to the auditors for verification. Appendix 17.1</p>	<p>details for the year under review revealed payments amounting to Kshs.2,151,819 paid to twenty (20) casuals for a period exceeding three months during the year under review.</p> <p>Departments within the County Executive maintained casuals without the required approvals from the County Public Service Board (CPSB).</p> <p>The County violated Section 37(1)(b) of the Employment Act, 2007</p>	<p>the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;</p> <p>2. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and</p> <p>3. the Auditor General to monitor the matter</p>
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					in the subsequent audit cycle.
18	<b>Non-Compliance with Law on Ethnic Composition</b>	Review of the human resource Integrated Payroll and Personnel Database (IPPD) Compliment data as at 30 June, 2024 revealed that the County Executive had Five thousand, three hundred and sixty-five (5,365) employees out of which two thousand, five hundred and forty-nine (2,549) or 48% were from dominant ethnic community in the County. Further it was observed that three thousand, nine hundred and seventeen (3,917) staff or 73% of the work force were from the two dominant communities in the County. This was contrary to the provisions of Section 7(1) and (2) of the National	Hon. Chair, we are in agreement with the findings of the auditor and we wish to respond as follows. In undertaking the recruitment and selection exercise, the Board takes into consideration the constitutional requirements as outlined in Articles 54 (2), 55 (c), 232 (1) g, h, I of the Constitution of Kenya, 2010 and Section 65 (1) b, c, e 64(1), and 65 (2) of the County Governments Act, 2012 amended 2020. Section 65 (1) e, of the CGA Acts states;	48% of the employees were from the dominant community and 73% were from the two dominant communities.	5. The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County Government Act on ethnic inclusivity; and 6. The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of the County Government Act, 2012.

		Cohesion and Integration Act, 2008. In the circumstances, Management was in breach of the law.			
19 .	<b>Payroll Deductions in Excess of Two-thirds of Basic Pay</b>	Review of the Integrated Payroll and Personnel Data base (IPPD) payroll revealed that a total of one thousand, one hundred and eighty (1,180) officers earned net pay lower than a third of their basic salary during various months in the financial year. Further, it was observed that fifteen (15) officers continuously had deductions in excess of two-thirds of their basic pay for the entire financial period. This was contrary to Section 19(3) of the Employment Act, 2007. In the circumstances, Management was in breach of the law.	Hon Chair, we agree with the findings of the auditor that one thousand, one hundred and eighty (1,180) officers earned net pay lower than a third of their basic salary during various months in the financial year. On this matter we wish to respond that deductions of more than two-thirds of the basic pay were occasioned by several factors as enumerated	Review of the Integrated Personnel Payroll Data (IPPD) payroll reveals a total of one thousand, one hundred and eighty (1,180) officers earned net pay lower than a third of their basic salary during various months in the financial year.	The Committee recommends that;  5) The county entities should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and 6) The Auditor General should continue monitoring the issue in subsequent audit cycles.
20 .	<b>Irregular Operation of</b>	Review of cash and bank records revealed that the	Hon. Chair we agree that the	Review of cash and bank records revealed that the	The Committee recommends that the;

	<b>Accounts in Commercial Banks</b>	County Executive operated fifteen (15) accounts with commercial banks instead of the Central Bank of Kenya. This was contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015	County Government operates more than fifteen (15) accounts with commercial banks instead of the Central Bank of Kenya. The number of commercial bank accounts are 343.	County Government operated fifteen (15) accounts with commercial banks instead of the Central Bank of Kenya contrary to the Law	<ol style="list-style-type: none"> <li>1. County Executive closes all unauthorized commercial bank accounts and transfer the funds to the Central Bank of Kenya accounts, retaining only the approved imprest accounts for petty cash and provide a status update to the Office of the Auditor General within 60 days of adoption of this report;</li> <li>2. The County Executive to implement stricter internal controls and identify training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with</li> </ol>
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					the National Treasury within 60 days of adoption of this report.
21	<b>Retention of Employees Beyond the Mandatory Retirement Age</b>	Review of the Integrated Personnel Payroll Data (IPPD) payroll revealed that seventy-seven (77) officers who drew salaries totaling to Kshs.36,165,612 during the financial year under review who were still in service despite attaining the mandatory retirement age of sixty (60) years.	<p>We have noted the findings of the auditor on the retention of seventy-seven (77) officers despite them attaining a mandatory retirement age of sixty (60) years.</p> <p>We wish to respond that seventy-five (75) officers retired and were deleted from the payroll, two (2) are staff on contract (political appointees</p>	Review of the Integrated Payroll and Personnel Data base (IPPD) revealed that seventy-seven (77) officers who drew salaries totalling Kshs.36,165,612 during the financial year under review were still in service despite attaining the mandatory retirement age of sixty (60) years.	The Committee recommends that the County Executive strictly adheres to section 80(1) of the Public Service Commission Act, 2017, and Section D.21 of the Public Service Commission Human Resource Policies and Procedure Manual, 2016 by ensuring that all officers retire at the mandatory age of 60 years (65 for persons with disabilities) and prohibiting extensions beyond this age unless under exceptional government-prescribed circumstances and provide a status update to the Office of the Auditor General within sixty (60) days.
22	<b>Assets Without</b>	996 parcels of land owned by the County	Hon Chair, the management takes note of the	The County did not have ownership documents inform of tittle deeds for	The Committee recommends that;



	<p><b>Ownership Documents</b></p>	<p>Executive did not have ownership documents.</p> <p>In addition, the original map of Njoro Central DEB Primary School indicated the school was originally occupying 1.75ha of land or approximately 4.32 acres. Currently the school sits on 1.35 acres as per the allotment letter dated 10 June, 1997</p>	<p>audit findings and observation. We wish to state that the vehicles purchased by the County Executive, (175) have logbooks in name of the County Government of Nakuru and the balance of 270 vehicles in the name the Defunct Local Authorities National Government. One hundred and fifty (150) parcels of land have either title deeds or allotment letters of lease certificates.</p>	<p>nine hundred and ninety-six (996) parcels of land of undetermined value and indicated to be owned by the County Executive.</p> <p>Motor vehicles register revealed that the register failed to indicate whether the entity had logbooks for the four hundred and forty-five (445) motor vehicles it held.</p> <p>Original map of Njoro Central DEB Primary School indicated the school was originally occupying 1.75ha of land or approximately 4.32 acres. Currently the school sits on 1.35 acres as per the allotment letter dated 10 June, 1997.</p>	<ol style="list-style-type: none"> <li>1. the County Executive Management urgently expedites its engagement with the Ministry of Lands to process and secure the title deeds for the land owned by the County;</li> <li>2. the County Executive should establish a systematic process to ensure that all future land acquisitions are accompanied by proper legal documentation at the time of purchase to avoid similar issues and uphold transparency and accountability in asset management;</li> <li>3. County should expedite the process of updating and</li> </ol>
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				<p>Illegal settlers have encroached on a section of the school which has jeopardized the existence of the School resulting to lack of a playing ground and future development space.</p>	<p>presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report; and</p> <p>4. The County Executive should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and provide a status update to the Office of the</p>
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					<p>Auditor General within 90 days of the adoption of this Report; and</p> <p>5. The Ethics and Anti-Corruption Commission (EACC) should investigate the illegal encroachment and grabbing of the Njoro Central DEB Primary School land, which has reduced the institution's original 4.32 acres to just 1.35 acres, depriving students of essential facilities like a playing field and future development space with a view to identifying and prosecuting individuals involved in the fraudulent acquisition of the</p>
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					<p>school's land, ensure the recovery of the illegally occupied portion, and facilitate its immediate reversion to the school to safeguard public education interests and uphold the rule of law and provide a status update to the Office of the Auditor General and the Senate within 90 days of adoption of this Report.</p>
23	<p><b>Supply, Installation and Commissioning of the Revenue Management System</b></p>	<p>Agreement to pay vendor 4.3% of total local revenue collected. The engagement of the private vendor has not resulted into improved revenue</p>	<p>We agree with the auditor's observation that according to the terms of reference (TORs) the vendor was to ensure that the county is maximizing the revenue. Since its</p>	<p>The vendor was to ensure that the County Executive was maximizing the revenue but there had been no much improvement in the revenue collection since its installation.</p>	<p>The Committee recommends that the County Executive should conduct an immediate independent audit to assess the performance and cost-effectiveness of the Integrated Revenue Collection Management System, given the lack of demonstrable</p>

			installation in 1st December 2020 up to-date the system has aided in improvement in revenue collected as shown by the revenue analysis		improvement in revenue collection despite payments of Kshs.57,739,727 to the supplier with a view to terminate the contract if the audit confirms that the system failed to deliver the expected returns as per the contract's Terms of Reference (TORs).
24	<b>Construction of High-Altitude Training Facility Keringet Sports Center</b>	Incomplete construction of a high-altitude training facility in Keringet ward at Kshs.121,997,573	We agree with the auditors' findings concerning construction of High -Altitude Training Facility at Keringet. We wish to confirm that the performance bond for the project was extended to 29th April 2025 and has been provided to the auditors for verification. Appendix 24.1	Kshs.96,087,948 or 78% of the contract sum had been made as at 30 June, 2024.  physical verification of the works revealed that the main contractor had not completed the works thirty (30) months after the expected completion date and was not on site.  Another contractor was contracted at a contract cost of Kshs.18,431,860 for	The Committee recommends that;  1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance

				<p>mechanical works and borehole drilling at the Keringet Sports Center. The contract start date was 22 May, 2023 and was expected to end on 22 November, 2023.</p> <p>However, physical inspection of the project revealed that the borehole had been drilled but there were incomplete works.</p>	<p>Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the</p>
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					subsequent audit cycle.
25	<b>Failure to Establish Departmental Training Committees</b>	Management did not establish departmental training committees which may have negatively impacted the efficient management of the training function of the County Executive.	We agree with the auditor's findings that departmental training committees were not established, however, the functions of departmental training committees is currently being undertaken by departmental human resource management advisory committees. Appendix 25. 1	Management did not establish departmental training committees which may have negatively impacted the efficient management of the training function of the County Executive.	The Committee recommends that the County Executive should immediately establish functional Departmental Training Committees in strict compliance with Paragraph I.2 (1) of the County Public Service Human Resource Manual, 2013, to ensure proper oversight, planning, and efficient management of staff training programs and submit a status update to the Office of the Auditor General and the Senate within sixty (60) days from the adoption of this report.
26	<b>Compensation of Employees Beyond the Set Threshold</b>	The compensation of employees amounts of Kshs.6,447,452,070 is equivalent to 39% of the County Executive's total revenue of Kshs.16,362,575,304 which exceeded the prescribed limit of 35%.	We agree with the auditor's findings that the County Executive has exceeded the prescribed limit of 35% of the total revenue and we wish to state	The compensation of employees amounts of Kshs.6,447,452,070 is equivalent to 39% of the County Executive's total revenue of Kshs.16,362,575,304 which exceeded the prescribed limit of 35%.	The Committee recommends that; <ul style="list-style-type: none"> <li>• The management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government)</li> </ul>

			that this has been occasioned by various factors.		<p>regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue;</p> <ul style="list-style-type: none"> <li>• The county executive puts in place measures to enhance its own source revenue collection to address the high wage bill gap; and</li> <li>• The management should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.</li> </ul>
1.	<b>Lack of a Fraud Policy</b>	The County Executive did not have in place a fraud management policy to assist in detecting and preventing fraud during the year under review	Hon. Chair we are in agreement with the Auditor's finding that the County Executive did not have in place a	The County Executive did not have in place a fraud management policy to assist in detecting and preventing fraud during the year under review	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the Accounting Officer puts in place an ICT, risk management policy and disaster recovery</li> </ol>



			fraud management policy. We wish to state that we are in the process of coming up with this.		<p>plan within sixty (60) days from the adoption of this report and submit the same to the Auditor General; and</p> <p>2. the Auditor General to closely monitor the development, documentation and communication of these policies within the county entities in the subsequent audit cycles.</p>
2.	<b>Non-Establishment of an Audit Committee</b>	The County Executive did not establish an internal audit committee responsible for monitoring the County's governance process, accountability process and control systems, follow up on the implementation of the recommendations of internal and external audit.	We are in agreement with the Auditor's finding that the County Executive did not establish an internal audit committee. We wish to state that we are in the process of establishing the audit Committee.	The County Executive did not establish an internal audit committee responsible for monitoring the County's governance process, accountability process and control systems, follow up on the implementation of the recommendations of internal and external audit.	<p>The Committee recommends that;</p> <p>1. the county entities should expedite establishment of audit committees to enhance oversight over public resources and provide a status report to the Auditor General within sixty (60) days from the adoption of this report; and</p> <p>2. The Committee further recommends</p>

					that the SRC should review the compensation framework for Audit Committee members since the low sitting allowances may not attract seasoned professionals to the county Audit Committees.
3.	<b>Lack of Risk and Disaster Management Policy</b>	Management of the County Executive has not established a risk and disaster management policy; strategies and a risk register to mitigate against risk	We are in agreement with the Auditor's finding that the County Executive has not established a risk and disaster management policy. We wish to state that we are in the process of establishing the audit Committee.	Management of the County Executive has not established a risk and disaster management policy; strategies and a risk register to mitigate against risk	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the Accounting Officer puts in place an ICT, risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the Auditor General; and</li> <li>2. the Auditor General to closely monitor the development, documentation and communication of these policies within the county entities in</li> </ol>

					the subsequent audit cycles.
4.	<b>Non-Compliance With Climate Change Regulations</b>	The Nakuru Climate Change Act, 2021 provided for establishing of County Climate Change Steering Committee and County Climate Change Planning Committee. However, the composition of the approved committees chaired by the Governor were not provided for audit review.	We agree with the auditor's findings and wish to respond that the composition of the approved committees was guided by the Nakuru County Climate Change Act 2021. Appendix 4.1	<p>There were no reports on sectoral greenhouse gas emissions for the national inventory submitted by the County Executive.</p> <p>There were no mechanisms implemented by the County Executive to regularly monitor and review the performance of integrated climate change.</p> <p>The County Executive did not have annual reports submitted to the Council, detailing the status and progress of performance and implementation of all assigned climate change duties and functions.</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the County Executive should comply with the Nakuru Climate Change Act, 2021 by formally constituting and operationalizing the County Climate Change Steering Committee and Planning Committee, ensuring their membership and mandates are transparently documented and and provide a status update to the Office of the Auditor General within sixty (60) days; and</li> <li>2. the County Executive should</li> </ol>

					<p>establish a dedicated climate change unit with adequate staffing and funding, appoint a senior officer to oversee climate action mainstreaming, and develop a framework for monitoring, reporting, and reviewing integrated climate change performance. Annual progress reports must be submitted to the Council, with verifiable evidence of public participation in climate policy formulation, to ensure accountability and alignment with statutory obligations.</p>
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5.	<b>Lack of an Inventory Management System for the Health Stores</b>	Review of the store records from the pharmacy department at the Nakuru County Referral and Teaching Hospital on 08 October, 2024 revealed that drugs amounting to Kshs.1,799,849 that had since expired during the period under review yet they were still in the stores. It was observed that the Department had failed to develop proper internal controls to monitor the stock levels and nature of stores	We acknowledge that currently there's no automated stock module. Initially the facility had an automated one but the cost of maintaining the system was not sustainable and are currently sourcing a free one from the Ministry of Health. However, the facility has a manual one that they use to track expiry of drugs by taking monthly stock takes which are checked and documented. In addition to this the main reasons for expiry are staff strikes, changes in treatment regimens,	It was observed that the Department had failed to develop proper internal controls to monitor the stock levels and nature of stores as envisaged under Regulation 158(1)(b) of the Public Finance Management (County Governments) Regulations, 2015	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the County Executive should immediately implement an automated inventory management system for the Pharmacy Department at Nakuru County Referral and Teaching Hospital to enable real-time tracking of drug stock levels, expiry dates, and usage patterns, in full compliance with Regulation 158(1)(b) of the Public Finance Management (County Governments) Regulations, 2015;</li> <li>2. the County Executive should establish strict internal controls,</li> </ol>
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			<p>donations from KEMSA and a push for commodities from UHC.</p>		<p>including regular stock audits, staff training on inventory best practices, and a structured disposal protocol for expired drugs to prevent wastage of public resources; and</p> <p>3. the Accounting Officer undertakes administrative action against the responsible officer(s) for the lapse that led to Kshs.1,799,849 worth of expired drugs remaining in storage and disciplinary action taken where negligence is established to deter future inefficiencies in medical supply management and provide a status update to the</p>
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					Office of the Auditor General within sixty (60) days.
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF NAROK COUNTY EXECUTIVE FOR  
THE FINANCIAL YEAR 2023/2024**

Basis for Qualified Opinion

<b>SUMMARY OF UNRESOLVED AUDIT ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1	<b>Inaccuracies in Pending Accounts Payable</b>	Pending accounts payable and pending staff payables balances of Kshs.618,888,103 and Kshs.154,318,224 respectively differs with a recast schedule in the financial statements showing a balance of Kshs.731,446,191 leading to an unexplained and unreconciled variance of Kshs.112,558,088. Pending bills listing indicates payables dating back to the	Variance of 112,558,008 arose from a casting error in the computation of Pending Bills for the supply of services but the error will be corrected in the Financial Statements of Fy 2024/25 as a prior year adjustment. County Government had pending bills dating back to FY 2013/2014 that have hitherto not been settled due to lack of sufficient	The management has not resolved the Kshs. 112,558,008 variances, failed to provide a register for long-outstanding payables, and did not document payments of Kshs. 400,752,554 to road contractors, with the pending bills untraced in previous audit records	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;	60 days from the date of adoption of this report



		<p>financial year 2013/2014.</p> <p>County Executive did not maintain a register with details of ages of the bills, opening amounts, additions during the year, payments as well as the closing balances.</p> <p>Report of the Pending Bills Resolution Committee to verify eligible or ineligible pending bills was provided BUT it was not conclusive as to determine the validity and eligibility of the pending bills reported in the financial statements.</p> <p>Construction of roads revealed that payments amounting to Kshs.400,752,554 was made to contractors as</p>	<p>documentation to support their eligibility.</p> <p>A pending bills register is maintained with details including ages of the bills.</p> <p>A pending bills Committee reviews and updates the Government on the status of pending bills. It was during the Committee's time that other authentic pending bills came up &amp; they recommended them as eligible for payment despite having not been handed over to the current administration by the previous one</p>			
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		pending bills which have been outstanding for more than one year, dating back to 2020/2021 financial year BUT the pending bills could not be traced in the previous year's audited pending bills records & Management has not explained why the pending bills were not included in the financial reports of the years in which they occurred				
2	<b>Unsupported Expenditure on Tagging of Rhinos</b>	Kshs.4,401,000 was spent towards the ear-notching and fitting of transmitters on twenty (20) black rhinos in the Maasai Mara National Reserve. Budgeted expenditure for vehicle transport, fuel and	The reallocation was corrected through supplementary budget no 2 of 2023-2024 as attached and journal entries post expenditures to the correct vote items for purposes of final reporting	The management did not provide relevant documents to OAG for verification.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the	60 days from the date of adoption of this report

		<p>maintenance was Kshs.550,000 against the actual expenditure of Kshs.649,996 resulting to unexplained and unapproved over-expenditure of Kshs.99,996.</p> <p>Fuel consumed was not supported with detailed order, work tickets, delivery notes, counter issue forms (S11) and counter receipt forms (S13) to confirm the amount of Kshs.901,000 spent on immobilization drugs, reversal agents, darting accessories and medical consumables.</p> <p>Kshs.2,172,800 and Kshs.1,568,000 paid to Department of Tourism and Kenya Wildlife Service</p>			<p>Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
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		<p>personnel is not supported with Memorandum of Understanding with the respective National Government Departments. Hired Company for the provision of helicopter services was not in the list of registered suppliers for the County Executive for the period under review.</p>				
3	<b>Unsupported Reallocation of Expenditure</b>	<p>IFMIS payment details reflects sixteen (16) transactions with a total expenditure of Kshs.183,474,862 paid from the sub-item of Other Capital Grants and Transfers BUT the expenditure related to payment to individuals, organizations, suppliers and</p>	<p>The reallocation was corrected through supplementary budget no 2 of 2023-2024 as attached and journal entries post expenditures to the correct vote items for purposes of final reporting.</p>	<p>The management did not provide relevant documents to OAG for verification.</p>	<p>The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act,</p>	<p>60 days from the date of adoption of this report</p>

		<p>contractors and not Government Agencies or Entities. Management explained the re-allocations were due to inadequate budgetary provisions on the respective expenditure items.</p> <p>Approval for the re-allocations &amp; respective journal vouchers on reclassification to the correct expenditure items were not provided for audit verification</p>			2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
4	<b>Unsupported Payments to Contractors</b>	A Contractor was paid Kshs.75 million for management services of earth moving and road works equipment BUT the daily records of	Daily records of movement of the earth equipment, reports on routine supervision of road construction works, reports on routine maintenance and	The management did not provide relevant documents to OAG for verification.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the	60 days from the date of adoption of this report

		<p>movement of the earth equipment, reports on routine supervision of road construction works, reports on routine maintenance and repairs of the earth moving equipment road and road furniture construction supplies and materials acquired and the roads constructed and maintained by the Contractor were not submitted for audit review.</p> <p>Not possible to confirm works performed and if they are performed as per the contract. Daily approved work plans for the contractor was not submitted for the audit review.</p> <p>Kshs.60,548,614 paid to another</p>	<p>repairs of the earth moving equipment were presented. Details of work performed, the post repair inspection reports, the work tickets indicating the details of the dates when vehicles were in garage, maintenance logbook, driver and operators defect report, invoices and delivery notes were also presented.</p> <p>The contractor was paid for work done in that financial year &amp; funds were carried forward to the next financial year for the work not done.</p>		<p>auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
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		Contractor for repairs and maintenance of earth moving equipment BUT payment was not supported with details of work performed, the post, work tickets and inspection and acceptance committee report to confirm the validity of the expenditure. Amount paid as pending bill yet it was not included in the prior year audited pending accounts payables.	FY 2023/24, the department of Roads and transport department was allocated Kshs.240,823,765 for roadworks included Kshs.60,548, 614 for repairs of			
<b>OTHER MATTERS</b>						
5	<b>Unresolved Prior Year Matters</b>	Several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of	Financial Statements were amended to reflect accuracy and completeness, and reporting processes were enhanced to ensure proper	The County Executive did not take action on the issues raised in the Report of the Auditor General for the Financial year 2022/2023	The County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General	60 days from the date of adoption of this report

		<p>Internal Controls, Risk Management and Governance BUT Management has not explained how the issues were addressed or resolved. Financial statements have not fully disclosed the prior year audit issues and how they have been addressed by Management in Annex 1 to the financial statements on progress on follow-up prior year Auditor-General's recommendations.</p>	<p>documentation and support for all transactions. Compliance with applicable laws and standards, ensuring adherence to internal controls and risk management practices. Progress on the Auditor-General's recommendations has been captured in Annex 1 of the amended financial statements, ensuring transparency and accountability. Internal Audit Committee was constituted to strengthen oversight and governance. County initiated the preparation of an ICT policy</p>		<p>within 60 days of the adopting this report</p>	
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Report on Lawfulness and Effectiveness in the Use of Public Resources						
6	<b>Legal Fees</b>	Legal fees of Kshs.364,996,746 exceeded the budgeted amount of Kshs.337,382,581 resulting to unauthorized and unapproved expenditure of Kshs.27,614,165.	Payment exceeded budgeted amount by Kshs.27,614,165 from unforeseen court orders and decrees issued to legal firms that provided services to the Government during former administration. To comply with the law, the amounts were approved through supplementary budget No. 2 of 2023/24.	The management did not confirm the legality of the excess payment and did not provide Supplementary Budget No. 2 of 2023-2024 for audit verification.	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report

					<p>2. The County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</p> <p>3. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at</p>	
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					the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;	
7	<b>Non-Compliance with the One-Third of Basic Salary Rule</b>	224 employees earned a net salary of less than a third (1/3) of the basic salary in various months during the year under review.	In 2020 during COVID-19 pandemic PAYE was temporarily lowered to cushion Kenyans between April and December. Some employees took loans based on the increased net salary due to this cushioning.	The management allowed 224 employees to earn less than one-third of their basic salary in various months.	1) The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate the issue of non-compliance with	60 days from the date of adoption of this report

			<p>PAYE rates reverted back in January 2021 &amp; the net salaries of these employees could not accommodate the increased PAYE deductions. Introduction of a contributory pension for devolved staff @ 2.5% in 2021 to 5% in 2022 and 7.5% in 2023 with employees who had committed their salaries up to one-third of their basic salaries adversely affected. Officers with fine surcharges, overpayments, HELB, and court attachments as deductions. Introduction of new statutory</p>		<p>the two-third basic salary rule as well as comply with the requirements of law.</p> <p>2) The county should configure its IPPD system such that it can lock out commitments beyond the accepted thresholds.</p> <p>3) The Auditor General should continue monitoring the issue in subsequent financial year</p>	
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			deductions - SHIF @2.75% of gross pay, Affordable Housing Levy @1.5% of gross pay, & NSSF increased from Kshs. 0/Ksh.200 to Kshs.1, 080			
8	<b>Irregular Recruitment of Staff</b>	<p>73 clerical officer officers, 8 enforcement officers, 27 trade development officers &amp; 2 administrative officers were recruited to the respective jobs.</p> <p>No evidence by Management as proof of human resource plans, confirmation of vacancies existence within the staff establishment &amp; that due recruitment process was followed</p>	<p>County Public Service Board recruitment was based on job indents from various departments of the county. Human resource plans and staff establishment manual was used to guide in establishing the personnel needs in those departments. Recruitment process + interviews for hired staff were conducted by</p>	The management did not provide relevant document to the OAG for verification	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report

			County Public Service Board.			
9	<b>Irregular Secondment of Employees</b>	9 employees were seconded to various public offices BUT the officers were seconded for periods exceeding 6 years without justification.	Observation by the auditor was inaccurate as the County Government has complied with the requirements for secondment of staff given that no one was seconded for a period of more than 6 years.	The management did not provide relevant document to the OAG for verification	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report
10	<b>Non-Compliance with the Law on Staff Ethnic Composition</b>	County Executive has 5,477 employees out of which 4,557 or 83% are from the same ethnic community. In 2023-2024, CPSB recruited 249	Narok County has complied with 30% ethnic composition, gender and PWDs requirement.	The management did not provide relevant document to the OAG for verification.	1. The Office of the County Governor undertakes administrative action against the responsible	60 days from the date of adoption of this report

		employees, out of whom 236 or 96% were from the same ethnic community.		83% of the employees were from the dominant ethnic community.	<p>officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p> <p>2. The county executive should work progressively towards attaining the requirement of the</p>	
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					<p>provisions of Section 65(1)(e) of the County Government Act on ethnic inclusivity.</p> <p>3. The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of the County Government Act, 2012.</p>	
11	<b>Non-Reservation of at least 30% of Procurements to Disadvantaged Groups</b>	Disadvantaged groups of youth, women and persons with disability were awarded 31 contracts of Kshs.273,355,924 or 4.2% of all the procurements value.	The County Government made effort in procurement and issuance of tenders to disadvantaged groups but it has become difficult	The management reserved only 4.2% (Kshs. 273,355,924) of procurements for disadvantaged groups instead of the required 30%.	The management to ensure compliance with Section 157(10) of the Public Procurement and Asset Disposal Act, 2015, by increasing procurement opportunities for	Continuou s



			to attract PWDs, women and youth to bid for the tenders leading to a low achievement in this area. We endeavor to carry out civic education in order to create awareness and attract PWDs, women and youth to bid for the future tenders.		disadvantaged groups, including youth, women, and persons with disabilities, to meet the required threshold.	
12	<b>Irregular Hire of Ambulance Services</b>	Kshs.63,264,577 was paid to a local private company for the provision of ambulance emergency medical services being a third extension of the contract entered into in February, 2018 for two (2) years without the recommendation of the evaluation committee.	Evaluation committee recommended extension of contract as per the law & recommended hiring of ambulances instead of purchase because of terrain of the County, dilapidated roads and expansive	The management did not provide relevant document to the OAG for verification.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a	60 days from the date of adoption of this report

		<p>No evidence of performance monitoring of the service provider, to ensure that all delivery or performance obligations were met.</p> <p>Company cumulatively paid service fees of Kshs.610, 668,577 from February, 2018 without cost benefit analysis between hiring and acquisition or purchase of the ambulances.</p> <p>Procurement documents &amp; schedules of rescue operations by the ambulances including pick-up and drop-off points &amp; details on patients served, were not provided for audit review.</p>	<p>nature of the County.</p> <p>Cost-benefit analysis has considered the management of ambulances including repairs, servicing, hiring of drivers and medical staff, and fleet managers is much more costly than hiring. Kshs. 8,294, 000 was for 11 ambulances hired by the County Government initially towards payment of drivers, medics, drugs, maintenance and servicing of vehicles and fuel. County Government has stationed an officer to monitor operations of</p>		<p>status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
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			ambulances to ensure efficiency of operations.			
9	<b>Delayed Completion of Narok County Referral Hospital Block and New Narok County Medical School</b>	Construction of the Narok County Referral Hospital Block was to commence in March, 2020 with the expected completion date of 09 August, 2021 at Kshs.1, 107,295,449. The construction of a new Narok County Medical School (MTC) was to commence in July, 2020 with the expected completion date of 31 December, 2021 @ Kshs.407,768,961 BUT the two projects have had their completion dates extended three (3) times without formal contract extension.	Completion was delayed due to architectural adjustments recommended by Ministry of Health to make the structure suitable for use as referral hospital as per requisite standards. Requirement for construction of mortuary, kitchen and laundry. Contract extension was duly approved by the accounting officer in the Department of Health. Accounting officer received recommendation from the project management consultant on	The management did not provide relevant document to the OAG for verification	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report

		<p>Contractors cumulatively paid Kshs.1,279,453,652 or 84% of initial contract amount without payment certificates issued by the Department of Public Works and Infrastructure.</p> <p>Physical verification in October, 2024 on Narok County Medical School (MTC), hostels and associated works revealed that contractors were on site doing major structural, mechanical and electrical works.</p> <p>No documents of the technical committee report, minutes of site meetings, Bills of Quantities and the amended contract price were provided</p>	<p>approved amendment of the contract for works at the KMTC.</p> <p>All payments were made based on certificates raised and signed by the Engineers.</p> <p>KMTC is complete &amp; put to use.</p>			
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10	<b>Supply and Delivery of Earth Moving Equipment and Machinery</b>	<p>County Executive awarded a contract for supply and delivery of earth moving equipment and machinery for road construction at a cost of Kshs.1,487,932,072 above approved budget of Kshs.876,000,000 resulting to unauthorized expenditure of Kshs.611,932,072.</p> <p>Chief Mechanical Officer did not conduct a post-delivery inspection on the machines and earth moving equipment delivered.</p> <p>No inspection of the equipment delivered was done to ensure they met requisite specifications.</p>	<p>Procurement of earthmoving machinery and equipment was budgeted in FY 2022/23 @ Kshs.876,000,000 and FY 2023/24 @ Kshs. 611,932,072 &amp; therefore the expenditure was properly budgeted.</p> <p>Procedure to acquire earth moving equipment was duly followed through an inspection and acceptance committee whose inspection and acceptance report is attached. Mechanical engineer carried out pre- and post-delivery inspection for the</p>	The management did not provide relevant document to the OAG for verification	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report
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		<p>No inspection and acceptance committee report, registration and ownership documents including logbooks were not provided.</p> <p>The delivery notes, pre-inspection reports and evidence of post-delivery inspection conducted by a mechanical engineer from Department of Roads, Public Works and Infrastructure to confirm the specifications of the machinery and equipment as per the laid down government regulations of motor vehicles and other road equipment were not provided for audit.</p>	<p>machinery and earth moving equipment to confirm specifications of equipment.</p> <p>Daily equipment utilization schedule is attached, logbooks and a fixed asset register.</p> <p>The County is vast and the acquired earth moving equipment are not sufficient to carry out works for all roads across the county hence the need for further procurement of contractors.</p>			
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		<p>Daily equipment utilization schedule indicating daily odometer readings at start and end for each equipment and downtime were not provided for audit.</p> <p>Despite the County Executive investing in the equipment and machinery, various road projects were outsourced to contractors without justification.</p> <p>No evidence that the machinery and equipment were received and taken on charge and recorded in the fixed assets register.</p>				
11	<b>Lack of Effective Citizen Participation in</b>	Management failure to develop a criterion for identifying stakeholders to	County carried out public participation exercise as the law requires by	The management did not provide relevant document to the	1. The Office of the County Governor undertakes administrativ	60 days from the date of adoption of this report

	<b>Planning and Budgeting</b>	participate in the budget process & the method of communication	<p>putting advertisements to identify locations in the entire county where public exercises were to be conducted. Advertisements in the public dailies &amp; time stamp for Kiswahili and vernacular languages, attendance sheets and minutes of the meetings.</p>	OAG for verification	<p>e action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p> <p>2. The management comply with Articles 201 and 232(1)(d)</p>	
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					of the Constitution and Section 125(2) of the Public Finance Management Act, 2012, by conducting adequate public participation in planning and budgeting.	
12	<b>Failure to Establish County Climate Change Fund</b>	County Executive has not established the Narok County Climate Change Fund.	The Fund has now been formally established, aligning with the provisions of the Public Finance Management (PFM) Act and the specific Climate Change Fund Regulations. Necessary legal and administrative frameworks have	The County Executive has not established the Narok County Climate Change Fund as required by law	The management should develop Narok County Climate Change Fund in compliance with the Public Finance Management (Narok County Climate Change Fund) Regulations, 2021 within sixty (60) days of the adoption of this report and submit the same to the Auditor-General.	60 days from the date of adoption of this report

			been put in place to operationalize the Fund including development of guidelines on funds utilization, governance, and reporting mechanisms.			
13	<b>Unremitted Retirement Benefits Contributions</b>	County Executive owed Kshs.1,863,017,088 to three pension funds amounting to Kshs.134,981,919 and interest amount of Kshs.1,728,035,170 . Records supporting deduction & remittance of NSSF, NHIF and PAYE for employees were not provided for audit.	Long outstanding debt originated from the defunct Local Authority BUT the County Government has begun settling payments. Records for deduction and remittance of NSSF, NHIF and PAYE are attached.	The management did not provide relevant document to the OAG for verification	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report

14	<b>Irregular Payments to Council of Governors</b>	County Executive made payments of Kshs.5,000,000 to Council of Governors in support of the 9th Annual Devolution Conference and operating expenses	County government has been making contributions to the Council of Governors to facilitate the secretariat. The law before parliament will solve the issue so that the current situation can be corrected.	Payments made to the Council of Governors from County Revenue Funds were irregular and unlawful since the Intergovernmental Relations Act specifies that funding for the COG shall be drawn from the Consolidated Fund.	1. The irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as The Office of the County Governor, who continues to make the irregular contribution.	60 days from the date of adoption of this report
15	<b>Nugatory Payments</b>	Litigations against the County Executive with accumulated interest on arbitration of Kshs.752,166,295 for cases involving three clients and dating back to the 2013-2014 out of which Kshs.	Interest on court awards has been accumulating but the County Government is making deliberate efforts to clear the legal fees and associated interests when funds become available.	The County Executive has pending litigations with accumulated interest of Kshs. 752,166,295, dating back to 2013-2014. Only Kshs. 62,288,125 has been paid	1. The County Executive should utilize its own legal department and make adequate efforts to pay the Pending Legal Fees that have already undergone through taxation	60 days from the date of adoption of this report

		62,288,125 had been paid.	Negotiating with legal service providers to consider waiving interest.		and submit a status report to the Auditor-General sixty days from the date of adoption. 2. County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.	
16	<b>Irregular Transfer of Funds to Narok Kajiado Economic Block (NAKAEB)</b>	Kshs.24,251,066 transferred to Narok Kajiado Economic Block (NAKAEB). Transfers were made without any conditions or agreement & no verifiable document provided in support	County Executive transferred Kshs.24,251,066 to NAKAEB & amount was budgeted under transfers to other Government entities for 2023/24.	The management transferred Kshs.24,251,066 to NAKAEB without any conditions or agreements. No verifiable documents were provided to	Sanction and surcharge as outlined in Section 65 of the Public Audit Act, 2015 against the responsible officer(s) who made irregular payment to NAKAEB within 60	60 days from the date of adoption of this report

		of the NAKAEB's constitutional mandate	Purpose was to support activities of mutual interest, including the promotion of Maa Cultural activities.	support the transfer	days from the date of adoption of this report,	
17	<b>Irregular Grants to Narok Water and Sanitation Company Limited</b>	County Executive transferred grants of Kshs.10,314,123 to Narok Water and Sanitation Company Limited for Company's administration and operational costs. Grants were not included in the approved budget for the year & were issued to the Company in cash to augment its budgetary resources. Transfers were made without any conditions, agreement or management instructions to guide the arrangement.	The transfer is payment of water bills for our various hospitals, institutions and county departments.	The management did not provide relevant document to the OAG for verification	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report

18	<b>Irregular Operation of Accounts in Commercial Banks</b>	County Government operated 27 accounts with commercial banks instead of the Central Bank of Kenya.	The commercial banks were open specifically for revenue collection, health facilities improvement fund accounts, conditional grants and county funds	The County Government operated 27 accounts with commercial banks instead of the Central Bank of Kenya. No evidence was provided to support the management's response.	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report
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					2. The management should comply with Regulation 82(1)(b) of the Public Finance Management (County Governments ) Regulations, 2015,	
<b>Report on Effectiveness of Internal Controls, Risk Management and Governance</b>						
19	<b>Payment of Salaries Through Manual System</b>	Salaries of Kshs.48,517,077 paid outside the IPPD system through manual payrolls. Kshs.34,887,575 paid to officers in various departments and Kshs.13,629,502 paid to temporary employees of the County. Manual systems are prone to errors.	Contributions are made to staff pensions at various levels depending on category of staff. IPPD is programmed to handle 15% employer's contribution thus it is impossible to incorporate the ones whose contribution is 12% & therefore employer's	Kshs.48,517,077 was paid outside the IPPD system through manual payrolls, including Kshs.34,887,575 to officers in various departments and Kshs.13,629,502 to temporary employees.	The management should process and pay all employees using the IPPD system for accountability and that the OAG should review the matter in the subsequent audit cycle.	Continuou s

			contribution is done manually. Initiated a process with human resource management information systems to include all staff in the employer's contribution scheme			
20	<b>Lack of an Audit Committee and Effective Internal Audit Function</b>	Internal audit department lack an approved internal audit charter, approved annual audit plan and independent budget or authority to incur expenditure.	The Audit committee has been established and is operational. It has an independent budget which enables them to discharge their functions effectively.	The Internal Audit Department lacks an approved audit charter, an annual audit plan, an independent budget, and the authority to incur expenditure	1) the county Executive expedites sufficient staffing of the audit committee to enhance oversight over public resources and provide a status report to the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report



					2) the Salaries and Remuneration Commission (SRC) to review the compensation framework for Audit Committee members since the low sitting allowances may not attract seasoned professionals to the county Audit Committees.	
21	<b>Lack of Updated Register of Assets for ICT Equipment</b>	Fixed and intangible assets not incorporated into the assets register Receipts and issues records revealed that 275 devices had been delivered instead of the originally tendered 150 devices.	County Government received 275 handheld devices, 4 monitoring screens, a server and software licenses & all were recorded in the County fixed assets register.	The management had not updated their fixed asset register.	1. County should update and present their Fixed Assets Register in the format prescribed by the Public Sector Accounting	90 days from the date of adoption of this report

		Register of assets lacked comprehensive details.			<p>Standards Board;</p> <p>2. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and thereafter provide a status report to the auditor general within 90 days of adoption of this report; and</p> <p>3. Office of the Auditor General should</p>	
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					progressively review and report on the matter in the subsequent Financial Years.	
21	<b>Lack of Fraud and Risk Management Strategies</b>	No fraud management policy to assist in detecting and preventing fraud. No risk management policy or strategy	County government is in the process of developing a fraud and risk management strategy.	The county did not have a risk management policy framework in place. The committee further observed that lack of risk prevention mechanism may expose the entities to various form of risks.	The Office of the County Governor should put in place a fraud and risk management policy within sixty (60) days from the adoption of this report and submit the same to the Auditor General.  The Auditor General to closely monitor the development, documentation	60 days from the date of adoption of this report
22	<b>Weak Information and Communication Technology (ICT) Controls</b>	No formal approved ICT Policy and an assessment of the impact of an outage or disruption to the information communication technology systems.	County government established an internal ICT communication policy draft waiting approval from the executive.	The county did not have an ICT policy in place.	The Office of the County Governor should put in place a ICT policy within sixty (60) days from the adoption of this report and submit the same to the Auditor General.	60 days from the date of adoption of this report

		Management has not developed business continuity or information technology disaster recovery plan. Has not established an IT strategic committee to provide governance on information technology matters.	Policy is currently being developed will be considered for approval during the financial year 2024/2025		The Auditor General to closely monitor the development, documentation	
23	<b>Failure to Recover Advanced Payment from Contractor</b>	A contractor's contractual period ended and had been paid the entire contract sum of Kshs.122,698,356 BUT Management had not recovered the advance payment of Kshs.24,500,000 as per the terms of the contract agreement	Advanced payment was included as part of the full payment of the contract sum of Kshs.122,698,356 & instead of the contractor refunding the money, it was retained by the County Government from the contract sum.	The management did not provide relevant document to the OAG for verification	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the	60 days from the date of adoption of this report

					adoption of this report.	
23	<b>Obsolete and Unserviceable Assets</b>	Some items in the store are obsolete and unserviceable and are of no economic importance to the County Government.	Inventory stores contain obsolete medical machinery and equipment that does not have economic value to the government. Has disposed 60% of the obsolete assets and is in the process of disposing the balance by identifying companies authorized by NEMA to dispose of medical equipment	The management did not provide relevant document to the OAG for verification	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF NYANDARUA COUNTY EXECUTIVE  
FOR THE FINANCIAL YEAR 2023/24.**

**Basis of Qualified Opinion.**

<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1	<b>Variances in the Statement of Comparison of Budget and Actual Amounts – Recurrent and Development Combined</b>	The approved budget had 3 components differing with amounts in the statements of comparison of budget and actual amounts The accuracy and completeness of the amounts reflected in the statement of comparison of budget and actual amounts could not be confirmed.	The management responded that there was misclassification of the above categories of expenditure The financial statements were amended to correct the errors	The Committee observed that Public finance Management Act 2012  Public finance Management Regulations, 2015 had been breached.	The Committee recommends that; -  1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156	Within 60 days after the adoption of the report.

					<p>of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of</p>	
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					the responsible Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.	
2	<b>Expenditures Incurred After the End of the Financial Year</b>	Kshs.897,556,896 was paid after 30 June, 2024. The expenditure was backdated in the records of the County Executive as incurred on 30 June, 2024.	The management stated that the issue was as a result of late disbursement from the national Treasury.	The Committee observed that	The Committee recommends that; - 1. The National Treasury should ensure the timely release of funds to county governments in line with the cash	Continuo us



		<p>The propriety and accuracy of the expenditure amounting to Kshs.897,556,896 could not be confirmed.</p> <p>The Management was in breach of the law.</p>			<p>disbursement schedules approved by the Senate.</p> <p>2. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.</p>	
3	<p><b>Variances Between Financial Statements Balances and Integrated Financial Management Information System (IFMIS) Report</b></p>	<p>IFMIS trial balance and ledgers in 12 items have unexplained balances Kshs. 1,497,680,085</p> <p>Accuracy and validity of financial statements not confirmed</p>	<p>Management noted the audit observation. There were IFMIS challenges which included historical balances brought forward</p>	<p>The Committee observed that the PFM Act 2012 and PFM Regulations 2015 had been breached.</p>	<p>The Committee recommends that; -</p> <p>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a</p>	<p>Within 60 days after the adoption of the report.</p>

					<p>status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their</p>	
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					prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.	
4	<b>Variance Between Appropriation Account and Payment Details</b>	Transactions in payment details amounting to Kshs.52,341 not supported by way of specific budgeted line items in Appropriation Account. Propriety and accuracy could not be confirmed.	Management noted the error while processing payments in the IFMIS system and specific journals were passed to correct the anomaly. Management also notes	The Committee observed that the management corrected the errors after the audit report which was in breach of the PFM Act 2012 and PFM Regulations 2015.	The Committee recommends that; - 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit	Within 60 days after the adoption of the report

		<p>The Management was in breach of the law.</p>	<p>that funds requisition through the Controller of Budget are done using a template generated from the approved budget. The errors were corrected at the funds requisition stage</p>		<p>in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p>	
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					3. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.	
5	<b>Unsupported Budget Adjustments</b>	CRF adjustments of Kshs.531,345,973 in the statement of comparison of budget and actual	The management provided Annex 5a- Memorandum from the Accounting	The Committee observed that the management addressed the issue after the	The Committee recommends that; - 1. The Office of the County Governor undertakes	Within 60 days after the adoption of the report

		<p>amounts reflects transfers were not supported by actual expenditure and commitments against the planned activities as at the date of request for supplementary allocations.</p> <p>The regularity, accuracy and completeness of the budget adjustments could not be confirmed.</p> <p>The Management was in breach of the law.</p>	<p>Officers to the County Treasury. Annex 5 b- Supplementary Adjustments explanations and footnotes.</p>	<p>audit report which was in breach of the PFM Act 2012 and PFM Regulations 2015.</p>	<p>administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants</p>	
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					<p>Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments)</p>	
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					Regulations, 2015.	
6	<b>Unreconciled Other Grants and Transfers</b>	Grants amounting to Kshs.204,900,000 differed with the Controller of Budget amount of Kshs.182,500,000 resulting to an unreconciled of Kshs.22,400,000. The regularity, accuracy and completeness of the scholarship could not be confirmed.	Management noted the audit observation. However, management budgeted and requisitioned for Kshs 204,900,000 in scholarships and other educational benefits.	The Committee observed that the PFM Act 2012 and PFM Regulations 2015 had been breached.	The Committee recommends that; - 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The Institute of Certified Public	Within 60 days after the adoption of the report



					<p>Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for</p>	
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					violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.	
7	<b>Unreconciled Pending Bills</b>	Pending accounts payable balance brought forward of Kshs.2,372,391,468 varies with the prior audited financial statements balance of Kshs.1,121,910,741 resulting in an unexplained and unreconciled variance of Kshs.1,250,480,727.	Management noted the audit observation. Increase of the reported pending bills opening balance from Kshs 2,372,391,468 to Kshs 2,965,410,323 was as result of inclusion of bills amounting to Kshs.1,250,480,727 previously omitted. Also Management has initiated negotiations with the above agencies to waive the	The Committee observed that the PFM Act 2012 and PFM Regulations 2015 had been breached.	The Committee recommends that; - 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the	Within 60 days after the adoption of the report

			penalties and interests.		<p>Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing the</p>	
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					<p>offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.</p>	
8	<p><b>Unexplained Voided Transactions</b></p>	<p>Three thousand one hundred and twenty (3,125) transactions in IFMIS amounting to Kshs.526,040,886 were voided</p>	<p>Voiding is a module under IFMIS for canceling transactions that had already been submitted to internet banking. The reasons for Voiding include</p>	<p>The Committee observed that explanations were provided but bank statements reflecting the cancellations were not provided. Therefore, PFM Act 2012 and PFM Regulations 2015 had been breached.</p>	<p>The Committee recommends that; -</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156</li> </ol>	<p>Within 60 days after the adoption of the report</p>

					<p>of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of</p>	
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					the responsible Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.	
<b>OTHER MATTERS</b>						
9	<b>Budgetary control and performance</b>	Under funding amounting to Kshs2,047,687,963 or 26% of the budget	The under-performance was due to the following factors. Unreleased equitable revenues share	The Committee observed that; a) the county entities did not receive exchequer releases from the	The Committee recommends that; - 1) The National Treasury should ensure timely	Continuous

			<p>for June 2024 amounting to Ksh 472,478,085 Conditional grants amounting to Ksh 729,510,749 budget for but not received. Shortfall in own revenue collection by 287,837,498 attributed to unfavorable economic times.</p>	<p>National Treasury on time.</p> <p>b) the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the affected county entities.</p> <p>c) Most Counties fail to undertake public participation on supplementary budgets</p>	<p>release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</p> <p>2) the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.</p> <p>3) County Assemblies to exercise their powers as outlined in Article 201 of the</p>	
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				that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.	Constitution to ensure budgets are realistic and espouse people's aspirations.	
10	<b>Late release of exchequer</b>	<p>Exchequer releases amounting to Kshs.693,583,413 were received during the month of July, 2024.</p> <p>The late disbursement of exchequer releases by The National Treasury impacted negatively on</p>	<p>Management noted the audit observation. Management however advocates for timely disbursement of the equitable share of revenue, to enable effective budget absorption and a positive service</p>	<p>The Committee noted that delays in receiving exchequer releases from the National Treasury and under-collection of own source revenue hindered optimal program</p>	<p>The Committee recommends that; -</p> <ol style="list-style-type: none"> <li>1. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</li> <li>2. The County executive puts in place measures to</li> </ol>	Continuous



		service delivery to the public	delivery to the public.	implementation and effective budget execution.	enhance its own generated revenue to meet its revenue target and address revenue shortfalls.	
11	<b>Unresolved prior year matters</b>	Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates	Management noted the audit observation and is progressively implementing audit recommendations issued by the office of the Auditor General	The committee observed that issues from previous financial years had not been resolved.	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	Within 60 days after the adoption of the report
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>						
1 2	<b>Lack of an Approved Staff Establishment</b>	The County did not have an approved staff establishment	Management noted the audit observation. Management has drafted an updated staff establishment which has been forward to the	The Committee observed that Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service	The Committee recommends that; - 1. The county Executive should expedite development and approval of its staff establishment and a status report should	Within 60 days after the adoption of the report

			Cabinet for approval.	had been breached.	be submitted to the Auditor General for verification within sixty (60) days of the adoption of this report. 2. The county Executive submits a status report to the OAG on the progress of the audit on staff establishment, payroll and the County's measures to ensure compliance with the law	
1 2	<b>Non-Compliance with Law on Ethnic Composition</b>	The County Executive had two thousand four hundred and eighty (2,480) employees out of whom two thousand three hundred and seventy (2,370) or 96% were from the dominant ethnic community in the County.	Management noted the audit observation. All vacant positions in the county are posted on the County's website and newspapers with country-wide circulation. However, the County Public Service Board	The committee observed that the County Executive had a total of 3,298 employees out of which 2,176 or 63.4% were from the dominant local community in the County. This is contrary	The Committee recommends that; - 3) The County Executives should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of	Within 60 days after the adoption of the report

		Management was in breach of the law.	has had challenges in attracting applications from qualified persons from non-dominant communities due to social-political factors. The board remain committed towards receiving and successfully processing applications from all qualified Kenyans	to the provisions of the National Cohesion and Integration Act, 2008 which stipulates that at least 30% of employees should be from communities other than the dominant one	County Government Act on ethnic inclusivity. 4) The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.	
1 3	<b>Non-Compliance with the Law on Fiscal Responsibility - Wage Bill</b>	Compensation of employees representing 43% of the total receipts	The management stated that the Non compliance was due to the following: Unreleased equitable revenues share for June 2024 amounting to	The Committee observed that the wage bill for a number of County entities was above the threshold of 35% of total receipts contrary to Regulation 25	The Committee recommends that; - 1) The management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM	Within 60 days after the adoption of the report

			<p>Kshs 472,478,085 Conditional grants amounting to Kshs 729,510,749 budget for but not received. Shortfall in own revenue collection by 287,837,498 attributed to unfavorable economic times.</p>	<p>(1) (b) of the Public Finance Management (County Governments) Regulations, 2015. The Committee further noted that high wage bill is a threat to the objects of devolution as provided for under Article 174(f) of the Constitution.</p>	<p>(county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue;</p> <p>2) The county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap; and</p> <p>3) The management of the concerned entities should provide to</p>	
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					<p>the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.</p> <p>4) Senate should consider reintroducing the fiscal responsibility index in revenue allocation to act as an incentive for counties that meet the PFM fiscal responsibility targets.</p>	
14	<b>Payment of Salary Outside IPPD System</b>	Kshs.57,777,835 was paid outside	The County has been	The Committee noted that some	The Committee recommends that-	Within 60 days

		the Integrated Payroll and Personnel Database (IPPD) system	progressively working towards enrolling all employees into the IPPD System	Counties Executive were making payments of salaries for some of its employees outside the Integrated Personnel and Payroll Database (IPPD) System.	<p>1. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;</p> <p>2. The County Governor should ensure that casual workers are</p>	after the adoption of the report
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					<p>engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;</p> <p>3. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of</p>	
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					casual employees, contracted workers, acting positions and a platform for management of county human resources; and 4. the Auditor General to monitor the matter in the subsequent audit cycle.	
1 5	<b>Irregular Engagement of Consultants for Legal Services</b>	The procurement for the external legal services was not approved by the County Executive Committee. Further, procurement of the legal consultants was not competitively sourced since they were merely picked from the registered prequalified legal firms.	The management stated that due to the nature of the services offered in the Office of the County Attorney, it is impractical to invite tenders on a matter that is urgent and requires a quick response. It's for this reason that the County Attorney invokes his/her powers	The Committee observed that Section 16 (1) of the office of the County Attorney Act had been breached.	The Committee recommends that the management should always ensure that the law is adhered.	Immediate.



		Management was in breach of the law.	and function under the Office of the County Attorney Act, 2020, Sections 7 and 8, to pick on an advocate who is prequalified and best suited to handle the specific matter.			
1 6	<b>Non-Adherence to the Stipulated Budget Process Timelines</b>	The approval of the annual development plan and the adoption of the County Fiscal Strategy Paper did not meet the set timelines as they were delayed for a period of forty-five (45) and three (3) days	The management stated that In aligning to the new manifesto the timelines were thereby affected moving forward the County executive will ensure adherence to the time frames.	The Committee observed that the management did not meet the set timelines.	The committee recommends that the management ensures that it adheres to the timelines in accordance to the law.	Continuous
1 7	<b>Excessive Budgetary Allocation to the County Assembly</b>	The County Assembly received Kshs.377,915, 098 which was over and above the set threshold of seven (7) per cent of the total revenues of	Management noted the audit observation. The allocation to the county assembly was based on the County Allocation of	The committee observed that the management adhered to the County Allocation Revenue Act	The committee marked the issue as resolved.	

		the county Executives or twice the personnel emoluments of that County Assembly, whichever is lower.	Revenue Act (CARA) 2024 which set the ceilings for the County Assemblies. The Act's allocation to Nyandarua County Assembly was Kshs 770,438,804 million. Also transferred was Kshs 109,846,902 and Kshs 110,000,000 in County Assembly staff mortgage and development expenditure respectively which is not part of the ceiling set by CARA.	which set ceilings for the County Assembly.		
1 8	<b>Irregular Payments of Subscription to the Council of Governors</b>	The County Executive made payments amounting to Kshs.1,360,000 to	The amount relates to annual county subscription to the council of	The Committee noted that payments made to the Council of Governors	The Committee recommends that the irregular payments to the Council of	Immediate

		the Council of Governors contrary to Section 37 of the Intergovernmental Relations Act, 2012 Management was in breach of the law.	governors as agreed by the council.	from County Revenue Funds were irregular and unlawful since the Intergovernmental Relations Act specifies that funding for the COG shall be drawn from the Consolidated Fund.	Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.	
1 9	<b>Non-Settlement of Pending Bills</b>	The pending bills paid during the year amounted of Kshs.184,505,623 leaving a brought forward balance of Kshs.2,187,885,84	Management noted the audit observation. Only verified pending bills amounting to Ksh 184,505,626	The Committee observed that the county entities had pending bills that had been outstanding for	The Committee therefore recommends that: 1) the County entities should prioritize	Within 60 days after the adoption of the report

		<p>5. However, this balance did not form a first charge on the County Revenue Fund</p>	<p>were paid in the year under review. However, management constituted pending bills verification committee to verify all bills payable after which payment will be made.</p>	<p>several years. Further, the entities continued to incur further bills without prioritizing payment of verified pending bills as a first charge in the subsequent financial year as required by law.</p>	<p>payment of all verified pending bills as a first charge in the subsequent financial year;</p> <p>2) the National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate so as to enable county entities settle their obligations on time; and</p> <p>3) the county executives</p>	
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					<p>put in place measures to enhance own generated revenue in order to meet its revenue target and address revenue shortfalls that contribute to the challenge of pending bills.</p> <p>4) Pending bills deemed ineligible should be forwarded to the Directorate of Criminal Investigation (DCI) to investigate and take proper legal</p>	
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					<p>action against those filing false claims.</p> <p>5) County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</p> <p>6) The National Treasury takes lead in a multi-agency approach to</p>	
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					<p>come up with legislative and procedural measures to deal with accumulation of pending bills in counties within 90 days of adoption of this Report.</p> <p>7) County Government s to take note of judgement in a Kitale High Court Constitutional Petition E003 of 2023 that declared formation of pending bills verification committees unconstitutional</p>	
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					<p>onal and engage Office of the OAG and strengthen the internal audit functions.</p> <p>8) All valid pending bills that have been reviewed by the OAG be paid and a payment plan be submitted to the county assemblies for approval and progress report on implementation sent to the Senate and the Office of the Controller of Budget.</p> <p>9) The Committee</p>	
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					will seek to reintroduce the Prompt Payment Bill with amendments aimed at ring-fencing a certain percentage of the equitable shareable revenue for pending bills and retain money at source to pay pending bills.	
20	<b>Irregular Expenditure on Designated Departments</b>	Kshs.2,300,805 in respect of payments for installation of metal gate, repainting works, finishing works in Ol Kalou new market, storm water drainage repair work and	Management noted the audit observation and is in the process of opening a special purpose Account for the municipalities to ensure their independence.	The Committee Observed that the Public Finance Management (County Governments) Regulations, 2015	The committee recommends that the management should ensure that they adhere to provision in the Public Finance Management (County Governments) Regulations, 2015	Within 60 days after the adoption of the report.

		<p>signages. bills on behalf of the Ol Kalou Municipality</p> <p>Further, the County Executive paid a total of Kshs.11,133,665 in bills on behalf of the Ol Kalou Municipality which was fully operational and had its own budgetary resource</p>			to ensure that municipal department operates independently.	
2 1	Incomplete and Low Absorption in Projects Implementation Status Report	<p>The project implementation status report indicates that there were seven hundred and seventy (770) projects with a budget of Kshs.3,070,266,288 resulting to unexplained variance of</p>	<p>Management noted the observation. The absorption level was pegged on completed projects. Incomplete projects was carried as pending bills and are being paid in</p>	<p>The Committee observed that the management had a low absorption rate in project implementation hence there was no value for money.</p>	<p>The Committee recommends that;</p> <p>1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning,</p>	<p>Within 60 days after adoption of the report</p>

		<p>Kshs.833,872. Further, the project implementation status report reflects those five hundred and twenty-one (521) projects worth Kshs.1,401,554,550 were completed, two hundred and seven (207) projects worth Kshs.1,604,634,150 were ongoing, and forty-two (42) projects worth Kshs.64,077,588 had not started. low absorption of the budget towards development at 47% of the development budget after spending only Kshs.1,150,531,018 The public did not get the expected value for money from ongoing</p>	<p>the current financial year.</p>		<p>execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report; 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their</p>	
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		projects, non-started projects and completed but unutilized projects.			completion and provide a status update to the Auditor General within 60 days of the adoption of this report; 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
2 2	Stalled Construction of the Nyandarua County Headquarters at Ol Kalou	Nyandarua County Headquarters project was awarded at a contract sum of Kshs.617,644,564 for a period of one hundred and four (104) weeks commencing 16 March, 2017 with an estimated completion date of 15 March, 2019.	Project management was being done by the state department of public works before project handover to the county government.	The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification	The Committee recommends that; 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely	Within 60 days after adoption of the report

		<p>The contractor had been paid Kshs339,836,213 as at June 2024. However, the contractor was not on site and the project has stalled. The value for money for the amount paid to the contractor may not have been realised by the public. In addition the Management was in breach of the law.</p>		<p>therefore there was no value for money.</p>	<p>completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status</p>	
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					<p>update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
2 3	<b>Proposed Construction of County Aggregation and Industrial Parks</b>	<p>The Management entered into contract to construct the County Aggregation and Industrial Parks (CIAP) at Njambini Agricultural Training College (ATC) on 29 January, 2024 at a contract sum of Kshs.464,360,410 which was to run for twenty-eight</p>	<p>The Management have apportioned its requisite share of Kes 150M in the current year's budget being the second and final appropriation for this project. Regularly petitioned the National Government through the Council of Governors to</p>	<p>The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there</p>	<p>The Committee recommends that;</p> <p>1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well</p>	<p>Within 60 days after adoption of the report</p>

		<p>(28) weeks up to 11 August, 2024</p> <p>The County had made payments of Kshs.35,526,100 while the National Government had paid zero amounts which translates to total payments of Kshs.35,526,100 or 7.65% of the contract sum, 17% of the work completed and time elapsed was 32.4 weeks or 66.7% of the completion period</p>	<p>honor its obligation in order to ensure continuity of the project</p>	<p>was no value for money.</p>	<p>as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor</p>	
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					<p>General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
2 4	<b>Proposed Construction of Medical Complex at JM Memorial County Referral Hospital</b>	<p>The Medical Complex at JM Memorial County Referral Hospital project was awarded to a contractor at a contract sum of Kshs.1,468,740,156 for a contract period of one hundred and fifty-six (156) weeks commencing 7 July, 2021. The estimated completion date was 7 July, 2024</p>	<p>Project management was being done by the state department of public works.</p>	<p>The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there was no value for money.</p>	<p>The Committee recommends that;</p> <p>1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for</p>	<p>Within 60 days after adoption of the report</p>



		<p>but was revised to 1 July, 2026</p> <p>As total amount paid to the contractor as at 9 September, 2024 was Kshs.402,473,740.02 or 25% of the revised contract sum</p> <p>The contractor was not on site and the project had stalled</p>			<p>money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the</p>	
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					<p>adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
2 5	<b>Governor's Official Residence</b>	<p>A contract for construction of the Governor's residence at a contract sum of Kshs.43,415,636 was awarded on 18 April, 2024. The contract period was thirty-two (32) weeks with expected completion date of 24 December, 2024</p>	<p>The management notes the audit observation. The land is owned by the county government and the governor's residential building earmarked to occupy less than two acres. Management is in process of subdividing the land to comply with Salaries Remunerations Commission's recommendation .</p>	<p>The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there was no value for money.</p>	<p>The Committee recommends that;</p> <p>1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in</p>	<p>Within 60 days after adoption of the report</p>

					<p>the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p>	
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					3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
2 6	<b>Unimplemented Projects</b>	Kshs.7,200,447 which was paid to the Company for the installation and maximization of the transformers, yet this was yet to be done	The management responded that the prepayment for the transformers is as per the Kenya Power connection policy and procedure which requires a quotation to be issued and payment to be made before installation begins thereby meeting all the connection prerequisites	The Committee observed that there were many unimplemented projects in the County which resulted to no value for money.	The Committee recommends that; 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance	Within 60 days after adoption of the report

					<p>Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter</p>	
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					in view and provide a status update to the Committee in the subsequent audit cycle.	
2 7	<b>Un-Remitted and Withheld Taxes</b>	Kshs.51,845,674 arising from failure by the County Executive, the employer to deduct and withhold VAT and income tax as prescribed under tax procedures and rules. An analysis of funds the County lost Kshs.101,855,701 was deducted from employees, withheld and not submitted for the period July, 2017 to June, 2022. Management was in breach of the law.	The County treasury contacted all the suppliers/Contractors whose taxes were not withheld, As per the attached compliance certificate, majority of them had filed returns and included the payments made by the county government. The County treasury is in communication with the Kenya revenue authority, public sector division to waive the amount that was	The Committee observed that the County Executive failed to deduct and remit taxes as required by law, resulting in a principal tax liability of Kshs.153,701,376, with additional penalties and interest amounting to Kshs.49,928,668. Despite making partial payments of Kshs.50,000,000, a significant balance of Kshs.153,630,044 remains	The Committee recommends that the County Executive should immediately engage with KRA to establish a structured payment plan for settling the outstanding tax liabilities and avoiding further penalties. Additionally, stronger financial controls should be implemented to ensure timely deduction, withholding, and remittance of taxes in full compliance with tax regulations. Capacity-building	Within 60 days after the adoption of the report.

			declared and supported by the suppliers.	outstanding. Additionally, a loss of Kshs.51,845,674 was incurred due to failure to withhold VAT and income tax, indicating weaknesses in financial controls and compliance oversight. This non-compliance not only violates tax regulations but also exposes the County Executive to legal and financial risks, including further penalties and possible legal action by the Kenya Revenue Authority (KRA).	programs should be introduced to train finance and procurement officers on tax compliance requirements, while internal accountability measures should be enforced to identify responsible officers and prevent recurrence.	
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						

28	<b>Lack of Information Technology Systems Interface</b>	Two internal systems namely Hospital Management Information System (HMIS) and County Pay (USSD) which are in operation have not been integrated or interfaced with each other to facilitate a common shared data base and better service delivery in executing the County Executive Mandate. Further, the Unstructured Supplementary Services (*718#) (USSD) usage and maintenance is obtained directly from the software developer without any formal service level agreement or patent ownership rights,	The management stated that the integration between the two systems was underway when the introduction of a revolving fund in health services halted the process. With the enactment of Facility Improvement Financing Act 2023, where each health facility will collect and use its own revenue, the integration of the Hospital management System with revenue collection system was halted	The Committee observed that the management did not have a proper system to manage revenue collection.	The Committee recommends that;- 1. The county Chief Executive Officer ensures that the system finalized and adopted and provides a status report to the Auditor General within sixty (60) days from the adoption of this report; and 2. The Auditor General to verify that the County Executive has adopted the relevant system during the subsequent audit.	Within 60 days after the adoption of the report.
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		The continued use of USSD undermines the full implementation of revenue collection which is more superior and meant to capture full revenue stream from mapping to payments including the collections obtained in each stream and targets.				
29	<b>Lack of an Audit Committee</b>	The term of the Audit Committee Members expired in October, 2023 after serving for three (3) years and a new committee has not been appointed	Management noted the audit observation and is the process of constituting County executive audit committee.	The Committee observed that the management lacks an audit committee.	The Committee recommend that an audit Committee be established pursuant to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015	Within 60 days after the adoption of the report.
30	<b>Lack of Risk Management Policy</b>	Management did not provide	Management noted the audit	The Committee observed that	The Committee recommends that; -	Within 60 days

		supporting documents, for audit review, as evidence of existence of a risk management policy to guide Management on risk assessment and formulation of risk mitigation strategies	observation. Management has drafted the risk management policy which has been forwarded to the County Assembly for consideration and approval	the management had drafted the risk management policy.	<ol style="list-style-type: none"> <li>1. The Office of the County Governor put in place a risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the Auditor General.</li> <li>2. The Auditor General to closely monitor the development, documentation and communication of these policies within the county</li> </ol>	after the adoption of the report.
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					entity in the subsequent audit cycles.	
3 1	<b>Weaknesses in the Legal Department</b>	<p>The Office of the County Attorney did not prepare and submit annual reports to the Governor and the County Assembly. The county was defended by external lawyers despite having a fully-fledged office. Case files were manually kept. The effectiveness of the system in place to evaluate the status and outcomes of litigations could not be confirmed.</p>	<p>Management noted the audit observation. However, the reason for engaging external legal experts is due to high backlog of pending legal cases.</p>	<p>The Committee observed that the management failed to prepare and submit annual reports to the Governor and the County Assembly, undermining transparency and accountability in legal affairs. Despite having a fully-fledged legal office, the county engaged external lawyers, which may have led to unnecessary expenditure and inefficiencies in legal representation.</p>	<p>The Committee recommends that The Office of the County Attorney should ensure compliance with legal and governance requirements by preparing and submitting annual reports to the Governor and the County Assembly as mandated. To optimize resources and reduce legal costs, the county should prioritize the use of its internal legal team for representation and only engage external lawyers when necessary and justifiable.</p>	<p>Within 60 days after the adoption of the report.</p>

3 2	<b>Lack of Logbooks and Vehicle Status</b>	<p>Forty-two (42) motor vehicle and fifteen (15) motor cycle logbooks respectively not provided for verification.</p> <p>Further, an updated status report detailing the condition of the vehicles was not provided for audit.</p>	<p>The management responded that the vehicles inherited from the defunct local authority and the National government. Official handover of the vehicles is yet to be done through Intergovernmental Relations Technical Committee (IGRTC).</p>	<p>The Committee observed that the management had not fully acquired the logbooks of the various vehicles.</p>	<p>The Committee recommends that the management to ensure they acquire required logbooks. In addition, the Auditor General to update the Committee in the subsequent cycle.</p>	<p>Within 60 days after adoption of the report.</p>
3 3	<b>Failure to Adhere to Vote Control Guidelines on Subsistence Allowance</b>	<p>Kshs.10,281,796 relating to domestic travel and subsistence was paid as reimbursement or claims for expenditure incurred without adhering to vote control procedures and without application and approval for</p>	<p>Management noted the audit finding. However, this arises due the lengthy funds requisition process.</p>	<p>The Committee noted that the management was in breach of the Public Finance Management Act 2012.</p>	<p>The Committee recommends that the management should adhere to the imprest guidelines pursuant to the PFM Act 2012.</p>	<p>Continuous</p>

		imprest vide Imprests warrants.				
3 4	<b>Irregularly Leasing of the Medical Equipment (MES)</b>	In the nine (9) years that the MES Programme has been in operation, the County Executive has cumulatively paid lease rentals amount of Kshs.1,139,829,96 8.	Procurement and award of Managed Equipment Services(MES) lease rental contracts was undertaken by the National Government (Ministry of Health and National Treasury). National Government is the custodian of the information on amounts of annual lease rentals. Lots 3 and 4 of the MES equipment comprised of laboratory equipment. It was omitted in the agreement signed between	The Committee observed that the management has cumulatively paid Kshs.1,139,829 ,968 in lease rentals for the Managed Equipment Services (MES) program over nine years without a clear basis for the annual payments. Additionally, there was no asset register to track the delivered MES equipment, and inspection and acceptance certificates were not provided for	The Committee recommends that the management should establish a clear framework for determining lease rental amounts and ensure that all payments are supported by valid documentation, including inspection and acceptance certificates. A comprehensive asset register should be maintained to track all leased equipment, ensuring proper record-keeping and accountability.	Within 60 days after adoption of the report.

			<p>the County Governments and the Ministry of Health. The Equipment has not been delivered to date. ICU equipment in lot six were not supplied to Nyandarua County. This lot was a reserve of Level 5 facilities and Nyandarua had no gazetted level 5 hospital. then. JM hospital was gazetted as level 5 hospital and no equipment has been supplied.</p>	<p>audit review, raising concerns about accountability and transparency. Furthermore, essential equipment under Lots 3 and 4 was not supplied despite the county constructing laboratories to accommodate them, while ICU equipment under Lot 6 was also not delivered, as the county lacked a Level 5 hospital. The absence of these critical records and undelivered equipment casts doubt on whether the</p>	
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				county received value for money on the MES program.		
3 5	<b>Summary of Non-current Assets Register</b>	An updated non-current asset register. Was not provided for audit In addition, these assets were not tagged and property was recorded in both manual and automated registers and were therefore prone to misplacement and loss.	Management has procured Asset management system and is in the process of tagging all County assets. Once the process is complete, we shall have an updated asset register	The Committee observed that the County Executive: - 1) had not updated their Fixed Assets Register; 2) had not adopted the report of the Inter-Governmental Relations Technical Committee on assets and liabilities inherited from the defunct local authorities. This has affected the correct statement of the assets and liabilities.	The Committee recommends that the; - 1. County executive should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status	Within 60 days after the adoption of the report.

					<p>update to the OAG within 60 days of adoption of this report;</p> <p>2. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p>	
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					3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF NYERI COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/2024.  
QUALIFIED OPINION**

SUMMARY OF UNRESOLVED ISSUES						
No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Timeline
	REPORT ON FINANCIAL STATEMENTS					
	<b>Receipts and Payments Outside the Financial Reporting Period</b>	Receipts and payments totalling to Kshs.1,514,891,784 and Kshs.1,528,872,371 respectively, related to the month of July, 2024 and were therefore outside the reporting period	<ul style="list-style-type: none"> <li>The County Treasury had posted all payments into the IFMIS system as at 30<sup>th</sup> June 2024.</li> </ul>	The Committee notes that receipts and payments outside the reporting period indicates a potential issue with the accuracy of financial reporting and adherence to the	The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement	Continuous

			<ul style="list-style-type: none"> <li>The requisitions which were approved by the OCOB on Friday, 28th June 2024 were presented to CBK in July 2024.</li> </ul>	prescribed accounting period.	schedules approved by the Senate	
	<b>Irregular Charge of Bank Accounts</b>	<ul style="list-style-type: none"> <li>Management paid recurrent expenditure amounting to Kshs.292,401,605 from development bank account.</li> <li>Further, development expenditure amounting to Kshs.108,053,672 were paid from recurrent bank account.</li> </ul>	The expenditure was within the budgeted line items.	There is fiscal indiscipline.	The Committee recommends that the County Executive complies with 154 (2) of the Public Finance Management Act, 2012, requires respective Accounting Officers and County Treasury to approve between programs or sub-votes in the budget for a financial year.	Continuous
	<b>Irregularity of Voided Payments</b>	<ul style="list-style-type: none"> <li>Analysis of the Integrated Financial Management System (IFMIS) payments revealed that seven</li> </ul>	The County Treasury requests for voiding rights from the National Treasury	Management has not provided justifiable reasons for voided transactions whose	1. The Committee requests the Controller of Budget to liaise	60 Days from the date of adoption of this report.

		<p>hundred and twenty-two (722) transactions with a value of Kshs.527,252,503 were voided during the year across various financial statement components</p> <ul style="list-style-type: none"> <li>• Out of the voided transactions, payment details revealed that ten (10) transactions amounting to Kshs.3,920,866 were later paid.</li> </ul>	<p>explaining the reasons to void and the same is done only when its fully authorized by the CECM Finance.</p>	<p>commitments were done.</p>	<p>with the Auditor General to confirm whether the payments were canceled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>2. The Office of the County Governor undertakes administrative action against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of Finance for voiding payments without approval and diverting funds.</p> <p>3. Within six months of adoption of this report the CS</p>	
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					<p>National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved.</p> <p>4. The Committee recommends that the EACC should expedite investigations on the matter in line with the Controller of Budget Act.</p>	
	<b>Staff Sharing Bank Account</b>	<ul style="list-style-type: none"> <li>Analysis of staff payroll data revealed that there were three (3) bank account numbers shared by six (6) staff members.</li> <li>The total amount paid to the officers for a period of six (6) months from January, 2024 to 30 June, 2024 was Kshs.681,442.</li> </ul>	In case of discrepancy of the recipient account, the bank uses the other identifiers to process the payment	The corrections to be confirmed in the subsequent audit cycle	<p>The Committee recommends that the Accounting Officer immediately stops salary payments to the six (6) staff involved, conduct an investigation, take disciplinary action against those responsible, and ensure each</p>	60 Days from the date of adoption of this report.

					employee has a unique bank account for salary payments and the EACC take keen interest on the matter for a fraud investigation.	
<b>Emphasis of Matter</b>						
1	<b>Budgetary Control and Performance</b>	The statement of comparison of budget and actual amounts (Recurrent and Development Combined) reflects final total receipts budget of Kshs.8,126,687,855 and actual amount of Kshs.7,253,744,913 resulting to a shortfall of Kshs.872,942,942 or 11%. Further, the statement of comparison of budget and actual amounts reflects final budget of Kshs.1,544,858,532 for acquisition of assets out of which projects with a budgetary allocation of Kshs.81,770,578 were not implemented as at 30 June, 2024.	As observed from the Financial Statements for the fiscal year under review, the County had approved budget estimates of Ksh.8.13 billion and managed to spend Ksh.7.25 billion and this amounts to under expenditure. <ul style="list-style-type: none"> <li>•</li> </ul>	The Committee noted that delays in receiving exchequer releases from the National Treasury and under-collection of own source revenue hindered optimal program implementation and effective budget execution.	1. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate; and 2. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.	Continuous
2	Delayed Exchequer Disbursements	The statement of receipts and payments reflects transfers from CRF totalling	The stated role of exchequer disbursement is	The Committee noted that the County Executive	The Committee recommends that the National	Continuous

		Kshs.7,253,744,913 as detailed in Note 1 to the financial statements. However, during the year under review, the audit of the exchequer disbursements for the County Executive revealed that a total of Kshs.6,159,044,124 was not received on time.	the National Treasury mandate which has always delayed release of exchequer on set timelines leading to delay in implementation of the planned Programs and projects.	experienced delayed exchequer releases by the National Treasury thereby hampering their budget implementation.	Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.	
3	<b>Pending Bills</b>	The financial statements reflect pending accounts payables of Kshs.141,137,831 as disclosed in Note 20.1 of other important disclosures and detailed under Annex 2. The pending bills are comprised of recurrent and development balances of Kshs.120,719,911 and Kshs.20,417,919 respectively.	The pending bill amount of Kshs. 141,137,831 was provided in the financial statement however, the amount was subject to verification by the pending bill verification committee that confirmed the pending bill figure to be Kshs. 192,269,444 comprising of Kshs 141,137,831 for general	The County Executive had not settled pending bills at the time of the audit	The Committee recommends that: 1. all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and 2. that- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance	60 Days from the date of adoption of this report.

			suppliers and Kshs 51,131,613 for staff payables.		Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done; ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases; iii. County Governments shall only pay pending	
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					<p>Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations; iv.</p> <p>Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p> <p>v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation</p>	
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					of new projects to cease until completion of the existing projects; and vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.	
	<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>					
	<b>1. Regularity of Human Resource Management Practices</b>					
	<b>Expenditure on Employee Cost Beyond Legal Limit</b>	The statement of receipts and payments reflects compensation of employees' balance of Kshs.3,981,766,676 as disclosed in Note 3 to the financial statements, which translates to fifty-five (55) percent of the County Executive total revenue of Kshs.7,253,744,913	The County wage bill constituted 47.5% of the expected revenue in the approved budget for the FY 2023-2024 as opposed to the actual receipts indicated in the	The Committee observed that the County Executive's wage bill during the FY 2023/2024 stood at 47.5% of its total receipts which was above the threshold of 35%.	1. the management should provide to the Auditor General and the Senate the measures it will put in place to contain the high wage bill within	Continuous

			review which is still above the stipulated 35%.		<p>sixty (60) days of the adoption of this report;</p> <p>2. the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM Act (county government) regulations, 2015 which stipulate that the county wage bill should not exceed 35 per cent of the county total revenue; and</p> <p>3. the county executive puts in place measures to enhance its own source revenue collection in order to address</p>	
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					the wage bill gap.	
	<b>Unremitted Payroll Deductions</b>	The statement of assets and liabilities reflects a balance of Kshs.138,401,547 in respect deposits and retention as disclosed in Note 15 to the financial statements out of which an amount of Kshs.104,619,139 relates to a deposit account balance which includes payroll deductions of Kshs.7,736,275. The payroll deductions relate to Central Organisations of Trade Unions, Kenya Society of Physiotherapy, Kenya Association of Livestock, NECCO Sacco and Xplico Insurance among others.	The County Government exercises prudence by processing the payroll in full and remitting all the monies to the relevant institutions.	The deductions have not been remitted to the respective institutions or refunded back to the employees over the last three (3) years.	1. Surcharge of the officer(s) who deducted pensions money from the staff and failed to remit it to the relevant pensions fund.	Continuous
	<b>Non-Compliance to the Law on Staff Ethnic Diversity</b>	Review of employee records for the County Executive showed that the dominant ethnic community employed as at 30 June, 2024 constitutes 94% (3,330) out of the total population of 3,558 employees.	The County Government inherited staff from the National Government and the former local authorities over 95% were from the dominant local community	There was no ethnic diversity among employees of county executives as employees were mainly drawn from the dominant community in the county	1. The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County	Continuous

					<p>Government Act on ethnic inclusivity.</p> <p>2. The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of the County Government Act, 2012.</p>	
	<p><b>Non-Compliance with a Third of Basic Salary Rule</b></p>	<p>Review of payroll data for the year ended 30 June, 2024 revealed that a total of 214 employees were paid a net salary that is less than a third of their basic pay in the month of June, 2024. The excessive deductions resulted from Management allowing the staff to incur loans and other liabilities whose repayments deduction put the officers at the</p>	<p>Introduction of Housing Levy Fund with effect from 1<sup>st</sup> July 2023 - The Affordable Housing Act mandates every individual who has an income in the Country to pay the housing levy. Employed</p>	<p>The Committee observed that 214 county employees were earning less than a third of their basic pay contrary to section 19(3) of the Employment Act 2007.</p>	<p>1) The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate on the issue of non-compliance with</p>	<p>Continuous</p> <ul style="list-style-type: none"> <li>•</li> </ul>

		risk of pecuniary embarrassment	residents should pay 1.5% of their monthly gross salary, while their employer matches and contributes 1.5% of each employee		the one third of basic salary rule as well as comply with the requirements of Section 19 (3) of the Employment Act 2007. 2) The county should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and 3) The Auditor General should continue monitoring the issue in subsequent financial years.	
	<b>Failure to Meet Recruitment Thresholds for Persons with Disabilities</b>	Review of payroll for June, 2024, showed that Management recruited a total of one hundred and fifty-five (155) employees but there was no person living with disability.	The County is committed to fostering a diverse and representative workforce and leadership structure. The affirmative action	Management was in breach of the Manual and the matter not properly addressed	The county executive should work progressively towards attaining the requirement of the provisions of Section B.23(2) of the Human	Continuous

			measures aim to promote the inclusion of persons living with disabilities (PWDs)		Resource Policies and Procedures Manual for the Public Service, 2016	
	<b>Salaries Paid Outside the IPPD Payroll</b>	Review of records provided for audit showed that Management operated two payroll systems namely; a manual (Excel format) payroll system and the Integrated Payroll and Personnel Database (IPPD) system	The allocation of Personal Numbers is a function of state department of Public Service and Human Capital development. Waiting to pay employees only when they acquire payroll numbers would translate into newly employed staff remaining unpaid for a longer period of time affecting their productivity.	The Committee noted that County Executive made payments of salaries for some of its employees outside the Integrated Personnel and Payroll Database (IPPD) System.	<p>1. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;</p> <p>2. The County Governor should ensure that casual workers are engaged in line</p>	60 days from the date of adoption of this report

					<p>with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;</p> <p>3. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of</p>	
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					county human resources; and the Auditor General to monitor the matter in the subsequent audit cycle.	
	<b>Failure to Adhere to the Effectiveness of Implementation of Audit Recommendations</b>	Management has not submitted a report on how it has addressed the Senate and County Assembly recommendations on the Auditor-General audit reports	The County Government of Nyeri has always implemented all the Senate and County Assembly resolution raised/ passed.	Without an implementation report, it is unclear whether audit recommendations have been acted upon or ignored, potentially allowing continued mismanagement of public funds.	The Committee recommends that the County Executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Office of the Auditor General within sixty (60) days of the adoption of this report.	Continuous
	<b>Non-Compliance with the Law on Development Expenditure</b>	Development related expenditure on the acquisition of assets was Kshs.1,544,858,532 or 19% of the total budget allocation.	In adherence to the legal provision, the County approved budget estimates were Ksh.8, 126,687,855 out of which Kshs.	This violation reflects a broader pattern of fiscal indiscipline that undermines devolution framework.	The Committee recommends that the County Executive complies with section 107(2)(b) of the Public Finance Management Act,	Continuous



			2,735,425,020 was for Development Expenditure and this translates to 33.7%.		2012 by taking action on the issues raised by the Auditor General and submits a report to the Office of the Auditor General within sixty (60) days of the adoption of this report.	
i	<b>High Cost of Electricity for Street Lights</b>	The total electricity bills for the pre-existing street lights paid in the financial year amounted to Kshs.76,744,35	Street lighting is a County Government function as highlighted in the Fourth schedule of the Constitution of Kenya 2010. As captured in the budget, the County's leadership is committed to establishing street lighting infrastructure to ensure that residents are served equitably.	Not addressed	<ol style="list-style-type: none"> <li>1. The County Executive adheres the requirement of article 201 (d) and article 232 (1) (b) on effective use of resources.</li> <li>2. Management should opt for solar powered street lights that would be cheaper since there will be no power bills payment on a monthly basis.</li> </ol>	Continuous

	<p><b>j Use of Asbestos for Roofing of the County Rental Houses</b></p>	<p>County owns four hundred and ninety-five (495) houses out of which one hundred and twenty-eight (128) have asbestos roofs</p>	<p>Whereas the Environmental Management and Co-Ordination (Waste Management) Regulations 2006, Fourth Schedule considers wastes containing asbestos in the form of dust or fibers as hazardous, it is worth noting as per NEMA National Guidelines on Safe Management and Disposal of Asbestos, 2013 that “when left intact and undisturbed, asbestos materials do not pose a health risk</p>	<p>The continued existence of asbestos roofs in county rental houses contravenes the Government directive issued in <b>2006</b> banning the use of asbestos due to its harmful health effects, particularly its link to respiratory diseases</p>	<p>The Cuntty Executive adheres the requirement of Environmental Management and Co-Ordination (Waste Management) Regulations 2006</p>	<p>Continuous</p>
	<p><b>l Irregular Payments to the Council of Governors</b></p>	<p>An amount of Kshs.8,000,000 was paid to the Council of Governors during the year under review</p>	<p>The amount of Kshs 8,000,000 paid to the Council of Governors was in</p>	<p>The Committee observed that the payments to the Council of Governors (COG)</p>	<p>1) The irregular payments to the Council of Governors (COG) be</p>	<p>60 days from the date of adoption of this report</p>

			respect of Ksh 6,000,000 paid towards County Contribution for Intergovernmental Relations (Ksh 2,000,000 for two financial years i.e. FY 2022/2023 & FY 2023/2024,	were not supported by any law.	stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution. 2) The EACC to recover any further irregular contribution within 60 days of adoption of this report.	
	<b>Motor Vehicle Assessment Reports for Insurance</b>	<ul style="list-style-type: none"> <li>• Payment of Kshs.39,729,202 was made for comprehensive insurance cover for County Executive vehicles</li> <li>• However, the motor vehicle assessment/valuation reports of the insured</li> </ul>	The motor vehicles are assessed and valued before they are insured. The insured vehicles were functional at the time of insurance, but were grounded in the course of the	assessment/valuation reports of the insured motor vehicles, and logbooks were not provided for review	The Committee recommends that the County executives expedite updating of valuation roll in accordance with Section 3 of the Valuation for Rating Act CAP 266 so as to reflect	60 days from the date of adoption of this report

		motor vehicles, and logbooks were not provided for review	year. The log books and valuation reports are availed		current market values for optimal revenue collection and comply with the guidelines of the Public Sector Accounting Sector Boards of reporting in the FY 2023/2024.	
	<b>Debt Management Statement Timelines</b>	Total stock of debt indicated in the statement is as at 30 June, 2022, while the Public Finance Management Act of 2012 states that the balances should be as at the date of the statement (February, 2023).	The County Medium Term Debt Management Strategy Paper, February 2023 entails the County's debt management strategy for the Medium-Term Expenditure Framework for the period 2023/24-2025/26.	Not addressed	The Committee recommends that the County Executive complies with Section 123(1) of the Public Finance Management Act of 2012 by taking action on the issues raised by the Auditor General and submits a report to the Office of the Auditor General within sixty (60) days of the adoption of this report.	60 days from the date of adoption of this report
	<b>Performance of County Budget</b>	Nyeri County Budget and Economic Forum (CBEF) was	Nyeri County and Budget	Not addressed	1. The Committee recommends	60 days from the

	<b>and Economic Forum (CBEF)</b>	constituted as per the law. However, the Committees were not actively involved in matters relating to budgeting and financial management	Economic Forum (CBEF) was constituted as per the law. I confirm that the Committee is actively involved in matters relating to budgeting and financial management		that the County Executive complies with Section 209 (2) of PFM Regulations, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Office of the Auditor General within sixty (60) days of the adoption of this report. 2. Nyeri County Budget and Economic Forum should hold meetings and engage to support the budget making process.	date of adoption of this report
	<b>Lack of Approved Building Plans</b>	Projects have been ongoing without approved Bills of quantities, structural and architectural plans (designs).	To mitigate the risk of poorly constructed buildings, the approved plans &	there is no evidence that the approved plans & BQs are done by qualified, registered and in	The Committee recommends that the County Executive should expedite	60 days from the date of adoption of this report

			BQs are done by qualified, registered and in good standing County Engineers and Architects who are also involved in supervision of the projects to ensure that constructions meet the required standards.	good standing County Engineers and Architects	development of a building Plan and should submit to the Auditor General for verification within sixty (60) days of the adoption of this report.	
	<b>Idle Medical Equipment at Narumoru Level 4 Hospital</b>	Air conditioning and equipping of the two surgery theatres is complete but not in use.	The hospital is being operationalized in phases where over thirty (30) officers including nurses and other staff were recently posted to the facility	Not addressed	The County Executive should fast tract the posting of a trained medical surgeon in the said medical facility to operationalize the theatres and complies with the provisions of Section 149 (1) of Public Finance Management Act,2012	60 days from the date of adoption of this report
	<b>Failure to Submit Financial Statements for</b>	The County Executive of Nyeri had two (2) ongoing donor funded projects whose financial	According the NAVCDP financial Reporting manual	The at the time of audit financial statements for the projects have not	1. The Office of the County Governor undertakes	60 days from the date of

	<b>Donor Funded Projects</b>	statements have not been submitted for audit	the County Project Accountant is required to prepare the following: <b>Monthly expenditure returns</b> <b>Quarterly Interim Financial Reports (IFRs)</b>	been submitted for audit review	<p>administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants</p>	adoption of this report
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					Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.	
	<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>					
	<b>1 Failure to Maintain an Updated Fixed Assets Register</b>	Management is relying on an outdated register that cannot be verified	The County Treasury has been using a schedule of assets acquired after devolution and an asset verification report for the assets inherited from the defunct Local Authorities and National Government devolved units awaiting directions on hand over/take over from the Inter-Governmental Relations Technical Committee (IGRTC).	the county did not maintain an accurate fixed asset register; and does not have a fixed asset register management policy.	1. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report; 2. County should adopt and implement the report of the Inter-	60 days from the date of adoption of this report.



					<p>Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
2	<b>Failure to Implement Risk Management Policy</b>	Risk Management Policy is in place but has not been implemented	The County Government had planned to conduct training of all Chief Officers and Directors on the risk management process in order to	The committee noted that the county executive does not have a risk management policy framework in place. The committee further observed that lack of risk	The Committee recommends that the County Executive should expedite development of a Risk Management Policy and ICT Policy and should	60 days from the date of adoption of this report.

			develop County Risk Register	prevention mechanism may expose the entity to various forms of risks.	submit to the Auditor General for verification.	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF SAMBURU COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/24.**

**Basis of Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1	Unconfirmed Cash and Cash Equivalents	The statement of assets and liabilities and Note 13A to the financial statements reflects cash and cash equivalents balance of Kshs.142,476,191. However, bank reconciliations for one (1) bank account reflects receipts in cash book not recorded in the bank statement totaling to Kshs.102,198,283. No explanation was provided on why the receipts had not been banked as at 30 June, 2024.	These are receipts that relate to inter entity transfers. The bank reconciliations have been checked and efforts are underway to reconcile the accounts	The Committee observed that the accounting officer did provide evidence to support the issue raised	The Committee recommends that; - 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance	Within 60 days after adoption of the report.

		In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.142,476,191 could not be confirmed.			<p>Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. The Committee advised the Head of Treasury to be diligent and adhere to the provided accounting standards .</p>	
<b>OTHER MATTERS</b>						

2	Budgetary Control and Performance	<p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounting to Kshs.6,977,942,770 and Kshs.5,724,353,308 respectively, resulting to an under-funding of Kshs.1,253,589,462 or 18% of the budget. Further, the County Executive spent an amount of Kshs.5,666,818,805 against actual receipts of Kshs.5,724,353,308 resulting to an under-utilization of Kshs.57,534,503 or 1% of actual receipts.</p> <p>The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>The receipts budget was not segregated into departmental budgets and therefore, the amount of Ksh.6,977,942,770 includes receipt budget for both County executive and County Assembly. The receipt budget for County Executive and County Assembly was Ksh. 6,296,009,878 and Ksh.681,932,892 respectively. The actual amount approved and received from Controller of Budget for County executive was Ksh.5,724,353,308. Therefore, the variance between county executive receipts budget and actual was Ksh.571,656,570</p>	<p>The Committee observed that; -</p> <p>d) the county entities did not receive exchequer releases from the National Treasury on time.</p> <p>e) the Committee noted that the county executive s did not meet their own source revenue collection targets. This challenge hampered budget implemen</p>	<p>The Committee recommends that; -</p> <p>4) The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</p> <p>5) the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.</p> <p>6) County Assemblies to exercise their</p>	Continuous
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			<p>which represent June exchequer of Ksh.447,544,995 and unspent special purpose account balances of Ksh.51,592,460</p> <p>Further, the County executive spent Ksh.5,666,818,805 against receipt budget of Ksh.5,724,353,308 which result to under-utilization of ksh. 57,534,503. Therefore, the under-utilization was attributed by unspent donor funds for instance Ksh.41,500,000 for Climate change funds received in CRF in June 2024 which were unspent at the close of financial year.</p>	<p>tation in the affected county entities.</p> <p>f) Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government)</p>	<p>powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.</p>	
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				Regulations, 2015.		
3	Late Exchequer Releases	<p>The statement of receipts and payments and Note 1 to the financial statements reflects transfers from the County Revenue Fund (CRF) balance of Kshs.5,550,672,020 in respect of exchequer releases. However, Exchequer releases amounting to Kshs.1,454,521,248 were received during the month of June, 2024 and August, 2024. The late Exchequer releases delayed implementation of the County Executive's for the year under review.</p>	<p>This was a delay to release of funds to counties that affected all counties as funds were released late</p>	<p>The Committee noted that the County Executive experienced delayed exchequer releases by the National Treasury thereby hampering their budget implementation.</p>	<p>The Committee recommends that:</p> <ol style="list-style-type: none"> <li>1) the National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate</li> <li>2) the County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.</li> </ol>	Continuous

4	Unresolved Prior Year Audit Matters	In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of internal Controls, Risk Management and Governance. However, although Management indicated that the issues had been resolved, the matters remained unresolved as of 30 June, 2024.	Management did not provide a response to the issue.	The committee observed that issues from previous financial years had not been resolved.	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	Within 60 days after adoption of the report.
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**REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

5	Non-Compliance with the Law on Fiscal Responsibilities on Wage Bill	The statement of receipts and payments and Note 3 to the financial statements reflects compensation of employees' balance of Kshs.2,272,177,408 or 41% of the total receipts of Kshs.5,550,672,020. The County Executive therefore exceeded the 35% limit set under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the	(i) Exceeding the Approved Wage Bill Limit The increase in the wage bill was primarily due to reason, such as recruitment of essential personnel, salary adjustments per government directives, implementation of	The Committee observed that the wage bill for a number of County entities was above the threshold of 35% of total receipts contrary to Regulation 25 (1) (b) of the	The Committee recommends that- 5) the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which	Within 60 days after the adoption of the report.
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		<p>County Government expenditure on wages and benefits for public officers not to exceed 35% of the County total revenue.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>CBA agreements, etc. However, we recognize that the wage bill exceeded the legal threshold of 35% of total revenue, and we are taking corrective measures to align with fiscal responsibility laws. (ii) Unapproved Recruitment and Payroll Expansion The recruitment of additional staff was necessitated by specific reason, e.g., service demand, healthcare expansion, emergency response, etc. Moving forward, all hiring processes will strictly adhere to the approved budget and workforce plans. 2. Corrective Actions and</p>	<p>Public Finance Management (County Governments) Regulations, 2015. The Committee further noted that high wage bill is a threat to the objects of devolution as provided for under Article 174(f) of the Constitution.</p>	<p>stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue;</p> <p>6) the county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap; and</p> <p>7) the management of the concerned entities should provide to the Auditor General a status report of measures put in place to</p>	
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			<p>Compliance Measures</p> <p>To ensure compliance with the Law on Fiscal Responsibilities on Wage Bill, we are implementing the following measures:</p> <p>Enforcing Budgetary Controls</p> <p>All salary adjustments and new hires will be subjected to budget approval and fiscal responsibility limits.</p> <p>Regular Payroll Audits</p> <p>A quarterly payroll review will be conducted to detect and prevent future non-compliance issues.</p> <p>Reducing Wage Bill through Workforce Optimization</p> <p>Staff redeployment and rationalization will be considered</p>		<p>contain the high wage bill within sixty (60) days of the adoption of this report.</p> <p>8) Senate should consider reintroducing the fiscal responsibility index in revenue allocation to act as an incentive for counties that meet the PFM fiscal responsibility targets.</p>	
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			<p>to manage costs without affecting service delivery. Strict Adherence to Employment Policies</p> <p>Future recruitments will align with approved staff establishment and revenue projections. Samburu County Government reaffirm our commitment to full compliance with fiscal responsibility laws and are working closely with relevant authorities to rectify all identified issues. We welcome further guidance and will submit progress reports on the implementation of corrective actions</p>			
6	Irregular Staff Recruitment	The statement of receipts and payments and Note 3 to the financial statements reflects compensation of	The recruitment of staffs for the Governor's Delivery Unit	The Committee observed that the County	The Committee recommends that; - 1. The county Executive should	Within 60 days after the adoptio

	<p>employees' amounting to Kshs.2,272,177,408. Included in the expenditure is an amount of Kshs.60,069,840 that was made to twenty-nine (29) staff members under the "Governors Delivery Unit". As previously reported, the unit was not provided for in the approved organization structure and the duties and responsibilities of the members were not defined. It was further noted that the Approval from County Public Service Board (CPSB), advertisement, applications, shortlisting, interviews and selection of successful candidates were not provided for audit confirmation contrary to Section 60(1)(c) of the County Governments Act, 2012.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>(GDU) was not conducted in accordance with applicable laws, regulations, policies, or government circulars. We acknowledge the need for strict adherence to recruitment policies and are committed to implementing necessary corrective measures and in the Financial year 2024-25 the Samburu County Public service board issued an advisory for the revocation of irregularly recruited staffs to County Secretary and head of public service, who issued a letter to Payroll manager to stop the salaries for Thirty-Four (34) staffs whose employment were</p>	<p>Executive breached Section 60(1)(c) of the County Governments Act, 2012, which requires that public appointments be conducted through a transparent and competitive process. The recruitment of staff under the "Governor's Delivery Unit" was not supported by approvals from the County Public Service Board (CPSB), nor was there evidence of advertisement, applications,</p>	<p>expedite development and approval of its staff establishment and a status report should be submitted to the Auditor General for verification within sixty (60) days of the adoption of this report.</p> <p>2. The county Executive submits a status report to the OAG on the progress of the audit on staff establishment, payroll and the County's measures to ensure compliance with the law.</p>	<p>n of the report.</p>
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			<p>revoked by the County Public Service Board.</p> <p>The Board also received a letter from the County Secretary and Head of public service indicating an action note that arouse from the cabinet meeting on the Establishment of Government Service Delivery Unit and the Board in their meeting resolved to establish the Government Service Delivery Unit in the Department of Finance to enhance <b>service delivery, policy coordination, and project monitoring</b> within the county as per approved Organogram and the Budget.</p>	<p>shortlisting, interviews, or selection of candidates, violating established procedures for public sector hiring.</p>		
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7	Salaries Paid Outside Integrated Payroll and Personnel Database System	<p>The County Executive paid an amount of Kshs.319,651,201 as salaries to staff members outside the Integrated Payroll and Personnel Database (IPPD) system. Approximately three hundred and fifty (350) officers in the County Executive were being paid outside IPPD payroll system. This was contrary to Section 1.5.1 of The National Treasury Financial Accounting Recording and Reporting Manual which requires salaries, allowances or arrears of County Government employees to be processed through Integrated Payroll and Personnel Database (IPPD).</p> <p>In the circumstances, existence of effective internal controls on payroll could not be confirmed.</p>	<p>The management responded that the county employees have not paid through IPPD system due to the following;</p> <p>a) New transferees from other government agencies and departments – occasionally we receive staff transferred from other government entities but who fail to immediately bring their bio data for integration into the County’s IPPD system.</p> <p>b) Newly employed County Staff still on probation, awaiting personal numbers. Currently IPPD numbers have been provided</p>	The Committee noted that some Counties Executive were making payments of salaries for some of its employees outside the Integrated Personnel and Payroll Database (IPPD) System.	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;</li> <li>2. The County Governor should ensure that casual workers are engaged in line with the relevant laws and</li> </ol>	Within 60 days after adoption of the report.
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					<p>the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;</p> <p>3. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted</p>	
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					workers, acting positions and a platform for management of county human resources; and 4. the Auditor General to monitor the matter in the subsequent audit cycle.	
8	Non-Compliance with Staff Ethnic Diversity	The County Executive had a total staff of two thousand, two hundred and twenty-nine (2,229) employees out of whom one thousand, seven hundred and forty-nine (1,749) or 72% members of staff were from the dominant ethnic community. Further, included in the employees is a Top Management Team of thirty-three (33) employees. However, twenty-nine (29) or 88% were from the dominant ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act,	The management note that the imbalance noted in the staff ethnic composition is be attributed to the following reasons; -Most of the County Government Staff were inherited from the defunct Local Authorities and the National Government Ministries. The bulk of the staffing inherited were from	The committee observed that the County Executive had a total of 3,298 employees out of which 2,176 or 63.4% were from the dominant local community in the County. This is contrary to the	The Committee recommends that; - 5) The County Executives should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of County Government Act on ethnic inclusivity.	Within 60 days after the adoption of the report



		<p>2008 which stipulates that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, and that no public establishment shall have more than one third of its staff from the same ethnic community.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>the dominant ethnic community.</p> <p>-Geographical and security challenges also plays a role in deterring new prospective employees.</p> <p>The County Executive's workforce of 2,229 included 1,749 (72%) staff and 29 out of 33 (88%) top management from the dominant ethnic community, violating Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which limits any ethnic group to one-third of public institution staff.</p>	<p>provisions of the National Cohesion and Integration Act, 2008 which stipulates that at least 30% of employees should be from communities other than the dominant one</p>	<p>6) The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.</p>	
9	Irregular Engagement of Casuals	<p>The statement of receipts and payments and Note 3 to the financial statements reflects compensation of employees balance of Kshs.2,272,177,408. Included</p>	<p>The management stated that casuals have appointment letters assigning them duties in the various facilities</p>	<p>The Committee noted that employment records revealed that</p>	<p>The Committee recommends that; -</p> <p>1. The Senate notes that the process of issuance of Personal File</p>	<p>Within 60 days after the adoption of the report</p>

		<p>in this expenditure is an amount of Kshs.36,441,690 that was paid to casual workers in the Health Department. However, no staff rationalization was done to assess the need to hire casuals, the County Public Service Board (CPSB) was not involved in the recruitment of casual workers and no muster roll was provided to confirm work attendance. In addition, the casuals were engaged for more than three (3) months without review of their terms contrary to Section 37(1)(b) of the Employment Act, 2007 which states that where a casual employee performs work for more than three months, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly and section 35(1)(c) shall apply to that contract of service. This exposes the County to litigation for unlawful terms of employment.</p>	<p>within the county (attached are samples of letters) A letter from the county public service board indicating recognition of casuals in the health department. ( attached ) Payment was done through banks as record indicated each person pay point (attached excel indicates)</p>	<p>the temporary employees had been continuously engaged without a written contract, contrary to the provisions of Section 9(1) of Employment Act, 2007.</p>	<p>Numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction with the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;</p> <p>2. The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within</p>	
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		In the circumstances, Management was in breach of the law.			<p>60 days of adoption of this report;</p> <p>3. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to come up with Regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and</p> <p>4. the Auditor General to</p>	
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					monitor the matter in the subsequent audit cycle.	
10	Non-Remittance of Statutory Deductions	<p>The statement of receipts and payments and Note 3 to the financial statements reflects compensation of employee's balance of Kshs.2,272,177,408. Included in this expenditure is an amount of Kshs.160,248,535 in respect of pension and social security benefits (employer contribution to compulsory National Social Schemes). However, the County Executive did not remit a balance of Kshs.9,732,171 to National Social Security Fund and Kshs.60,613,975 to other pension schemes. This was contrary Section 20(1A) of the National Social Security Fund No.45 of 2013 which requires an employer to pay the contribution on the ninth day of each month following the end of the month.</p>	<p>The management responded that the deductions were part of pending bills which are now fully settled.</p>	<p>The Committee observed that the management did not provide evidence of settlement of statutory deductions.</p>	<p>The Committee recommends that; - The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 3. Surcharge of the officer(s) who deducted pensions</p>	<p>Within 60 days after the adoption of the report.</p>

		In the circumstances, Management was in breach of the law.			money from the staff and failed to remit it to the relevant pensions fund.	
11	Inadequacies in the Use of Framework Contracting	<p>The statement of receipts and payments and Note 4 to the financial statements reflects use of goods and services balance of Kshs.1,459,188,123. Included in this expenditure is an amount of Kshs.270,392,151 in respect of specialized materials and services out of which an amount of Kshs.31,080,000 was used for purchase of foodstuffs for Early Childhood Development and Education (ECDE) centers within the County. However, the following anomalies were noted:</p> <p>i. The tender was done through a mini-competition for companies with existing framework contracts. However, the company that was awarded the tender was not contracted under the category of rice and beans</p>	<p>The management responded that the company is in the category of similar goods that is cereals and pulses Under Sec 114 of PPADA 2015, A procuring entity maybe enter into a framework agreement open tender if-</p> <p>a) The procurement value is within the thresholds prescribed under Regulations to the Act.</p> <p>b) The regulations of goods, works or non-consultancy services cannot be determined be determined at the</p>	<p>The Committee observed that even though the management justified the use of framework contracting pursuant to Section 114 of the Public Procurement and Asset Disposal Act. However, Management has not explained why one company was awarded a tender for a category they were not contracted for.</p>	<p>The Committee recommended that the management should ensure that it complies with the procurement laws as provided for in in the Public Procurement and Asset Disposal Act.</p>	<p>Within 60 days after adoption of the report.</p>

		<p>and was therefore irregularly entered into a mini-competition contrary to Regulation 103(2)(b) of the Public Procurement and Asset Disposal Regulations, 2020 which states that an Accounting Officer may award a contract under a framework agreement through inviting mini-competition amongst the suppliers under the framework agreement.</p> <p>ii. The use of framework agreement rather than open tendering was not sufficiently justified contrary to Section 91(1)(2) of the Public Procurement and Asset Disposal Act, 2015 which states that open tendering shall be the preferred procurement method for procurement of goods, works and services and the procuring entity may use an alternative procurement procedure only if that procedure is allowed and satisfies the conditions</p>	<p>time of entering into the agreement ;and cannot be determine at the time of entering into the agreement</p> <p>3. When implementing a framework agreement , a procuring entity may</p> <p>a) Procure through call-offs order when necessary or</p> <p>b) Invite Mini-competition among persons that have entered into the framework agreement in the respective category</p> <p>We used the mini-competition under framework agreement Regulation 114 3(b) because of the quantity variation of</p>			
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		<p>under this Act for use of that method.</p> <p>In the circumstances, Management was in breach of the law.</p>	goods in different school terms.			
1 2	Gaps in the Management of Training Expenses	<p>The statement of receipts and payments and Note 4 to the financial statements reflects use of goods and services balance of Kshs.1,459,188,123. Included in the expenditure is an amount of Kshs.62,997,084 in respect of training expenses. However, there was no evidence of training needs assessment and training projections to justify the expenditure and the County Executive did not have a training program.</p> <p>Further, Management did not prepare quarterly returns on trainings that took place during the financial year and gauge their effectiveness. It was also revealed that staff at the County Executive applied for reimbursement of subsistence allowances and training fees without providing evidence that the trainings were</p>	The management stated that the budget for staff training is allocated per department and each department has a training committee that approves those who go for training. Departments have minutes of their meetings and approvals.	The Committee observed that the management did not answer the issue addressed.	The Committee recommends that the management should conduct a training needs assessment and develop a structured training program in compliance with Section 5(1) of the Public Service Commission Act, 2017, which mandates institutions to ensure capacity development based on identified needs. Additionally, quarterly training returns should be prepared as required under Regulation 31(3) of the Public Finance Management	Within 60 days after adoption of the report.

		<p>approved before proceeding, and that the officers were nominated for the trainings by the Head of the Human Resource Department or delegated departmental heads and copied to the head of the County Human Resource Department.</p> <p>In the circumstances, the value for money from the training expense of Kshs.62,997,084 could not be confirmed.</p>			<p>(County Governments) Regulations, 2015, to assess the effectiveness of training expenditures. Management should also enforce strict adherence to approval procedures for training expenses, ensuring that all reimbursements are supported by prior approvals and nominations as per public service guidelines.</p>	
13	Irregular Payments to Council of Governors and Frontier Counties Development Council	<p>The statement of receipts and payments and Note 4 to the financial statements reflects use of goods and services balance of Kshs.1,459,188,123. Included in this expenditure is an amount of Kshs.437,848,253 in respect of other operating expenses out of which an amount of Kshs.3,000,000 and Kshs.3,604,800 were payments</p>	<p>A conglomerate of like-minded County Governments entered into an MoU on 2<sup>nd</sup> March, 2016 to form Frontier Counties Development Council to among other things create an enabling environment for</p>	<p>The Committee noted that payments made to the Council of Governors from County Revenue Funds were irregular and unlawful since</p>	<p>The Committee recommends that the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to</p>	<p>Immediate.</p>



		<p>for annual subscription to the Council of Governors and Frontier Counties Development Council respectively.</p> <p>However, the operational expenses for the Council of Governors an entity established under Intergovernmental Relations Act, 2012 are supposed to be provided from the annual estimates of the National Government while Frontier Counties Development Council has not been established under the law to receive public funding. This was contrary to Section 162 of the Public Finance Management Act, 2012 which requires a public officer to ensure that resources within the officer's area of responsibility are used in a way that is lawful and authorized, effective, efficient, economical and transparent.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>wealth and job creation of its citizens. Samburu County Government joined the Council on 12<sup>th</sup> Sept 2018. In FY 2023/24, Samburu County made its annual contribution of KES 1,500,000 in line with the MoU and the approved budgetary allocation for the activity.</p> <p>The FCDC Memorandum of Understanding and the extract of the budgetary allocation under other operating costs.</p>	<p>the Intergovernmental Relations Act specifies that funding for the COG shall be drawn from the Consolidated Fund.</p>	<p>make the irregular contribution. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.</p>	
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1 5	Late Commitments	<p>Review of procurement records revealed that expenditure commitments/contracts for various supplies of goods and services amounting to Kshs.156,235,210 were made after 31 May, 2024 without the written approval of the Accounting Officer. This was contrary to Regulation 50(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all commitments for the supply of goods or services shall be done not later than the 31 May each year except with the express approval of the Accounting Officer in writing.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The late commitments were occasioned by payments made for insurance and Fuel see annex attached totalling to kes 130,577,757 . The delays were also occasioned by supplementary budget</p>	<p>The committee observed that the management did not provide written approval from the Accounting Officer for the late commitments that were done during the year under review.</p>	<p>The Committee recommends: -</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the</li> </ol>	<p>Within 60 days after adoption of the report.</p>
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					<p>adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p>	
1 6	<p><b>Non-Submission of Financial Statements for Audit</b></p> <p>Emergency Fund</p>	<p>The statement of receipts and payments and Note 6 and 7 to the financial statements reflects Kshs.566,502,436 and Kshs.214,691,471 being transfer to other Government agencies and other grants and transfers respectively. Included in these balances is an amount</p>	<p>The county does not have an emergency fund</p>	<p>The Committee noted that the County Executive made late submissions of the relevant documents to</p>	<p>The Committee recommends: -</p> <p>3. The Office of the County Governor undertakes administrative action against the</p>	<p>Within 60 days after adoption of the report</p>

		<p>of Kshs.253,178,575 and Kshs.40,000,000 being expenditures on emergency locust response and emergency relief and refugee assistance respectively. However, the County Executive did not prepare and submit financial statements for the Emergency Fund to the Auditor-General. This was contrary to Section 115(1) of the Public Finance Management Act, 2012 which requires the County Treasury to prepare and submit to the Auditor-General, financial statements in respect of the Emergency Fund for that year not later than three months after the end of each financial year.</p> <p>In the circumstances, Management was in breach of the law.</p>		<p>the Auditor General during the audit exercise contrary to section 62 of the Public Audit Act 2015.</p>	<p>responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>4. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes</p>	
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					disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.	
17	<p><b>Irregularities in Acquisition of Assets</b></p> <p>Stalled Construction of Inpatient Block at Samburu County Referral Hospital</p>	<p>The County Executive of Samburu entered into a twelve (12) months contract with a local company for the construction of inpatient block at the Samburu County Referral Hospital on 30 March, 2022 at a contract sum of Kshs.116,951,010. As at 30 June, 2024, the contractor had raised a (3) certificates all amounting to Kshs.107,790,785 and which had been fully paid. Project inspection carried out on 17 September, 2024 revealed that the contractor was not on site and doors, windows, finishes, electrical works,</p>	<p>The management agrees with the audit findings regarding the certification and payment for incomplete works. This situation highlights a significant oversight in project management and adherence to contractual obligations. We have launched an internal investigation into the circumstances surrounding the</p>	<p>The Committee observed that the management had no clear evidence of how various assets were acquired.</p>	<p>The Committee recommends that the; -</p> <ol style="list-style-type: none"> <li>1. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and</li> </ol>	<p>Within 60 days after adoption of the report.</p>

		<p>sanitary fittings and foul drains and lift shaft had not been done. No explanation was provided on why the contractor was not on site and why the works were still incomplete. In the circumstances, the value for money on the expenditure of Kshs.107,790,785 could not be confirmed.</p>	<p>certification process and the contractor's performance. This includes reviewing documentation, meeting with the inspection committee, and consulting with the Department of Public Works. Additionally, all further payments to the contractor are suspended pending the outcome of the investigation and verification of completed works. To prevent future issues, we will enhance oversight mechanisms for project inspections and certifications. This will involve establishing stricter criteria for certifying completed work and requiring documented</p>		<p>provide a status update to the OAG within 60 days of adoption of this report;  <b>2. County</b> should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p>	
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			<p>evidence before approving payments. We will also implement a regular monitoring and reporting framework for ongoing projects to ensure compliance with timelines and specifications. We greatly appreciate the audit team's findings and recommendations. We are taking immediate steps to address the identified issues and prevent similar occurrences in the future. Our commitment to accountability and transparency remains a priority as we work to ensure the successful completion of the inpatient block project for the</p>		<p>3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
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			benefit of our community			
1 6	Irregular Fencing Works for ECDE Centers	<p>The statement of receipts and payments and Note 9 to the financial statements reflects acquisition of assets amount of Kshs.1,152,259,363. Included in this expenditure is an amount of Kshs.229,838,868 in respect of construction of buildings out of which an amount of Kshs.10,247,500 was used for fencing works of fifteen (15) ECDE centers within the County. However, the winning bidder had failed at the preliminary evaluation for failure to attach an AGPO certificate for youth but the evaluation committee proceeded to recommend the company for the works.</p> <p>Further, audit inspection carried out during the month of September, 2024 in sampled schools revealed that the fencing works were done with untreated cypress posts which were already being damaged by termites. In addition, the Bill of Quantities and payment</p>	<p>The winning bidder had attached a valid AGPO Certificate for youth as required in the tender document (REG NO - NT/PPD/2023/DG Y/9596).</p> <p>-The contractor followed the Bills of quantity (BQS) which indicated the fence were to be done by treated cypress posts but not concrete posts as indicated by the quantity surveyor payment certificate hence an error from quantity surveyor.</p>	The Committee observed that there was no value for money on the project.	<p>4) The Office of the County Governor to prioritise should ensure there was value for money on the project and update to the Auditor General within 60 days of the adoption of this report;</p> <p>5) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	Within 60 days after adoption of the report.



		<p>certificates provided different descriptions for the fencing works where, the Bill of Quantities required, the contractor to use treated cypress posts but the payment certificate done by the quantity surveyor indicated the certified works were done with concrete posts, which was contrary to what was implemented.</p> <p>In the circumstances, the value for money in the expenditure of Kshs.10,247,500 could not be confirmed.</p>				
17	Stalled Construction of Governor's Official Residence	<p>The County Executive entered into a contract with a local contractor for construction of the Governor's official residence on 17 January, 2022 for a total contract sum of Kshs.87,586,528. The contract sum was Kshs.42,585,528 over and above the ceiling set by the Salaries and Remuneration Commission of Kshs.45,000,000 for the construction of Governors' residences. As at 30 June, 2024, an amount of Kshs.60,440,153</p>	<p>Salaries and Remuneration Commission (SRC) issued a sealing of Ksh.45,000,000 for the construction of Governors' residences, however as per the Engineer's estimate, the cost of the house stands at Ksh. 45,000,000 exclusive of</p>	<p>The committee observed that the projects that have been completed and the incomplete have not yet been separated hence it is difficult to determine their current status.</p>	<p>The Committee recommends that; -</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning,</li> </ol>	<p>Within 60 days after adoption of the report.</p>

	<p>had been paid to the contractor for the works. However, documents to confirm the exemption of the above over-expenditure on Governor's Official Residence by the Senate were not provided for audit. Further, the deadline of 30 June, 2022 for the completion of the residence had been surpassed as provided by the Salaries and Remuneration Commission. Physical inspection carried out on the month of September, 2024 showed that only the superstructure works had been completed. Doors, windows and finishing works had not been started. In addition, the contractor was not on site and the Project had stalled for more than one year. Site security was not enhanced as evidenced by presence of livestock in the structure leading to damages on the floor. Further, despite an amount of Kshs.3,142,625 out of Kshs.6,285,250 being paid for electrical works, security system and firefighting</p>	<p>perimeter wall and gazebos.</p> <p>When the department of Lands allocated the land for construction of the Governor's residence, it was prudent to fence the entire piece to avoid encroachment for future developments. The Bill of Quantities was therefore varied to include the perimeter wall and gazebos which formed part of the project. The project was queried by ethics and Anti-Corruption and the file is active awaiting recommendations and action by the commission</p>		<p>execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a</p>	
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		<p>appliances, none had been installed. Additionally, the two gates, two guard house and four gazebos fully paid for in the two certificates issued had not been completed at the time of the inspection.</p> <p>In the circumstances, the value for money on the expenditure of Kshs.60,440,153 could not be confirmed.</p>			<p>budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
1 8	Insufficient Budgetary Allocation for the Construction of ECDE Latrines	<p>The statement of receipts and payment and Note 9 to the financial statements reflects acquisition of assets amount of Kshs.1,152,259,363. Included in this expenditure is an amount of Kshs.229,838,868 in respect of construction of buildings. In the year under review, management awarded a contract for construction of sixty (60) ECDE pit latrines to a local company at a contract sum of Kshs.32,301,200 or Kshs.535,020 per pit latrine as per the contract dated 10</p>	<p>The department had issued the LPO for construction of 60 pit latrines, before Supplementary budgets by the County executive; the funds were re-allocated to Perimeter wall fence of an ECD center which was burned down by bandits in the insecurity prone area within Loosuk ward.</p>	<p>The County Executive awarded a contract worth Kshs. 32,301,200 for the construction of 60 ECDE pit latrines, despite the approved supplementary budget only allocating Kshs.</p>	<p>The Committee recommends that the management should comply with Section 53(8) of the Public Procurement and Asset Disposal Act, 2015, by ensuring procurement aligns with approved budget estimates. Adherence to Section 131(1) of the Public Finance Management Act, 2012, is required to</p>	<p>Within 60 days after adoption of the report.</p>

		<p>November, 2023. However, it was noted that as per the approved supplementary budget, only twenty (20) ECDE pit latrines were approved for construction with a budget of Kshs.12,000,000. The budget reduction was done after the County Executive had entered into a contract worth Kshs.32,301,200 and works for the same were ongoing. This was contrary to Section 53(8) of Public Procurement and Asset Disposal Act, 2015 which requires that an Accounting Officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.</p> <p>In the circumstances, Management was in breach of the Law.</p>	<p>-The department has renegotiated with the contractor to finish up the forty (40) ECD pit latrines as per the LPO and an additional funding to be allocated in the subsequent financial year for the completion of the works.</p> <p>-Budget was removed during the last quarter of the financial year when the LPO Was issued and the contractor was in site this re-allocation of the budget was as a result of an emergency of Insecurity of burning down of the ECDE Centre.</p>	<p>12,000,000 for 20 latrines. The contract was signed before confirming the availability of sufficient funds, violating Section 53(8) of the Public Procurement and Asset Disposal Act, 2015. This resulted in non-compliance with budgetary controls and financial regulations.</p>	<p>prevent overspending. Procurement planning should be strengthened to avoid contract commitments beyond available funds.</p>	
1 9	1. Inadequate Inspection	The County Executive awarded tenders for the construction of roads amounting to	The management responded that the inspection of roads	The Committee observed that	The Committee therefore recommends that:	Within 60 days after

	<p>on of Roads Project</p> <p>Kshs.169,859,258. However, review of the payment vouchers revealed that only standard inspection sheets that are normally used for goods and services were used by the inspection and acceptance committee for the road projects. There were no documented predetermined standard inspection procedures issued to the inspection and acceptance committees to guide them on the inspection of the roads.</p> <p>This was contrary to Section 150(3) of the Public Procurement and Asset Disposal Act, 2015 which states that where goods, works and services under Sub-Section (2), are of technical nature and the specifications were provided by a technical department or professionals engaged to work on behalf of the Accounting Officer, that technical department or professionals engaged to work on behalf of the Accounting Officer shall be responsible for</p>	<p>was done adequately by ensuring the specification and quantities in the bill of quantities are done. All payments are supported by a payment certificate which has a measurement sheet of quantities done. We have predetermined inspection procedures as follows</p> <ul style="list-style-type: none"> <li>i. Handing over site to contractor</li> <li>ii. Inspection during actual construction of project</li> <li>iii. Final inspection and measurement of quantities when the contractor has completed works</li> </ul> <p>Preparation of payment certificates</p>	<p>the management awarded road construction tenders worth Kshs. 169,859,258, but the inspection committee used standard inspection sheets meant for goods and services instead of proper road inspection procedures. No documented guidelines were provided to ensure compliance with Section 150(3) of the Public Procurement and Asset Disposal Act, 2015. As a</p>	<ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization , planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</li> <li>2. The OAG to keep the matter in view</li> </ol>	<p>adoption of the report.</p>
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		confirming the right quality and quantity of goods, works or services have been delivered and issue a certificate to the recipient Accounting Officer. In the circumstances, value for money on the expenditure incurred on the construction of roads could not be confirmed.	as per the measured quantities	result, the quality and value for money of the road projects could not be confirmed.	and provide a status update to the Committee in the subsequent audit cycle.	
20	Delayed Utilization of Maralal Municipality Retail Market	<p>The County Executive of Samburu entered into a contract on 30 June, 2020 with a local company for the construction of a trade market in Maralal Municipality at a contractual amount of Kshs.53,981,760. The works were done over a period of twenty-four (24) months and the contractual amount paid in full.</p> <p>The retail market remained unutilized and on 25 May, 2023, the County Executive entered into another contract with a different contractor for the completion of the Maralal retail market through addition of an extra floor at a contractual amount of Kshs.20,000,000</p>	<p>The management submitted that Maralal Market was a World Bank-funded project with a budget of Ksh. 53,981,760 (50,000,000 from KUSP grants while 3,981,760 was counter funding from county government)</p> <p>However, after its completion, the County Government and the Maralal Municipality Board passed a formal resolution to add an extra floor to maximize space and</p>	<p>The Committee observed the management spent Kshs. 73,981,760 on constructing and upgrading the Maralal retail market, but the facility remains unutilized. Audit inspection revealed incomplete works, including missing waterproofing , overgrown</p>	<p>The Committee therefore recommends that:</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization , planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance</li> </ol>	<p>Within 60 days after adoption of the report.</p>

		<p>and was completed in May, 2024.</p> <p>Audit inspection conducted during the month of September, 2024 revealed that the market remained unutilized. In addition, water proofing of the flat roof was not done as per the Bill of Quantities as mastic asphalt was not applied. Further, the retail market site was covered with overgrown bushes, heaps of waste soil that the contractor had not disposed and dilapidated iron sheets securing the site that the contractor ought to have removed after erecting a masonry fence.</p> <p>In the circumstances, value for money on the expenditure incurred on the market could not be confirmed.</p>	<p>accommodate more traders. An additional contract worth Ksh. 20 million was signed for. The Board also directed that no traders should occupy the market until the construction is fully completed to ensure safety and provide adequate facilities for all traders. Regarding waterproofing, it is important to clarify that bitumen application was used as an alternative to mastic asphalt. Bitumen is a standard waterproofing material that serves the same purpose and ensures the roof's durability and protection against water seepage. The</p>	<p>bushes, waste soil, and unsecured site fencing. As a result, value for money on the project could not be confirmed.</p>	<p>Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</li> <li>3. The OAG to keep the matter in view and provide a status update to the Committee in</li> </ol>	
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			<p>choice of bitumen was informed by its versatility, higher adhesion, bonding property and flexibility in accommodating expansion in structures as compared to asphalt since the building in question has expansion joints. Upon the completion of the Maralal retail market in May 2024, the County embarked on a process to ensure fairness and transparency in available space allocation taking in to consideration those trading in old market and new applicants. This involves a rigorous vetting process where interested tenants will be</p>		<p>the subsequent audit cycle.</p>	
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			<p>invited to apply. The allocation process for new applicants has been planned for April this year, and we aim to ensure that the allocation is done equitably to benefit the community and enhance economic activities within the market. Additional consideration will include gender parity, disability, youth and minority. During the audit inspection conducted in September 2024, it was observed that the contractor was present at the site, and finishing works were actively being carried out and thus an active construction site under the jurisdiction of the contractor. Since</p>			
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			then, the works have been completed, and the market is now ready for use. The site no longer has overgrown bushes or the heaps of waste soil mentioned. As indicated in the attached pictures of the market, the site is now well-maintained and in a satisfactory condition.			
21	Irregular Implementation of Water Projects	The statement of receipts and payments and Note 9 to the financial statements reflects acquisition of assets amounting to Kshs.1,152,259,363. Included in this expenditure is Kshs.233,838,868 in respect of construction and civil works out of which an amount of Kshs.37,725,094 and Kshs.49,954,293 was used for desilting of dams and drilling and equipping of boreholes respectively. Audit inspection revealed that the dams had not been excavated and expanded	Due to high risk of vandalism the signages has not been erected and the contractors responsible for the works will avail the signages to the department of water and sanitation within the defect liability period and at time of commissioning of the project.	The Committee observed that the managment spent Kshs. 37,725,094 on desilting dams and Kshs. 49,954,293 on drilling and equipping boreholes, but audit inspection revealed that	The Committee therefore recommends that: 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization , planning, execution and timely completion of	Within 60 days after adoption of the report.

	<p>and the materials hauled to the dam embankments as per the Bill of Quantities. In addition, the dams had no signage erected for the projects and hence it was difficult to ascertain whether the works were carried out during the year under review.</p> <p>Further, audit inspection revealed that drilling and equipping of Sere Eloikari and Ntepès boreholes at a cost of Kshs.8,418,077 and Kshs.8,720,855 respectively, did not have Water Kiosks constructed as per the Bill of Quantities.</p> <p>In the circumstances, value for money on the expenditure incurred in the desilting of dams and drilling of boreholes could not be confirmed.</p>	<p>Dam has been excavated as per the bill of quantities. Due to heavy rains the dams were filled up and silted therefore volumes could not be easily measured. The materials excavated were transported outside the dams' areas to avoid tampering the embankment wall. Extra expansion works were carried out to increase the dams' volumes equivalent to other minor civil structures i.e. concrete seals which had no major impact in a way to increase water volumes. There was also further expansion of spillway works carried out in most dams</p>	<p>key works, such as excavation, expansion, and material hauling, were not done as per the Bill of Quantities. Additionally, the dams lacked signage, making it difficult to verify whether the works were completed during the year. Boreholes at Sere Eloikari and Ntepès, costing Kshs. 8,418,077 and Kshs. 8,720,855 respectively, also lacked the required water kiosks,</p>	<p>projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p>	
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			<p><b>Sere Eloikari Water Kiosk Construction.</b></p> <p>In the designed document the Kiosk was supposed to be constructed on the source but immediately establishment of irrigation farms was evident and after the department having a consultative engagement with the targeted community and agreeing on the relocation of the water Kiosk to the said area then the department instructed the contractor to construct the said water Kiosk within a nearby ECD – school which is about 1Km from the drilled borehole. The department also instructed the</p>	<p>resulting in unconfirmed value for money.</p>	<p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
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			contractor to construct a communal water point where a relatively lower population of people living near the source will access water for their domestic consumption. In addition, the department is on higher plan gear of allocating finances to connect the Kiosk with water.									
24	Unutilized Projects	<p>The County Executive completed various projects at a cost of Kshs.57,371,296. However, audit inspection carried out in September, 2024 revealed some projects that had not been put into use as detailed below:</p> <table><tr><th>Department</th><th>Project Cost (Kshs.)</th></tr><tr><td>Health</td><td>16,969,070</td></tr><tr><td>Sports and</td><td>27,926,050</td></tr></table>	Department	Project Cost (Kshs.)	Health	16,969,070	Sports and	27,926,050	During the period of audit most of the project were not utilized but the current overview of the projects is provided below;	The committee observed that the management has not confirmed the effective completion of 11 projects that are under the Department of	The Committee recommends that; - 1. The County Executive establishes a project management and monitoring System to help in proper	Within 60 days after the adoption of the report.
Department	Project Cost (Kshs.)											
Health	16,969,070											
Sports and	27,926,050											

		<table><tr><td>Youth Affairs</td><td></td></tr><tr><td>Livestock</td><td>7,481,316</td></tr><tr><td>Education</td><td>4,994,860</td></tr><tr><td><b>Total</b></td><td><b>57,371,296</b></td></tr></table> <p>This was contrary to Section 162(1) of the Public Procurement and Asset Disposal Act, 2015 which requires that an Accounting Officer of a procuring entity shall ensure that all assets are accounted for and put into proper use as intended by the procuring entity.</p> <p>In the circumstances, the value for money on the expenditure amounting to Kshs.57,371,296 could not be confirmed.</p>	Youth Affairs		Livestock	7,481,316	Education	4,994,860	<b>Total</b>	<b>57,371,296</b>		Lands, Housing, Urban Development, and Physical Planning	project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management Regulations, 2015 within 60 Days from
Youth Affairs													
Livestock	7,481,316												
Education	4,994,860												
<b>Total</b>	<b>57,371,296</b>												

					<p>the date of adoption of this report;</p> <p>6) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>7) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
25	Long Outstanding Imprests	The statement of assets and liabilities and Note 14 to the financial statements reflects outstanding imprest and	Ksh.15,527,402.00 is Receivable from County Assembly of Samburu (schedule	The Committee noted that the County	<p>The Committee recommends that;-</p> <p>1. The Accounting Officer(s) recover</p>	Within 60 days after adoptio

		<p>advances balance of Kshs.39,270,626. The imprests had not been surrendered long after their due dates and the Management had not made any progress in initiating recoveries. This was contrary to Regulation 93(6) of the Public Finance Management (County Governments) Regulations, 2015 which states that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>presented as <b>Annexure)</b></p> <p>The amount of Ksh.24,853,016.00 is the outstanding imprest for previous years ( schedule showing imprest taken, amount recovered and outstanding balance is attached as <b>Annexure)</b></p>	<p>entities had substantial amounts of outstanding imprest by the close of financial year contrary to Regulations 93(5) of the Public Finance Management (County Government) Regulations, 2015 which requires a holder of a temporary imprest to account for the imprest within seven days after returning to duty station.</p>	<p>the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation. The Committee further recommends the sanction and surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015.</p>	n of the report.
26	Irregular Commitments of	<p>The County Executive committed an amount of Kshs.566,090,060 through issuance of Local Purchase</p>	<p>The Equalisation Fund (EF) was established under Article 204 (1) of</p>	<p>The Committee observed that the</p>	<p>The Committee recommends that the management compliance with</p>	



	<p>Equalization Funds</p> <p>Orders (LPOs) for various infrastructural projects in the Water, Roads and Health departments financed through the Equalization Fund. However, at the time of the audit in September, 2024 the County had not received the equalization funds which they were to receive for the 2023/2024 financial year. Further, review of the Project Implementation Status Report, revealed that the contractors had completed the works and had raised payment certificates which at the time of the audit had not been paid for lack of funding contrary to Section 53(8) of the Public Procurement and Assets Disposal Act, 2015 which states that Accounting Officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.</p>	<p>the Constitution of Kenya 2010 (CoK 2010) which requires that one half per cent (0.5%) of all the revenue collected by the National Government each year, calculated on the basis of the most recent audited revenue received, as approved by the National Assembly, to be paid into the Fund.</p> <p>The County Government through a letter Ref No. SCG/Budget/34/2023 dated 31<sup>st</sup> August, 2023 submitted project proposals and work plans for the FY 2023/2024 - Equalization Fund Appropriation Act 2023 to the Board</p>	<p>management committed Kshs. 566,090,060 for infrastructural projects in the Water, Roads, and Health departments through Local Purchase Orders (LPOs) under the Equalization Fund.</p> <p>However, as of September 2024, the County had not received the funds for the 2023/2024 financial year. Contractors completed the projects and raised payment certificates, but payments</p>	<p>Section 53(8) of the Public Procurement and Asset Disposal Act, 2015, by initiating procurement only when funds are available and reflected in the approved budget estimates. Additionally, adherence to Section 131(1) of the Public Finance Management Act, 2012, is necessary to ensure proper budgeting and expenditure control. The County should strengthen financial planning and coordination with the National Treasury to secure Equalization Funds before committing to contracts, preventing delayed payments and legal breaches.</p>	
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		<p>In the circumstances, Management was in breach of the law.</p>	<p>through CEO/Fund Administrator.</p> <p>The project proposals were submitted pursuant provision of Regulation 23 of the PFM (Equalization Fund Administration) Regulations, 2021 which stipulates that ‘The County Executive Committee Member responsible for matters relating to finance shall submit work plans through County Technical Committee to the Board for approval’.</p> <p>Pursuant to Regulation 23 of the PFM (Equalization Fund Administration) Regulations, 2021, the Equalization</p>	<p>were pending due to lack of funds. This violated Section 53(8) of the Public Procurement and Asset Disposal Act, 2015, which prohibits procurement without confirmed budgetary allocations.</p>		
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			<p>Fund Board reviewed, considered the proposals and made the following resolutions and recommendations via a letter Ref. No. NT/EFAB/TECH/01/C/58.</p> <p>i. Seven (7) projects were approved and recommended for implementation. The county to ensure timely implementation.</p> <p>ii. Thirty-two (32) projects were conditionally approved. The county to ensure compliance with the conditions as per the remarks before commencement of project implementation.</p> <p>iii. One (1) project was</p>			
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			<p>deferred. The County to specify the scope on whether the proposed project is phase two of the ongoing project for reconsideration by the Board.</p> <p>The purpose of the equalization fund board approval letter, was to convey the Board resolution and request the County Government to ensure timely implementation of the projects for the benefit of the marginalized communities in the county.</p> <p>The Equalization Fund Appropriation Act No. 7 of 2023 was assented to on 30<sup>th</sup> June 2023. This appropriation Act was deemed to have</p>			
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			<p>come into effect on July 2023.</p> <p>Based on the above two documents the County Government proceeded to advertise for procurement of goods and services under the approved projects after fulfilling the conditions set out by the Equalization Fund Board. The first set of advertisements for goods and services under the Equalization Fund were made in February 2024.</p> <p>There were however challenges on the release of funds by the National Treasury since the Fund needed a separate module in IFMIS to allow for payments of works procured under the</p>			
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			Equalization Fund. The Module has however been developed and tested for payments. The suppliers of goods and services under the Equalization Fund are in the process of being paid in the month of October 2024.			
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
27	Lack of Risk Management Policy	As previously reported, Management did not provide evidence of the existence of a Risk Management Policy to guide its management on risk management assessment and formulation of risk mitigation strategies in the year under review. This was contrary to the Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officer to develop risk management strategies which include fraud prevention	The management provided a risk management policy		The Committee recommends that; - 1. The County CEO should put in place a risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the	Within 60 days after adoption of the report.

		<p>mechanisms and internal control that builds robust business operation.</p> <p>In the circumstances, it was not possible to confirm whether the internal controls built within the financial and operational system were functional as intended.</p>			<p>Auditor General.</p> <p>2. The Auditor General to closely monitor the development, documentation and communication of these policies within the county entity in the subsequent audit cycles</p>	
28	Weaknesses in Internal Audit	<p>Review of the staff establishment and the list of staff in the Internal Audit Department revealed that the Department has only two (2) active staff against the staff establishment of sixteen (16). The remaining staff had been seconded to other departments at the County Executive.</p> <p>Further, during the year under review, the County Executive's Organizational Structure was not provided to be able to ascertain the operational independence of the Internal Audit Unit by confirming that</p>	The county government acknowledges the shortfalls and will endeavor to address the shortage by recruiting more staff	The Committee observed that in a number of the entities considered, management had not established audit committees to provide oversight on the financial and other operations of their financial affairs as	<p>The Committee recommends that the county entities should expedite establishment of audit committees to enhance oversight over public resources and provide a status report to the Auditor General within sixty (60) days from the adoption of this report.</p> <p>The Committee further recommends that the SRC should review the</p>	Within 60 days after adoption of the report.

		<p>the Head of Internal Audit reports functionally to the Audit Committee and administratively to the Accounting Officer. This was contrary to Section 155(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that The Head of Internal Audit unit in a County Government entity shall enjoy operational independence through the reporting structure by reporting administratively to the Accounting Officer and functionally to the Audit Committee.</p> <p>In the circumstances, existence of effective processes and systems of internal controls, risk Management and overall governance could not be confirmed.</p>		<p>required under Section 167(1) of Public Finance Management (County Governments) Regulation, 2015.</p>	<p>compensation framework for Audit Committee members since the low sitting allowances may not attract seasoned professionals to the county Audit Committees.</p>	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF TAITA TAVETA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/2024.**

**Basis for Qualified Opinion**

<b>Audit Query</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
<b>5. Transfer to Other Government Entities</b>	Transfers from the County Executive to Tavevo Water and Sanitation Company Limited and Level 4 Hospitals differ with the amounts reflected in the respective institutions financial statement resulting to unexplained variances of Kshs.55,296,563 and Kshs.79,696,527 respectively.	<p>-Tavevo Water and Sanitation Company Limited reported Kshs.151,793,875 Instead of the disbursed amount of KShs. 373,103,336. The Managing director of the entity acknowledged receipt of KShs. 373,103,336.</p> <p>-The total amount disbursed to Level 4 Hospitals of KShs. 79,696,527 was disclosed as user fees in the Level 4 Hospital and not as transfers from County Executive.</p>	<p>-The Committee observed that the financial statement of the entities reconciling with the executive financial statement not provided.</p> <p>-Further, the Committee noted that the cashbook extracts of amount transferred and received not provided.</p>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>adoption of this report;</p> <p>2. The Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report;</p> <p>3. The Institute of Certified Public Accountants (ICPAK) takes action(s) against the Head of Treasury for late</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>submission of financial statements which constitutes professional negligence pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531 and reports to the Committee within 60 days of the adoption of this report; and</p> <p>4. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				prescribed timelines.
<b>6. Misclassification of Expenditure - Fuel, Oil and Lubricants</b>	-An amount of Kshs.1,300,000 incurred on fuel, oil and lubricants was misclassified expenditure under acquisition of assets instead of being charged under use of goods and services.	-The expenditure relates to roads and other infrastructure, as per the National Treasury guidelines on assets and liabilities. Appendix 5 asset categories and capitalization threshold states that	-The Committee observed that the amount of fuel could not be correlated to the actual cost of the road to be capitalized as road	The Committee recommends that; <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		any expenditure incurred in relation to roads and other infrastructure above one million should be capitalized.	construction.	<p>provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report;</p> <p>3. The Institute of Certified Public Accountants (ICPAK) takes action(s) against the Head of Treasury for late submission of financial statements which constitutes professional negligence pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531 and reports to the</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>Committee within 60 days of the adoption of this report; and</p> <p>4. The Office of the County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.</p>
<p><b>7. Unexplained Variances on Statutory Contributions</b></p>	<p>-Human resource records revealed that the County Executive deducted National Health Insurance Fund (NHIF) and National Social Security Fund (NSSF) employee contributions totalling Kshs.45,333,700 and Kshs.60,694,320 respectively. However, third party confirmation from NHIF and NSSF showed that</p>	<p>-The Management has noted the audit observation, However, the (NSSF) third-party confirmation are provided. Further, an amount of KShs <b>10,671,320</b> relating to the NSSF for the</p>	<p>The Committee observed that a difference of Kshs. 257,080 and Kshs. 74,250 relating to NSSF and NHIF</p>	<p>1. The County Executive adheres to Section 22(2)(a) of the Public Finance Management (County Government) Regulations, 2015, which provides</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>the total amount remitted as employee contribution was Kshs.45,259,450.00 and Kshs.49,765,920 resulting to an unexplained variance of Kshs.74,250 and Kshs.10,928,400 respectively as unremitted deductions. Further, Management did not remit the NHIF matching employer contribution of Kshs.45,333,700 as required by section 15(2)(d) of the NHIF Act, 2022.</p>	<p>month of April 2024 &amp; May 2024 amounting to KShs 5,338,640.00 and KShs 5,332,880.00 respectively were remitted on 27<sup>th</sup> November, 2024. The management has initiated a reconciliation of a variance of Kshs 257,080 and KShs.74,250 relating to NSSF and NHIF respectively.</p>	<p>respectively is yet to be reconciled.</p> <p>-Further, the Committee noted that no evidence of employer contribution of Kshs.45,333,700 provided</p>	<p>that the accounting officer complies with any tax, levy, duty, pension, commitments and audit commitments as may be provided by legislation;</p> <p>2. The County Executives engage the relevant entities to formulate a payment agreement to settle the outstanding statutory deductions and provide a detailed status report on the same to the Office of the Auditor-General for subsequent reporting within 60 days from the adoption of this report;</p> <p>3. The Management adheres to Section 19 (4) of the</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>Employment Act, 2007 in regards to remittance of employee remuneration deductions in accordance with the period specified by the relevant bodies; and</p> <p>4. Management to ensure that all deductions and remittances of NSSF and NHIF should be supported with the receipts and remittances advice from the respective institutions.</p>
<b>5.2 Routine Maintenance – Vehicles and Other Transport Equipment</b>	<p>Payment for breakdown services for the recovery of a vehicle of amount of Kshs.354,000 was as a consequence of direct procurement in violation of Section 103 (1) of the Public Procurement and Asset Disposal Act, 2015.</p>	<p>-The approval of direct procurement and documents in support of the same are now provided for audit review.</p>	<p>-The Committee observed that it was not possible to confirm that there is only one break</p>	<p>1. The Committee recommends that the Accounting Officer undertakes administrative action(s) against the responsible officer(s) who</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>i. Motor vehicle maintenance log was not provided in support of payment for motor vehicle repair and maintenance amount of Kshs.929,482, overhaul repair and maintenance of environment truck vehicle amounting to Kshs.661,500, repair and maintenance of fire engine vehicle at Kshs.675,550, all totalling Kshs.2,266,532.</p> <p>ii. Payment for motor vehicle repair and maintenance for a vehicle at Kshs.929,482 was based on a proforma invoice and no receipt was provided for the advance payment.</p>		<p>down service.</p> <p>-No Motor vehicle log provided</p> <p>-No receipt provided.</p>	<p>failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. the Accounting Officer should institute mechanisms to recover the money for the loss of Kshs.354,000 from the responsible officer(s) who violated Section 103 (1) and (3) of the Public Procurement and Asset Disposal</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>Act, No. 33 of 2015; and</p> <p>3. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>
<b>Budgetary Control and Performance</b>	<p>-The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.6,660,495,041 and Kshs.5,070,235,235 respectively,</p>		<p>Under-absorption of Kshs.1,652,622,245 or 25% of the budget.</p>	<p>The Committee recommends that:</p> <p>7. The National Treasury should ensure timely release of funds to</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>resulting in under-funding of Kshs.1,590,259,806 or 24% of the budget. Similarly, the County Executive spent an amount of Kshs.5,007,872,796 against an approved budget of Kshs.6,660,495,041 resulting to an under-absorption of Kshs.1,652,622,245 or 25% of the budget.</p> <p>-The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.</p> <p>-My opinion is not modified in respect of this matter.</p>		<p>-The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and</p> <p>8. The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.</p>
<p><b>Unsupported Pending Payables</b></p>	<p>-Accounts and staff payables balances carried forward of Kshs.1,374,955,773 and Kshs.800,170,135 respectively, both totalling Kshs.2,175,125,908. Were not supported with orders and invoices issued and staff details</p>	<p>-The audit observation is noted. However, the management used National Assets and Liabilities</p>	<p>-The Committee observed that no invoice listing totaling Kshs 1,374,955,773</p>	<p>The Committee recommends that:</p> <p>1. all County Governments pay verified pending bills amounting to less than Ksh. 1</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>which include name and personal number were not provided for audit review. Also, staff payables balance of Kshs.800,170,135 did not show how much was owed to the senior and middle management and unionisable employees. This was contrary to the reporting format prescribed and published by the Public Sector Accounting Standards Board (PSASB).</p> <p>.</p>	<p>Management (NALM) Accounts payable template populated in the National Treasury website. Further, the management through the recently constituted pending bills verification committee has completed the verification process and populated an updated pending bills report. The management is now in the process of transferring the verified pending bills to the approved PSASB reporting template.</p> <p><b>appointment</b></p>	<p>provided</p> <p>-No staff details totalling Kshs.800,170,135 was provided.</p> <p>-Amount owed to the senior and middle management and unionisable employees not provided.</p>	<p>billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2025/2026; and</p> <p>2. that-</p> <p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p>letter, copy of verified pending bills report and sample of the updated pending bills report as per PSASB reporting requirements.</p>		<p>Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>Finance Management (County Governments) Regulations;</p> <p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p> <p>v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>new projects to cease until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>
<p><b>2. Construction of Roads</b></p> <p>The statement of receipts and payments and Note 9 to financial statements reflects acquisition of assets of Kshs.228,228,347 out of which an amount of Kshs.24,638,939 was incurred on construction of roads where the following anomalies were observed;</p>				
<p><b>2.1 Unsupported Murraming</b></p>	<p>Review of expenditure records revealed that Management contracted a firm at a sum of Kshs. 999,980 for murraming works on</p>	<p>A hire of road maintenance equipment involves grading, gravelling,</p>	<p>Framework agreement attached is for hire of road</p>	<p>-The EACC initiates an investigation with view of prosecuting the Head of</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<b>of Ebenezer Kilimanjaro Konoike Road</b>	<p>Ebenezer Konoike Road. However, the contract was not provided and the tender documents reviewed reflect a two (2) year framework agreement for hire of road maintenance equipment and not grading and gravelling of Ebenezer – Konoike road.</p> <p>In the circumstances, the regularity of expenditure of Kshs.999,980 on construction of Ebenezer Konoike Road could not be confirmed.</p>	<p>excavation, bush clearing, water bowser, tippers for ferrying murram and roller. Therefore, the aforementioned works were in line with the framework contract.</p> <p>Since the county has borrow pits for gravel that element is omitted from the works to be done. In this case using a market rate for gravel of Kshs 2,400 per cubic meter it will cost Kshs 3,897,600.00 (Incl VAT) to gravel a kilometer and using a rate of Kshs 20 per m<sup>2</sup> it will cost Kshs 162,400 to grade a kilometer which will be a total of Kshs <b>4,060,000.00</b> to</p>	<p>equipment.</p>	<p>Procurement for failing to comply with the various provisions of the Public Procurement and Asset Disposal Act, 2015 that led to the regularity of expenditure amounting to Kshs. 999,980.</p> <p>-The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p>grade and gravel a kilometer (not including preliminary items). In this particular road Ebenezer – Konoike road, a section of 1.2 km was graded and graveled at a cost of <b>Kshs.999,980</b>, yet were we to use the full contract it would have costed the county Kshs 4,872,000.00.</p> <p>See attached contract agreement for M/S Yakiyn International Limited and appointment letter for inspection and acceptance committee.</p>		
<p><b>2.2 Unsupported Gravelling and Murrami</b></p>	<p>-Management contracted a firm for gravelling and murraming of Mata Ward feeder roads at a sum of Ksh.2,400,000. However, the Tender Opening Minutes, Professional</p>	<p>-A hire of road maintenance equipment involves grading, gravelling, excavation, bush</p>	<p>The Committee observed that the Framework</p>	<p>1. The Office of the County Governor undertakes administrative action against the</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<p><b>ng of Mata Ward Feeder Roads</b></p>	<p>Opinion, Letter of notification of award and letter of acceptance provided for audit review were for a two (2) year framework agreement for hire of road maintenance equipment and not for gravelling and murraming of Mata feeder roads.</p> <p>-In the circumstances, the regularity of the expenditure of Kshs.2,400,000 on construction of Mata Feeder roads could not be confirmed.</p>	<p>clearing, water bowser, tippers for ferrying murrum and roller. Therefore, the aforementioned works were in line with the framework contract.</p> <p>-Since the county has borrow pits for gravel that element is omitted from the works to be done. In this case using a market rate for gravel of Kshs 2,400 per cubic meter it will cost Kshs 3,897,600.00 (Incl VAT) to gravel a kilometer and using a rate of Kshs 20 per m<sup>2</sup> it will cost Kshs 162,400 to grade a kilometer which will be a total of <b>Kshs 4,060,000.00</b> to</p>	<p>agreement attached is for hire of road equipment.</p>	<p>responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Committee recommends that the County Government uses framework agreements for procuring goods, works, or non-consultancy services when exact quantities cannot be</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		grade and gravel a kilometer (not including preliminary items). In this budget for Mata Roads Mwakoi road was done, a section of 2.0 km was formed, graded and graveled at a cost of <b>Kshs. 2,400,000</b> , yet were we to use the full contract it would have costed the county <b>Kshs 8,120,000.00</b> .		determined upfront to ensure flexibility, compliance with procurement laws, transparency, and value for money while reducing delays. 3. The Committee recommends that the County Government awards road construction contracts based on accurate engineers' estimates and bills of quantities (BOQs) to ensure transparency, accountability, and cost-effectiveness.
<b>2.3 Unsupported Supply and Delivery of Fuel and Lubricants for Routine Maintenance for Ward Roads</b> Review of payment records revealed that the County procured fuel and lubricants for routine maintenance of Ward roads. However, the following anomalies were observed;				
<b>2.3.1 Routine Maint</b>	-The County Government procured the supply and delivery of fuel and lubricants worth Ksh.1,500,000 on	-The audit observation is noted. However,	-The Committee observed that	-The Office of the County Governor undertakes

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<b>enanc e for Kaloleni Ward Roads</b>	18 January, 2024. The requisition and the payment voucher described the expenditure as routine maintenance for Kaloleni Ward roads. However, fuel consumption statements and fuel detail orders in support of the fuel drawn and inspection reports on maintenance works were not provided for audit review	the fuel consumption statements and fuel detail orders in support of fuel consumption and inspection are hereby provided for audit review.	Detail orders not supported with ETR receipts.	administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>2.3.2 Routine Maintenance for Mata Ward Roads</b>	-The County Government incurred an amount of Kshs.1,300,000 for the supply and delivery of fuel and lubricants on 25 June, 2024. The evaluation was done on 08 November, 2022 and a two (2) year framework agreement signed between the County Government and the supplier on 24 November, 2022. However, the payment was not supported with the evaluation report, letter of acceptance, delivery acknowledgement of fuel and lubricants, fuel detail orders and the supplier's statement	-The audit observation is noted. However, the acknowledgement of receipt of the fuel and lubricants, detail orders, fuel statement from the supplier, evaluation report and letter of acceptance are hereby provided for audit review.	-The Committee observed that Detail orders not supported with ETR receipts.	-The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor

<b>Audit Query</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
				General within sixty (60) days from the adoption of this report.
<b>2.3.3 Routine Maintenance for Mboghoni Ward Roads</b>	<p>-The County Government paid for fuel and lubricants for Mboghoni Ward roads routine maintenance worth Ksh.1,000,000 on 28 June, 2024. However, the payment was not supported with the details of the motor vehicles fueled, fuel consumption statements and fuel detail orders.</p> <p>-In the circumstances, the regularity of expenditure totalling Kshs.3,800,000 on maintenance of roads in Kaloleni, Mata and Mboghoni Wards could not be confirmed.</p>	-The audit observation is noted. However, the registration no. of the motor vehicles, fuel consumption statements and fuel detail orders are hereby provided for review.	-The Committee observed that Detail orders not supported with ETR receipts.	-The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>2.3.4 Unsupported Provisional Sum on Rehabilitation of</b>	The Department of Public Works and Infrastructure tendered for the rehabilitation of Ngambenyi Bungule road and the lowest evaluated bidder was awarded the tender at a contract sum of Kshs.1,988,878. However, project verification done on 20 September, 2024 and review of the bill of	-The management has noted the audit observation. However, the provisional sums for material testing and concrete works were utilized to do extra works i.e.	The Committee noted that the Client confirmed no material and concrete works were done as per	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance

<b>Audit Query</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
<b>Ngambenyi Bungule Road</b>	<p>quantities revealed that provisional sum of Kshs.120,000 allocated for material testing was not supported with evidence of laboratory test results on materials used. Additionally, there was no concrete works done despite provision for Kshs.297,600 for the same.</p> <p>-In the circumstances, the regularity of the expenditure of Kshs.417,600 on rehabilitation of Ngambenyi Bungule road could not be confirmed.</p>	bush clearing, excavation and grading.	the BQ.	with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>Mining Operations 3.1 Unlicensed Mining Sites</b>	-There was no evidence provided to confirm whether mining licenses had been granted to one hundred and fifty-eight (158) companies as per Section 180(1) of the Mining Act, 2016 which states that the Cabinet Secretary will not grant a license unless the applicant has submitted site plans, mitigation and rehabilitation or mine-closure plans and that the Mining permits issued were renewed as required by Section 142(1) of the Mining Act No. 12 of 2016 which states that the term of renewal of a mining permit is to be	-The County Government has begun the process of identifying mineral right holders and verifying their compliance status within its jurisdiction. This initiative involves two key directorates: the Mining and Revenue	-The Committee observed that the county executive has not complied with the law.	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the County Executive verifies the licensing status of all 158 mining companies and ensure full compliance with Sections 101(2), 142(1), and 180(1) of the Mining Act, 2016; this includes requiring the submission and</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>specified in the permit but not to exceed five years or the remaining life of the mine, whichever is the shorter.</p> <p>Further, there was no evidence that the County had complied with Section 101(2) of the Mining Act, 2016 which requires submission and approval of an environmental and social impact assessment report and environmental management plan for the duration of the mining license to the National Environment Management Authority, before licensing.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>directorates. The primary aim is to enhance Own Source Revenue and stimulate various revenue streams in the mining sector. To achieve this, sensitization programs have been conducted to ensure compliance with the Mining Act, 2016, National Regulations, and County Acts. This process is ongoing, enabling the Mining Directorate to develop a county geo-database and map out active miners.</p>		<p>approval of site plans, mitigation and rehabilitation plans, environmental and social impact assessment reports, and environmental management plans by the National Environment Management Authority (NEMA) before granting or renewing any mining licenses; and</p> <p>2. The County management should ensure that all mining permits are renewed within the stipulated five-year term or the remaining life of the mine, as per the law and</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				provide a detailed status report on the corrective actions taken, including evidence of compliance with the Mining Act, must be submitted to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>Undisclosed Information on Volume and Revenue Generated from Mining</b>	-Review of mining records provided showed that quantities of minerals generated and revenues paid to the Government on the mining and mineral related activities was not disclosed, contrary to Section 119(3) of the Mining Act, 2016 which requires regulations made to provide accountable and transparent mechanisms of reporting mining and mineral related activities, including revenues paid to the government by mineral rights holders and production volumes under each license or permit.	-Mining operations within Voi Sub-County primarily focus on gemstones, which are categorized into artisanal, small-scale, and a few large-scale mining activities. These operations are mainly located in Kasighau. In collaboration with the Revenue Directorate, we	The Committee observed that the county executive has not complied with the law.	The Committee recommends that; 1. the County Executive ensures full compliance with Sections 79(2), 109(i), and 119(3) of the Mining Act, 2016, by requiring all mining companies to disclose detailed

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>-Further, the details of community development agreement where the mining operations were being carried out was not provided, contrary to Section 109(i) of the Mining Act, 2016 which requires a mining license holder to sign a community development agreement where mining operations are to be carried out as prescribed by the regulations. Additionally, twenty-nine mining companies in Voi Sub-County did not indicate the category of mineral being mined as is required of section 79(2) of the Mining Act, 2016 which requires keeping of records and details of minerals discovered, results of geochemical or geophysical analysis obtained, financial statements and books of accounts.</p> <p>-In the circumstances, Management was in breach of the law.</p>	<p>conducted a sensitization campaign aimed at encouraging miners to pay for the Single Business Permit (SBP). Additionally, miners were informed about the requirement to remit their returns to KRA for royalty payments, typically made at the exit point.</p> <p>Regarding the Community Development Agreement (CDA), please be informed that delays in issuing mining licenses to large-scale miners have hindered the formation of the Community Development Agreement</p>		<p>information on mineral volumes, revenues paid to the County, and the category of minerals being mined, as well as maintaining accurate records of geochemical or geophysical analyses, financial statements, and books of accounts; and</p> <p>2. the County Executives should enforce the signing of community development agreements for all mining operations, as mandated by the Act, to</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		Committee (CDAC).		ensure transparency and accountability in mining activities and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>Non-Compliance with Fiscal Responsibility Principles on Wage Bill</b>	-The statement of receipts and payments reflects an expenditure of Kshs.2,661,985,420 on compensation of employees representing 52% of the total revenue of Kshs.5,070,235,235. This was contrary to Regulation 25(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the County Executive to set a wage and benefits limit for public officers which should not exceed 35% of the total revenues received.	-The observation is well noted. The high wage bill remains a significant challenge, restricting funds available for development purposes. Over the years, low Own Source Revenue generation has further compounded this	-The Committee observed that the county executive has not complied with the law.	The Committee recommends that- 9) the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	In the circumstances, Management was in breach of the law.	<p>issue, making the 35% wage limit difficult to maintain. During the review period, the budget for employee compensation includes a balance carried forward from the previous financial year, amounting to Kshs 206,386,113. The County Government is committed to maintaining the wage bill at a manageable level, in line with fiscal principles. A comprehensive audit of the county's human resources is currently being conducted by the department in charge of Public Service and the</p>		<p>wage bill shall not exceed 35 per cent of the county total revenue;</p> <p>10)the county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap; and</p> <p>11)the management of the concerned entities should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report; and</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		County Public Service Board (CPSB).		12)The Senate should consider reintroducing the fiscal responsibility index in revenue allocation to act as an incentive for counties that meet the PFM fiscal responsibility targets.
<b>8. Incomplete Project Files</b>	-Review of a sample of seven (7) projects worth Kshs.44,982,286 shows that the respective files had omissions in recording and filing of project documents such as site minutes, certificates of works done, payment vouchers and inspection and acceptance certificates. It was therefore not possible to confirm if the files were closed as is required by Section 151(2)(h) of the Public Procurement and Asset Disposal Act, 2015 which provides that the contract implementation team shall be responsible for ensuring that the contract is complete, prior to closing	-Rice Milling Plant - Site minutes, Payment certificate, Payment voucher and inspection acceptance certificate provided.  -Installation of a Pump and a Tank at Lang'ata Borehole - Certificate of work done and	-The Committee observed that the Management provided Rice Milling Plant documentation.  -Installation of a Pump and a Tank at Lang'ata	The Committee recommends that; 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>the contract file including all handover procedures, transfers of title if need be and that the final retention payment has been made. Further, there were no progress reports contrary to Section 152 of the Public Procurement Asset Disposal Act, 2015 which provide that the head of the procurement function shall prepare monthly progress reports of all procurement contracts of the procuring entity and submit them to the accounting officer.</p> <p>-In the circumstances, Management was in breach of the law.</p>	<p>Payment voucher are provided.</p> <p>-Formation of Njoro Lotima road - Site minutes provided, Payment voucher and completion certificate provided.</p> <p>-Mkwachunyi Borehole - Site minutes, Payment</p>	<p>Borehole - Site minutes not provided.</p> <p>-Certificate of work done provided.</p> <p>-Payment voucher provided.</p> <p><b>Partially resolved</b></p> <p>-Formation of Njoro Lotima road -Site minutes provided</p> <p>-Certificates of work done not provided.</p> <p>-Payment voucher and completion</p>	<p>projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor prioritises completion of stalled projects and provide a budget for their completion and provide a status</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p><b>voucher and inspection and acceptance certificate provided.</b></p> <p>Construction of Retailing Wall, Security Rooms, Gates and 2No Stalls at Moi Stadium Playing Ground-Voi -</p> <p>-Ngelenyi-Ngilinyi Water Project - Site minutes, Payment certificate,</p>	<p>certificate provided.</p> <p>-Mkwachunyi Borehole - Site minutes provided.</p> <p>-Certificates of work done not provided.</p> <p>-Payment voucher and inspection and acceptance certificate provided.</p> <p>-Construction of Retailing Wall, Security Rooms, Gates and 2No Stalls at Moi Stadium Playing Ground-Voi -</p> <p>-Documents not provided.</p>	<p>update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and</p> <p>4. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations					
		Payment voucher and inspection acceptance certificate provided.	-Ngelenyi-Ngilinyi	156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.					
9. Incomplete, Stalled and Abandoned Projects	-Physical verification of sampled projects in the County during the month of August, 2024 revealed that seven (7) projects were either incomplete, stalled or abandoned as detailed below:	-Rice Milling Plant - The contractor for construction project is the same that supplied the equipment and he is responsible for security of the equipment.	-The Committee observed that some projects are incomplete, stalled and abandoned.	The Committee recommends that; 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and					
	<table><tr><th>Project Title</th><th>Contract Number</th><th>Contract Amount (Kshs)</th><th>Contract Period</th></tr><tr><td colspan="4"></td></tr></table>	Project Title			Contract Number	Contract Amount (Kshs)	Contract Period		
Project Title	Contract Number	Contract Amount (Kshs)	Contract Period						



Audit Query	Audit Finding				Management Response	Committee Observations	Committee Recommendations
	Rice Milling Plant	1391119 - 2023/2024	24,601,000	9	upgraded/complete wall. The done this financial year to 2024 operationalize the 10 projects that have been installed in the plant was incomplete and doors had not been installed. -Formation of Njoro road - The works plan in form of drawings and daily utilization schedule are attached showing number of hours and days executed as guaranteed. of	-Rice Milling Plant Project pending verification.	timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;
	Installation of a Pump and a Tank at Lang'ata	1390212/ 2023-2024	999,750	15	quantities. Bidders quoted based on the not day works connected to electricity so the borehole	-Installation of a Pump and a Tank at Lang'ata Borehole -  -Electricity not yet connected.	2. The Office of the County Governor to prioritise completion of stalled projects and provide a

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	Borehole	<p>water not accessible - Mkwinda Borehole - The borehole intended drilled to the</p>	<p>-Formation of Njoro Lotima road - Length of the road not stated.</p>	<p>budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and</p> <p>The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance</p>
	<p>Formation of Njoro Lotima road</p> <p>1420379 - 2-2023/2024</p> <p>2,990,106</p>	<p>19 records completed March 19, 2024 very low discharge which was not needed in the June 2024 further bill of development and therefore not possible to confirm the project % completion or on how bidders quoted prices for construction of</p> <p>-Construction of Retaining Wall, Security Rooms, Gates and 2 No Stalls at Moi Stadium Playing Ground-Voi - The</p>		

Audit Query	Audit Finding				Management Response	Committee Observations	Committee Recommendations
	Mkwachunyi Borehole	1468918/2023-2024	2,997,000	27 March 2024	<p>contract was awarded to Mchombi Borehole for 27 June 2024, 2024 location of Kshs. 10,000,000 during 2019/2020 financial year. The project stalled because of the budgetary allocation. However, never inspection provided in the subsequent years to complete the project. This was retention was 20 released because the expected works had stayed for more than 2 years without showing any defects. The liability for drilling 6-month development, test pumping and water</p>	<p>-Mkwachunyi Borehole –  -Borehole not functioning.</p>	Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.



Audit Query	Audit Finding				Management Response	Committee Observations	Committee Recommendations
					27 November 2023		
	Ngelenyi- Ngilinyi Water Project	1480766- 2023/2024	1,996, 358	53 Days	Rehabilitation of Kwa Hebron Water Project – At the time of audit review there was not a technical hiccup to which electricity has since been sorted. Currently the community is accessing water through a borehole which is not accessible to the intended users.	-Ngelenyi- Ngilinyi Water Project –  -Electricity not connected. Rehabilitation of Kwa Hebron Water Project –  Photos attached shows project functional.	
	Rehabilitation of Kwa Hebron Water Project	TTCG/W &S/2022-2023	1,298,072	90 Days	<b>Complete but not in use</b> Water connection shut by the supplier and therefore not		

Audit Query	Audit Finding				Management Response		Committee Observations	Committee Recommendations
						accessible to the intended users		
			44,982,286					
	In the circumstances, value for money may not have been achieved on projects worth Kshs.44,982,286 contracted for the projects							
10. Lack of Human Resource and Recruitment Plans	During the year under review, two hundred and one (201) new staff were hired by the County Government. However, no annual recruitment plans including evidence of budgetary allocation was provided for audit review, contrary to Section B.2(2) of the County Human Resource Management Policy and Manual, 2020 that requires, County Departments to develop annual recruitment plans backed by evidence of budgetary allocation which is forwarded to the County Public Service Board at the beginning of each financial year to				-The audit observation noted. However, the management has initiated the process and developed the annual recruitment plans.		-The Committee observed that Staff were hired without a recruitment plan.	The Committee recommends that the County Executive immediately develops and implements an annual recruitment plan with evidence of budgetary allocation, as required by Section B.2(2) of the County Human Resource Management Policy, and prepare a comprehensive human resource plan aligned with strategic goals, per Section B.2(1) and provide a status update

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>enable it plan to fill the vacancies. In addition, Management did not prepare human resource plan to support achievement of goals and objectives in the strategic plan as is required of Section B.2(1) of the County Human Resource Management Policy and Manual, 2020.</p> <p>In the circumstances, Management was in breach of the law.</p>			<p>to the Office of the Auditor General within 60 days of adoption of this report.</p>
<p><b>Lack of Ownership Documents</b></p>	<p>-The County Government asset register reflected six hundred and sixty-five (665) parcels of land distributed across the departments. However, the ownership documents were not provided for audit verification. Further, there was no evidence that the County Government had carried out physical inspection and verification of the assets during the year. Further, physical inspection and verification on September, 2024 revealed that four (4) parcels of land in Taveta Sub-County Mbogholi Trading Centre/Market, Kitogholi Trading Centre/Market, Kimorigo Trading Centre/Market and Kimala Trading</p>	<p>-Most of the trading centres which were reserved under adjudication processes are usually handed over for planning and survey for allocation after the exercise is over. However, we have not initiated this process although the parcels have been identified and verified. Plans are underway for mechanisms of</p>	<p>The Committee observed that no ownership documents provided.</p>	<p>The Committee recommends that;</p> <p>5. The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>Centre/Market did not have signage, thereby exposing the land to encroachment. Additionally, the County Government had two hundred and fifty-three (253) motor vehicles whose ownership documents were not provided for audit review.</p> <p>In the circumstances, the ownership and safety of the County assets could not be confirmed.</p>	<p>protection via sensitization and information sharing with the local communities. The above-mentioned parcels are yet to be properly planned and surveyed for allocation to warrant proper markings and signage provisions. The number of parcels not having titles or allotment letters are within urban areas, where the process of land allocation and registration requires proper funding to secure the parcels. We have been reserving little funding that is supporting us to register the parcels in phases based on departmental</p>		<p>Office of the Auditor General within 60 days from the adoption of this report;</p> <p>6. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</p> <p>7. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p>allocations. Moreover, the parcels are in use and hence the safeguarding is guaranteed by the institutions occupying them on the ground at the moment.</p>		<p>(IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report;</p> <p>8. the County Executive takes immediate action to install clear and visible signage on the four (4) parcels of land at; Mboghoni Trading Centre/Market, Kitoghoto Trading Centre/Market, Kimorigo Trading Centre/Market, and Kimala Trading Centre/Market to clearly demarcate the boundaries and prevent encroachment and submit a status</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>9. The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF THARAKA NITHI COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/24.**

**Basis of Qualified Opinion**

### SUMMARY OF UNRESOLVED ISSUES

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Timelines
REPORT ON FINANCIAL STATEMENTS						
6.	<b>Misclassification of Expenditure</b>	Casual wages totaling Kshs.66,039,293 was charged to budgetary vote of Basic salaries for permanent employees.	During the budget process, the amount was provided under basic salaries for permanent employees as the County had made proposal of absorbing the casuals into contract terms, however due to financial constraints only 142 were put into contracted terms leaving a balance of 97 to be engaged in the next financial year.	The Committee observed that Regulation 40 (1) of the PFM County Governments Regulations, 2015 had been breached.	The Committee recommends that; 1. the EACC to cause an investigation with a view to prosecute responsible officer(s) on the possible loss of public funds; 2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report. 3. The County Executive to identify the training needs of its staff	within sixty (60) days of the adoption of this report.

					<p>serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within sixty (60) days of the adoption of this report.</p> <p>4. The Auditor General to keep this matter in view in the subsequent audit cycle.</p>	
7	<b>Un-accounted for Contractors Retention Money</b>	Unaccounted for Retentions from contractors' amounting to Kshs.76,734,652	<p>The variance is attributed to amount withheld from contractors and not yet transferred to Deposit Account. The Deposit account was opened in April 2018 with all amounts previously retained not put into separate account.</p> <p>The amount of Ksh. 4,924,196 and Ksh. 36,945,209 held in the Deposit Account was included on unspent funds returned to CRF on 25th July 2018 and</p>	<p>The committee observed that the issue is recurring from other financial years. In addition, the management has not demonstrated any measures that they have put in place to account for the retention of the funds.</p> <p>Regulation 210(1)(g) of the PFM County Governments Regulation 2015 had been breached.</p>	<p>The Committee Recommends that the management should comply with the Law by instituting measures to ensure that the unaccounted for Retention money of Kshs.76,734,652 is transferred to the Deposit Account as required by law. In addition, management should always transfer money deducted from contractors to the Deposit Account.</p>	Within 60 days after adoption of the report.

			on 29th July 2019 respectively. The amount is yet to be transferred back to deposit account			
8	<b>Variance in Pending Bills Accounts Payables</b>	<ul style="list-style-type: none"> <li>• The pending bills total amount of Kshs.842,939,684 during period under review.</li> <li>• Pending bills includes a balance of Kshs.2,123,644</li> <li>• The pending bills include Kshs.252,377 relating to period 2013/2014 – 2022/2023 bills</li> </ul>	<ul style="list-style-type: none"> <li>• The reported balance was a result of per reconciliation exercise undertaken between the County and pension fund on 27th February 2024 as per attached report. Annex II. Further, the variance amounting to Ksh. 4,683 relates to interest accrued on the outstanding debt for period of four months and which was reported by the Lap Fund</li> </ul>	<p>The Committee observed that Section 41(2) of PFM County Governments Regulation, 2015 had been breached. In addition, Regulation 139(7) of the Public Procurement and Asset Disposal Regulations, 2020 had also been breached.</p> <p>The management did not provide clear evidence on how it intends to clear pending bills.</p>	<p>The Committee recommends that:</p> <ol style="list-style-type: none"> <li>1. all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and</li> <li>2. that- <ol style="list-style-type: none"> <li>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of</li> </ol> </li> </ol>	Continuous

			<p>The bills were not settled due to financial constraints and some lacked supporting documentation</p>		<p>Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County</p>	
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					<p>Governments) Regulations; iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re- allocations out of the approved budget estimates; v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and vi. County governments shall conduct public participation while formulating supplementary</p>	
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					budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.	
<b>OTHER MATTERS</b>						
4	<b>Budgetary control and performance</b>	<ul style="list-style-type: none"> <li>Budget under-funding of Kshs.1,266,056,799 or 21% of the budget</li> <li>Budget underutilization of Kshs.91,582,292 or 2% of the actual receipts.</li> </ul>	<p>Budget under realization of revenue amounting to Ksh. 1,266,056,799 during the year ended 30th June 2024 due to under disbursement of equitable share of revenue and conditional grants</p> <p>The deficit on revenue collection is attributed to delayed disbursement of equitable share of revenue with amount of Ksh. 350,258,783 due in June 2024 released in August 2024.</p>	<p>The Committee observed that the county entities did not receive exchequer releases from the National Treasury on time.</p> <p>g) the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the affected county entities.</p>	<p>The Committee recommends that; -</p> <ol style="list-style-type: none"> <li>1) The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</li> <li>2) the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.</li> <li>3) County Assemblies to exercise their</li> </ol>	Continuous



				h) Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.	powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.	
5	<b>Unresolved prior year matters</b>	There were no recommendations from Management and oversight bodies were submitted for verification. In addition, the issues remain unresolved as at 30 June, 2024	Management confirm having submitted responses to auditor general report for previous years up to and including FY 2022/2023, and appeared before the Senate and Tharaka Ntihi County Assembly Public Accounts Committee to discuss the reports	The committee observed that issues from previous financial years had not been resolved.	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	Within 60 days after adoption of the report.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

6	<b>Failure to Submit Financial Statements</b>	County Executive did not prepare and submit to the Auditor-General, financial statements for twenty-seven (27) Youth Polytechnics	Management acknowledges the omission to prepare the financial statements and action will be taken immediately to have the statements done in arrears.	The Committee observed that the management agrees with the audit findings. In addition Section 149 (2b) of the PFM Act 2012 and Section 164(1) of the PFM Act, 2012 had been breached, therefore the Auditor General could not audit and report on the statements.	The Committee recommends that; - 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The Institute of Certified Public Accountants of Kenya	Within 60 days after the adoption of the report.
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					(ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report. 3. The Committee advised the Head of Treasury to be diligent and adhere to the provided accounting standards.	
7	<b>Delayed Upgrading of Kambandi-Cheera-Ruguti Road to Bitumen Standards</b>	The 3-year project commenced on 21 <sup>st</sup> November, 2018 with completion date extended to 24th October, 2024 but physical verification done in 18 <sup>th</sup> September, 2024 showed the project is incomplete and contractor not on site	The management responded that the delayed completion has been occasioned by resource constraints. Works is currently ongoing with contractor having resumed the site with work expected to be completed by end of June 2025	The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after the expiry of the extension period of October, 2024 therefore there was no value for money.	1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from	60 days after adoption of the report.

					<p>the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
8	<b>Delayed Upgrading of Karandini-Kithioroni Road to Bitumen Standards</b>	The 3-year project commenced on 10th December, 2020 with completion date extended to 4 <sup>th</sup> June, 2025 but physical verification done in 18th September, 2024 showed the project is incomplete and contractor not on site	The management responded that the delayed completion has been occasioned by resource constraints. Works is currently ongoing with contractor having resumed the site with work expected to be	The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification	4) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance	60 days after adoption of the report

			completed by end of June 2025	therefore there was no value for money.	Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report; 5) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; 6) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
9	<b>Delayed Upgrading of Tunyai - Ntaara road to Bitumen Standards</b>	The 3-year project commenced on 25 <sup>th</sup> November 2018 with a completion date of November 2022 but physical verification done	The management responded that the delayed completion has been occasioned by resource constraints. The	The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015	1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization,	60 days after adoption of the report

		on 18th September, 2024 showed the project is incomplete and contractor not on site	County will be allocated more funds in the current financial year supplementary budget to enable the contractor resume the works	had been breached in addition, the project remained incomplete even after verification therefore there was no value for money.	<p>planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
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10	<b>Delayed Construction of Ndagani Market</b>	The 10 months project commenced on 6 <sup>th</sup> June 2023 but physical verification done on 18th September, 2024 revealed that the contractor was not on site, the ramp for scaling the heights from the ground floor to the first floor was exposed and could be vandalized and the Project had stalled	The management responded that the contractor requested for extension of time which was granted for period of six (6) months to February 2025. The contractor has since resumed site and the work is ongoing	The Committee observed that Regulation 22(2g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there was no value for money	The Committee recommends that;- 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report; 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General	60 days after adoption of the report
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					<p>within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
11	<b>Non-Compliance with the One Third of Basic Salary Rule</b>	June, 2024 payroll revealed that fifty (50) employees received net salaries which were less than a third (1/3) of their basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007	The management responded that the issue was occasioned by introduction of various statutory deductions like housing levy at the rate of 1.5% of gross salary and Social Health Insurance Fund (SHIF) at 2.75% of gross salary	The Committee observed that some of the county staff were earning less than a third of their basic pay contrary to Section 19 (3) of the Employment Act 2007.	<p>The Committee therefore recommends that -</p> <p>1) The county entities should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</p> <p>2) The Auditor General should continue monitoring the issue in subsequent audit cycles.</p>	Continuous
12	<b>Non-Compliance with the Fiscal Responsibility</b>	Employee costs represented 50% of total revenue received against the required limit of 35%.	The management stated that this is attributed to huge wage bill of staff inherited from	The Committee observed that the wage bill for a number of County entities was above	<p>The Committee recommends that-</p> <p>1) the management should strictly adhere to the</p>	60 Days from the date of adoption



	<p><b>Principle on Wage Bill</b></p>		<p>defunct local authorities and devolved functions, whose terms of employment is mainly permanent and pensionable. New health workers collective bargaining agreements (CBAs) revising the salaries and allowances upward have led to increased cost of employees augmenting the staff remuneration to revenue ratio</p>	<p>the threshold of 35% of total receipts contrary to Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015. The Committee further noted that high wage bill is a threat to the objects of devolution as provided for under Article 174(f) of the Constitution.</p>	<p>provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue;</p> <p>2) the county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap; and</p> <p>3) the management of the concerned entities should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.</p>	<p>of this report</p>
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					4) Senate should consider reintroducing the fiscal responsibility index in revenue allocation to act as an incentive for counties that meet the PFM fiscal responsibility targets.	
13	<b>Non-Compliance with Fiscal Responsibility Principle on Development Expenditure</b>	The development expenditure accounted for 25% of the total expenditure which was below the 30% threshold stipulated by Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015	The management responded that the delayed / non disbursement of conditional grants resulted to low expenditure on development programmes. The amount of Ksh. 775,391,559 which was included in the budget under development programmes could not be implemented as the funds were not availed from National Treasury and or national Government	The Committee observed that Section 107 (2)(b) of PFM Act, 2012 and Regulation 25 (1) (g) of PFM (County Government Regulations, 2015 had been breached.	Parliament should ensure timely enactment of County Government additional allocation bill to facilitate release of additional development moneys to Counties.	Continuous

			ministries hosting the projects.			
14	<b>Irregular Payment to Council of Governors</b>	payment of Kshs.5,000,000 was made to the Council of Governors which is an independent entity	The management responded that the amount was payment towards the Council of Governors conducting of functions on behalf of the County Governments such as the devolution conference and legal cases instituted by Council	The Committee noted that payments made to the Council of Governors from County Revenue Funds were irregular and unlawful since the Intergovernmental Relations Act specifies that funding for the COG shall be drawn from the Consolidated Fund.	The Committee recommends that the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.	Immediate
15	<b>Voided Transactions</b>	six hundred and fifteen (615) payment transactions totalling Kshs.293,323,824 were processed and voided or cancelled without approval from relevant authority	The management responded that the Voiding of unpaid transactions is within the mandates provided by National Treasury IFMIS and does not require separate request for approval. Further.	The Committee observed that there was no documented evidence that provides for voiding of the transactions.	The Committee recommends that; - 1. The Committee requests the Controller of Budget to liaise with the Auditor General to confirm whether the payments were canceled after the approval and there was no notification or due process	within 60 days of adoption of this report.

			<p>evidence of voiding unpaid transactions is one of requirements submitted to the Controller of Budget before approval of exchequer requisitions in the subsequent year</p>		<p>and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>2) The Office of the County Governor undertakes administrative action against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of Finance for voiding payments without approval and diverting funds</p> <p>3) Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved.</p> <p>4) The Committee recommends that the EACC should expedite investigations on the matter in line with the Controller of Budget Act.</p>	
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<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
16	<b>Personal Emoluments Paid Outside IPPD Payroll System</b>	one hundred and twelve (112) employees were paid a total of Kshs.16,746,137.28 through the manual payroll	The management stated that the county maintained a manual payroll for newly recruited employees and casual workers. The Management has initiated measures to have all employees acquire payroll numbers or reactivated for those on transfer of service. We wish to confirm that as at end of February 2025, all employees have since been migrated to Human Resource Information System (HRIS) with no employee paid on manual payroll	The Committee noted that some Counties Executive were making payments of salaries for some of its employees outside the Integrated Personnel and Payroll Database (IPPD) System.	The Committee recommends that; 5. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties; 6. The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;	60 days from the date of adoption of this report

					<p>7. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and</p> <p>8. the Auditor General to monitor the matter in the subsequent audit cycle.</p>	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF TRANS NZOIA COUNTY EXECUTIVE  
FOR THE FINANCIAL YEAR 2023/2024**

**Basis of Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>				
<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
<b>11. Unsupported Cash and Cash Equivalents</b>	<ul style="list-style-type: none"> <li>Cash and cash equivalents balance of Kshs.120,193,069 was not supported with certificates of bank balances.</li> <li>Trans Nzoia County Community Health Promoters bank account reflects Nil balance which was not supported with cashbooks, bank reconciliation statements, bank statements and board of survey report.</li> </ul>	<p>The financial statement have been amended to include the Kshs.43,404 under the Ukombozi Fund account. The cashbook, bank reconciliation statements, bank statements and board of survey reports for the Trans Nzoia County Community Health Promoters bank have been availed to the auditors for review and verification.</p>	Ukombozi commercial bank statement, bank certificate and reconciliation not provided. However, CBK certificate was eventually availed.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.



SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
<b>12. Inaccuracies in Exchequer Releases</b>	Exchequer releases amounting to Kshs.8,621,915,309 includes an amount of Kshs.470,522,927 as own source revenue. Thirty (30) revenue streams had not been included in the respective revenue collection modules in the newly installed E-Rev automated revenue system. This was as a result of lack of a seamless change over from the Zizi system to the new E-Rev system	The management wishes to confirm that it reported all the revenue collected, however it has back access to the system therefore it engaged the system vendor to avail the details of the Kshs.58,321,802 under the various categories of revenue stream. The Vendor has even assured us to include all the revenue streams.	Insufficient response as the revenue streams not included and no correspondence with vendor provided	<p>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report</p> <p>2. The Committee directs the Office of the County Governor to</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				urgently engage the vendor to transfer revenue data to the new system and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>13. Inaccuracies in Compensation of Employees</b>	An amount of Kshs.3,197,121,378 relates to compensation of employees. However, salaries amounting to Kshs.11,010,887 were paid outside the Integrated Personnel and Payroll Database (IPPD)	The County Executive made some salary payments through manual system in the month of July, August and September 2023 because the newly employed officers had not acquired payroll numbers due to: Reactivation of their numbers from previous employers. Lack of Birth certificates	Salaries were paid through the IPPD system	1. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;</p> <p>2. The Committee recommends that the County Governor ensures that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>3. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources.</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
<b>4.Unsupported Acquisition of Assets</b>	An amount of Kshs.17,281,841 being final payment to a contractor on a pending bill in respect of a contract for the upgrading of Kiminini Township roads was not supported with a certificate of measured works showing how the amounts in the summary of statement for payment on accounts were arrived at	Regarding the absence of a certificate of measured works, which outlines the basis for the payment summary, we acknowledge the Auditor's concern. We will furnish this measurement sheets to the audit team for further review.	The documents were not provided	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>5. Budgetary Control and Performance</b>	The statement of comparison of budget and actual amounts reflects a final receipts budget of Kshs.10,185,156,069 while actual receipts were	The under-expenditure was a result of under-funding from the exchequer releases. In the financial year 2023-2024, the County was under-funded to the	Insufficient response	The Committee recommends that: 9. The National Treasury should ensure timely release of funds

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	<p>Kshs.8,621,915,309 resulting in a shortfall of Kshs.1,563,240,760 or 15% of the budget. Similarly, the County's expenditure budget was Kshs.10,185,156,069 while the actual expenditure was Kshs.8,748,084,293 resulting in under-expenditure of Kshs.1,437,071,776 or 14% of the budget.</p>	<p>tune of Kshs.599,985,791, revenue under-collection of Kshs.173,177,073 and development partners' failure to release money for budgeted projects.</p>		<p>to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and</p> <p>10. The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
<b>6.Pending Accounts Payables</b>	Pending accounts payables balance of Kshs.1,371,609,319 included Kshs.641,244,901 on construction of buildings and civil works, Kshs.507,881,305 on supply of goods and Kshs.222,483,113 on services. Failure to settle bills during the year to which they relate distorts the financial statements for that year	The Kshs.1,371,609,319 relates to 2023/2024 pending bills that were occasioned by delayed exchequer release and shortfall in Own source revenue.	The list of pending bills settled is not accompanied with evidence of payment	The Committee recommends that: 3. that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and 4. Resolves that- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Government s) Regulations,

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>2015, County Government s prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts</p>



SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Government s shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Government</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>s)</p> <p>Regulations;</p> <p>iv. Supplementa ry budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re- allocations out of the approved budget estimates;</p> <p>v. County governments , in consultation with the Controller of Budget, to provide a budget for completion of all existing</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>projects and that initiation of new projects to cease until completion of the existing projects; and vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>
<b>8.Irregular Termination of</b>	The Management terminated the contract for	The county issued a 30-day termination notice in line	➤ No justification	<ul style="list-style-type: none"> <li>• The Office of the County</li> </ul>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
the County Revenue Collection System	<p>the Zizi revenue collection system in January, 2024 less than five (5) years from the date of signing the agreement on 15 March, 2021.and yet the contract was valid for a period of five (5) years</p> <p>A new system E-Rev was procured but no written termination letter together with the handover report of the old Zizi system was provided for audit.</p> <p>The previous vendor ceased operations with the County without handing over County data</p>	<p>with the contract terms and requested a formal handing over report as stipulated in the contract agreement. The previous vendor failed to return essential data, breaching Clause 15.2 of the agreement. The County has requested the withheld data in compliance with the <b>Data Privacy Act</b> and is exploring legal actions if the vendor does not comply.</p> <p>Moving forward, the County will ensure proper documentation for all future contract terminations and continue efforts to retrieve the withheld data. The County remains committed to fulfilling all contractual obligations and safeguarding public resource</p>	<p>for untimely contract termination which actually disrupted revenue collection and caused lack of revenue data</p> <ul style="list-style-type: none"> <li>➤ No termination letter provided</li> <li>➤ No evidence that company data was handed over</li> <li>➤ No evidence of efforts to retrieve data like legal process started</li> </ul>	<p>Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>
9.Non-Compliance with the Law on	Compensation of employees amount of Kshs.3,197,121,378	The compensation of Employees figure of Kshs. 3,197,121,378 is <b>31%</b> of the	The management is in breach of law	The Committee recommends that-

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
<b>Fiscal Responsibility</b>	accounts for approximately 37% of the total revenue of Kshs.8,621,915,309 which exceeds allowable 35% by Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015	total approved budget of Kshs. 10,185,156,069. Therefor the wage bill is within the statutory limit as per the PFM Regulations.	No demonstration in terms of figures how special salaries contributed to exceeding the allowable limit	<p>8. the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue;</p> <p>9. the county executive puts in place measures to enhance own source revenue collection to address the high wage bill gap; and</p> <p>10. the management should provide to the Auditor</p>
		<i>County Government of Trans Nzoia inherited a number of employees from the defunct local authority. County public service board harmonized their job groups with the County establishments as a result the expenditure this resulted to paying them special salary because their remunerations were far beyond county government remunerations, noting that no employee who is supposed to be disadvantaged.</i>		

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.
<b>10.Irregular Hiring of Temporary Employees</b>	<p>The County hired a total of five hundred and seventy-five (575) casuals in various departments. However, they were engaged for a continuous period of twelve (12) months.</p> <ul style="list-style-type: none"> <li>The recruitment of casuals was not supported with approval by the County Public Service Board.</li> </ul>	<ul style="list-style-type: none"> <li>The current administration inherited the five hundred and seventy-five casual's employees in the service. It is not that they had not been employed by the County Public Service Board and had earned wages for more than 12 months contrary to prevailing labour laws. The dismissal of the inherited will result in court case or litigation that are costly to the County.</li> <li>As part of the rationalization exercise, the County requested for</li> </ul>	<ul style="list-style-type: none"> <li>Insufficient response as engagement beyond three months is till a breach of law</li> <li>No evidence of engagement of County Public Service Board in the recruitment by way of approval or minutes</li> </ul>	<p>The Committee recommends that the County executive should adhere to Section 37(3) of the Employment Act, 2007 states that an employee whose contract of service has been converted in accordance with subsection (1), and who works continuously for more than</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
		engagement documentation in a bid to absorb them into the service.		three months from the date of employment as a casual employee, shall be entitled to such terms and conditions of service as he would have been entitled to under this Act had he not initially been employed as a casual employee.
<b>11.Non-Remittance of Statutory Dues</b>	Analysis of the payroll data revealed that staff were deducted Pay As You Earn (PAYE) amounting to Kshs.530,700,799, National Social Security Fund (NSSF) of Kshs.343,282,390 and National Hospital Insurance Fund (NHIF) statutory dues amount of Kshs.49,661,383, all	The management has for the last four (4) years remitted statutory deductions. The pending statutory deductions are for former defunct local authorities that the county inherited. The management has engaged KRA, NSSF, and NHIF and invited the KRA, NSSF and NHIF for joint reconciliation with staffs	The payroll analysis was for the year under review and so far the management has not provided evidence of payment of the money to statutory bodies	The Committee recommends that; 1. The county Executive should disclose all pending bills in the format prescribed by the Public Sector Accounting Standards Board;

### SUMMARY OF UNRESOLVED ISSUES

Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	<p>totaling Kshs.923,644,572. However, no evidence was provided for audit confirmation to show that the deductions were remitted to relevant authorities as required.</p>	<p>and we are waiting their responses. The management had already paid for PAYE. The main issue was issue for filing and submission of remittance slip that will used to update the County ledger.</p>		<p>2. the KRA should cease imposing penalties on counties for late statutory deductions remittances as it is caused by late exchequer releases from the National Treasury;</p> <p>3. The Office of the County Governor undertakes administrative action against the officer(s) responsible for non-remittance of statutory deductions and provides a status report to the Committee within sixty (60) days from the</p>



SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>adoption of this report.</p> <p>4. the National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate to enable county entities to settle their obligations on time; and</p> <p>5. the county executive puts measures to enhance its generated revenue to meet its revenue target and address revenue shortfalls that contribute to the</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>challenge of pending bills.</p> <p>6. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				7. Surcharge of the officer(s) who deducted statutory monies from the staff and failed to remit it to the relevant fund and institutions.
<b>12.Irregular Recruitment of New Staff</b>	The County Public Service Board recruited a total of two hundred and fifty-eight (258) officers into various positions in the County. However, no evidence of vacancy declaration for the positions, no approved staff establishment.	<i>County Service Board recruited 258 officers based on departmental intends, where departments requested additional staff. These intents were reviewed, and approved, and internal advertisements was shared within the County to prioritize qualified existing staff. Although no formal public advertisements were issued, this internal process ensured transparency. Before recruitment, the finance department confirmed the availability of budget allocations, ensuring the process stayed</i>	<ul style="list-style-type: none"> <li>➤ No evidence of vacancy declaration by the board</li> <li>➤ No approved establishment</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the</li> </ol>

SUMMARY OF UNRESOLVED ISSUES				
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		<p><i>within fiscal limits. All recruited officers met the qualifications set in the County's career progression guidelines, aligning with Section C.5(1) of the Human Resource Policies and Procedures Manual. <b>Appendix....</b> Departmental Staff establishment Departmental internal recruitment Intends</i></p> <ul style="list-style-type: none"> <li></li> </ul>		<p>Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report</p> <p>2. The County should always comply with Section B.5 (2) of the County Public Service Human Resource Manual, 2013 which requires that</p>

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Audit Query	Audit Findings	Management Response		Committee Observations	Committee Recommendations
					all vacancies must be declared including the number of vacancies and whether the vacancies are within the authorized establishment.
13.Non-Compliance with One-Third Rule of Basic Salary	Various employees of the County Executive received net salaries which were less than a third of their respective basic salaries while others received negative salaries.	<b><i>Causes are;</i></b> <b><i>Retirement-</i></b> <b><i>Employees on the last month of their retirement in most cases do not earn full salaries thus their net pay salaries fall below 1/3 of their basic salaries.</i></b> <b><i>HELB Loan Deductions-a-government liability.</i></b> <b><i>Fine surcharges</i></b>		Management has not demonstrated which affected staff were affected by such listed factors/causes	The Committee therefore recommends that - 6. The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate on the issue of non-

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		<div><i><b>Deductions</b></i> <i><b>Interdictions/Suspension-</b></i> <i>receiving half salaries.</i> <i><b>Deployment and transfers.</b></i> <i>Staff working in Municipality areas earns more house allowance compared to those working in rural areas and also we have extraneous duty allowance paid to executive offices and health facilities staff</i></div>			<p>compliance with the one third of basic salary rule as well as comply with the requirements of Section 19 (3) of the Employment Act 2007.</p> <p>7. The county should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</p> <p>8. The Auditor General should continue monitoring the issue in subsequent financial years</p>
<b>14.Non-Compliance with</b>	Out of 3,686 employees, 1,958 or 53% were from the dominant community.	It should be noted that a bulk of employees were inherited from the defunct local		Management has not explained why the new appointments	The Committee recommends that-

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<b>Regional Diversity Requirements</b>	Further, out of the two hundred and fifty-eight (258) new employees, one hundred and sixty-one (161) or 62% were from the dominant community.	authorities while others were devolved from the national government with devolved functions making it difficult for the county to maintain the requirement of 70% and 30%.	did not meet the requirement	<ol style="list-style-type: none"> <li>1. the County Executives should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of County Government Act on ethnic inclusivity.</li> <li>2. The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.</li> <li>3. The County Executive and CPSB should provide to the</li> </ol>

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Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				Auditor General a five-year strategy of measures it will put in place to ensure compliance is achieved e.g. the proposal was made to have inter-county staff transfers to realize ethnic diversity.
<b>15.Non-Compliance with the Persons with Disabilities Requirements</b>	Only fifty-one (51) employees out of the 3,686 total employees of the County were categorized as persons with disabilities. They constituted 1.4% of the total employees.	Achieving the requirements of Section 13 of the Persons with Disabilities Act, 2013 is gradual and over time, this shall be fully complied with. But plans are underway to make sure that all residents of trans Nzoia including Persons With Disabilities are given equal share.	Management has not explained why the new appointments did not meet the requirement	The Committee recommends that- 5. the County Executives should work progressively towards attaining the requirement of the Section 13 of the Persons with Disabilities Act, 2013 which provides a reservation of



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				<p>five percent (5%) of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities.</p> <p>6. The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with Section 13 of the Persons with Disabilities Act, 2013.</p>
<b>16.Non-Compliance with Effective Citizen Participation in Budgeting</b>	The County Government budgeted to spend Kshs.8,019,306,556 on both recurrent and development expenditures. However, there was no	<i>The County's public participation in budget making process is all-inclusive. The public participation</i>		<p>The Committee recommends that;</p> <p>1. The Office of the County Governor undertakes</p>

SUMMARY OF UNRESOLVED ISSUES				
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	evidence of public participation in various stages of both budgeting and implementation.	<div> <i>exercise were done across all the 25-wards in the County.</i>  <b>Appendix...</b><i>Ward Public participation attendance lists</i> </div>		<p>administrative action against the responsible officer(s) who failed to provide the documents at the time of audit to the auditors in accordance with section 156 of the Public Finance Management Act, 2012, and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p> <p>2. the management should adhere to Section 91(C) of the County Governments Act, 2012 which provides that the</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				County Government shall facilitate the establishment of structures for citizen including budget preparation and validation fora.
<b>17.Irregular Award of Legal Services</b>	The office of the County Attorney engaged law firms through direct tendering to handle twenty-four (24) cases in the financial year 2023/2024. Out of the thirty-six (36) prequalified law firms, only seven (7) were contracted to handle these cases while the rest were not considered. This was contrary to Section 103(1) of the Public Procurement and Asset Disposal Act, 2015	From the list of prequalified advocates, it is always prudent to check on the experience of the Law firm vis-à-vis the subject of the suit and anticipated range of fees to be paid. When selecting a firm to represent the County Government we consider the experience of the lawyers empaneled and their prudence in practice	Management has not justified direct tendering	The Committee recommends that; 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents to justify direct tendering at the time of audit to the auditors in accordance with section

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				<p>156 of the Public Finance Management Act, 2012, and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p> <p>2. The County management should strive to promote rotation and fairness in selecting legal firms and thorough vetting be done when prequalifying based on meritocracy.</p> <p>3. Management should comply</p>

SUMMARY OF UNRESOLVED ISSUES				
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				with Section 103(1) of the Public Procurement and Asset Disposal Act, 2015 which provides conditions under which direct procurement method may be used if it is the most preferred method
<b>18.Nugatory Expenditure on Interest Payments</b>	The County Government was ordered by the court to pay a sum of Kshs.3,322,533 and accrued rent of Kshs.150,950 to a plaintiff who had filed a suit claiming for rent for office space occupied by the Department for Gender on 25 May, 2021. However, due to delays in settling the payment, the amount had	<ul style="list-style-type: none"> <li>The County Government has initiated discussions with the merchant to expedite the settlement of the outstanding arrears and accrued interest. Additionally, measures are being implemented to ensure that future obligations,</li> </ul>	<ul style="list-style-type: none"> <li>Management has not availed documentary evidence to demonstrate actions taken to settle the bills which proved unsuccessful just in time to arrest the escalating costs</li> <li></li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide documents to the auditors at the</li> </ol>

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	increased by Ksh.943,241 resulting in additional expenditure in accrued interest which would have been avoided had the County Executive settled the amount as ordered.	<p>including court orders and rent payments, are prioritized and managed within the specified timelines to prevent recurrence of similar situations.</p> <ul style="list-style-type: none"> <li>• Reasons for the delay in the settlement of the outstanding amounts was due to seeking/exploiting other out of Court or other dispute resolution mechanism due to financial constraints, court procedural delays, as well as negotiations with the merchant. While these factors may have contributed to the delay, the County Government acknowledges that it will prioritize timely payment to avoid the</li> </ul>		<p>time of audit, in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report; and</p> <p>2. Surcharge of the officer(s) who occasioned the loss to deter future occurrences.</p>

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Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
		accruing interest and additional financial burden		
<b>19.Poor Implementation of the School Feeding Program</b>	<ul style="list-style-type: none"> <li>A supplier was to supply of 200ml long life milk for the school feeding program to all ECDE centers in the County at a contract sum of Kshs.63,875,000 on 28 February, 2024. The supplier was required to supply a total of 1,750,000 packets of milk but only supplied 185,451 (or 10 % ) packets of milk all valued at Kshs.6,768,962 and the program was then stopped due to inability of the supplier to supply the whole consignment.</li> <li>There was no evidence that the contract had been terminated or action taken against the supplier by</li> </ul>	<p><i>The supplier was paid for the milk supplied only. The management could not demand a refund of the payment of Kshs.6,378,500 or 10% of the contract price since the merchant had made supply of 185,451 packets of the milk equivalent to the amount paid. The contract was subsequently, terminated due to the non-performance and lack of capacity of the supplier</i></p> <p><b>Appendix</b></p> <p><i>Termination Letter</i></p> <p><i>The contract was awarded to the new supplier m/s new KCC with the</i></p>	<ul style="list-style-type: none"> <li>No evidence of contract termination or action taken provided</li> <li>No evidence of demanding payment of Kshs.6,387,500 or 10% of the contract price from the bank that guaranteed the supplier due to non-performance</li> <li></li> <li></li> </ul>	The Committee recommends that the County Executive adopts an effective contract management and monitoring System to help in proper conceptualization, planning and execution to ensure performance as to cost, quality control and timely delivery of goods, works or service and also realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government)

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	Management by invoking or demanding payment of Kshs.6,387,500 or 10% of the contract price from the bank that guaranteed the supplier due to non-performance of the contract	<i>capacity to supply the milk for school feeding program.</i> <i>Currently, the ECDE centers have steady supply.</i> <b>Appendix Contract Agreement</b>		Regulations, 2015 within 60 Days from the date of adoption of this report.
<b>20.Incomplete Construction of the County's Headquarters</b>	The County Executive awarded a local contractor the contract to construct the Trans Nzoia County Headquarters at a contract sum of Kshs.498,835,545 on 29 June, 2023 for a period of fifty-six (56) weeks. As previously reported, the tender evaluation committee did not conduct due diligence to confirm the qualifications of the contractor contrary to Section 83(1) of the Public Procurement and Assets Disposal Act, 2015.	<b>i. Due Diligence</b> The tender Evaluation committee carried out due diligence during evaluation exercise on the successful bidder through verification of submitted documents with relevant authorities and agencies/referenced firms and the same incorporated in the summary evaluation report attached. <b>Appendix PSM 1(i) Professional Opinion</b> <b>ii. Project file</b> <ul style="list-style-type: none"> <li>Kindly attached find project site meeting minutes and architects instructions as well as</li> </ul>	<ul style="list-style-type: none"> <li>Due diligence report not attached</li> <li>No evidence that the sign board was erected</li> <li>certificate of completion and handing over minutes were not provided for audit</li> </ul>	The Committee recommends that; 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion



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Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	Physical verification carried out on 9 September, 2024 revealed that a sign board costing Kshs.250,000 was not erected in the construction site as indicated in the Bill of Quantities. The project had reached sixth floor and construction on the helipad was on-going at approximately 63% complete. However, the certificate of completion and handing over minutes were not provided for audit.	project status report for your consideration. <b>Appendix PSM 1(viii) project Progress report</b>		of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report; 2. The Office of the County Governor to prioritise

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Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle;</p> <p>4. The Office of the</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				(60) days from the adoption of this report.
<b>21.Incomplete Construction of Tom Mboya Mother and Child Hospital</b>	<p>Awarded a contract for the construction of Mother and Child Hospital at Tom Mboya Dispensary, Kitale Town at a contract sum of Kshs.101,613,650. The expected contract completion date was 13 February, 2024. Physical verification of the project done in September, 2024 confirmed that the project was not yet complete despite the expected completion date of 13 February, 2024 having elapsed without any approved extension.</p> <p>The contractor was not on site and works were pending entrance gate and sentry work, painting (road marking paint),</p>	<p><b>Practical Completion and Omissions-</b><i>works were practically completed on 20th February 2025. All listed works were completed except for the 10 cubic meter water tank, which was omitted following instructions from the Project Manager. This omission was necessary for cost engineering, as the project required variations in the substructure works, additional concrete frame works and design changes due to user client needs. These variations</i></p>	<ul style="list-style-type: none"> <li>Formal extension letter not attached</li> <li>Variation order not provided</li> <li>Certificate of practical completion not attached</li> <li>Verification in March 2025 reveals that landscaping, and a ten (10) cubic meter water tank not done</li> </ul>	<p>The Committee recommends that;</p> <p>5. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response		Committee Observations
	landscaping, stormwater drain channel, a ten (10) cubic meter capacity elevated water tank, secondary storage water tanks, water distribution, sewerage, soil drainage systems, sanitary fittings and electric power supply works had not been done.	<p>were fully documented in meeting minutes and approved variation orders, which were sanctioned by the Client – the Public Service Management Department.</p> <p><b>2. Extension of Time and Project Status</b></p> <p>The contractor was granted extensions of time due to:- Delays in honoring payments,- Adverse weather conditions, which hindered scheduled- Design changes occasioned by user client needs</p> <p>The project is now within the Defects Liability Period as per contract provisions.</p>		<p>provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government ) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>6. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>7. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and</p> <p>8. The Office of the County Governor undertakes administrati</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>ve action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>

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Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
<b>22.Delayed Completion of the Construction of External Ancillary Works at Tom Mboya Mother and Child Hospital</b>	<p>Contract for the construction of external ancillary works at a contract sum of Kshs.41,322,418. The commencement date was 20 June, 2023 and completion period was thirty-six (36) weeks or nine (9) months. As at the time of audit verification in September, 2024 the contractor had been paid a total of Kshs.32,730,332.</p> <p>Physical verification of the project in September, 2024 revealed that the works were not complete and the contractor was not on site. Further, there was no evidence that the contractor had been held liable for the delay as specified in the special conditions of the contract.</p>	<p>The project is awaiting final inspection of the works and also the defects liability of 6 month, which are still in force to hold the contractor for any defects on the project.</p> <p>Kindly not that kshs 32,730,332.22 was certified and paid which translate to 79% of the Accepted Contract less provisional sum. As a result of this, the advance payment is secured against the 20% of the unpaid amount of the Accepted Contract amount of kshs 8,592,086.28 as per the clause 14,2,5 ((b) of special condition of the contract which states that “Deductions shall be made at the Amortization rate stated in the special conditions of the contract of the amount of each interim payment certificate excluding the advance payment and deductions for</p>	<ul style="list-style-type: none"> <li>• The documents extention letter,Project committee minutes and completion certificate are not attached as appendix 9s are not provided for audit</li> <li>•</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptual ization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public</li> </ol>



SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
		<p>its repayments as well as deductions for retention money in the currencies and proportions of the advance payment shall be completely repaid prior to the time when 90% of the Accepted Contract amount less provisional sums has been certified payments.</p> <p><b>Appendix 9.3(b)</b> Contract Agreement (Clause 14.2.5(b))</p>		<p>Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion</p>

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Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and</p> <p>4. The Office of the County Governor undertakes administrative action against the</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>23.Delayed Completion</b>	Construction of the County Aggregation and Industrial	<b>Ownership documents-</b> The land on which CAIP is	<ul style="list-style-type: none"> <li>Insufficient Response as no</li> </ul>	The Committee recommends

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Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
<b>of Constructio n of County Aggregation and Industrial Park at Namandala</b>	<p>Park at Namandala in Kwanza Sub-County at a contract sum of Kshs.499,166,766 during the year.</p> <p>By the end of the year, the contractor had been paid a total of Kshs.264,253,915. However, there was no land title deed for the 100-acre piece of land at Namandala</p> <p>Further, physical verification carried out on 10 September, 2024 revealed that the project was incomplete with materials on site but no contractor on site.</p>	<p>being constructed is part of the 100 acres of land that was ceded to the Export Processing Zone Authority (EPZA) by the Agriculture Development Corporation. It is EPZA that granted permission for the land to be used for the implementation of the project in view of the project objective being in harmony with EPZA mandate.</p> <p><b>Availing of progress reports for audit review to determine percentage of completion and project completion date of the project</b></p> <p>While the progress report was not availed for audit review, they do exist. Attached are copies of previous reports.</p>	<p>documentation for land ownership availed including the ceding letter and efforts to transfer the ownership to the county government</p> <ul style="list-style-type: none"> <li>• No evidence contractor has resumed site and evidence of progress of works</li> <li>•</li> </ul>	<p>that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>Public Finance Management (County Government)</p> <p>Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and</p> <p>4. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>24.Irregularities in the Construction of Mitume Fresh</b>	The Department of Trade, Commerce and Industry awarded a contract on 27 April, 2023 for the construction of Mitume fresh produce market at a	<ul style="list-style-type: none"> <li>➤ The market was constructed in public land for Mitume Dispensary and was inherited from the</li> </ul>	<ul style="list-style-type: none"> <li>• No ownership documents provided</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the County Executive should adopt and implement</li> </ol>

SUMMARY OF UNRESOLVED ISSUES					
Audit Query	Audit Findings	Management Response		Committee Observations	Committee Recommendations
Produce Market	<p>contract sum of Kshs.4,799,000. However, no tittle deed or allotment letter for the land on which the fresh produce market was built was provided for audit.</p> <p>Further, physical verification of the project conducted on 12 September 2024 revealed that the stalls had no ventilations hence not fit for storage of the market produce while only one coat of paint was applied and had worn off. The toilets had their taps and sinks vandalized. In addition, the market shade had not been handed over and was not in use.</p>		<div><p>defunct Kitale Municipal Council.</p><p>➤ The ventilation provided on the stalls are adequate in facilitating such a business activity.</p><p>➤ The contractor applied paint as directed by the Bills of Quantities.</p><p>➤ The toilet was in a bad state, taps and sinks had been vandalized-This was before handover which was finally done on on 12<sup>th</sup> August, 2024.</p><p>➤ The market was handed over by the constructor.</p></div>	<ul style="list-style-type: none"><li>• No handing over certificate provided.</li><li>• Verification in March,2025 revealed Leaking gutters, water supply system vandalized, no electricity, complete and unoccupied</li></ul>	<p>the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and provide a status update to the Office of the Auditor General within 90 days of the adoption of this Report; and</p> <p>2. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide the</p>



SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				documents at the time of audit to the auditors in accordance with section 156 of the Public Finance Management Act, 2012, and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>25.Delayed Completion of the Construction of a Multi-Storey Business Complex</b>	Contract for the construction of a multi-story business complex in Kitale town at a contract sum of Kshs.874,280,383 during the 2017/2018 financial year with expected completion date of 10 June, 2021. However,	i. There is a project implementation committee that was appointed by the chief officer and the project meeting are available subject to review. ii. The land on which the market was constructed is public land. The land	<ul style="list-style-type: none"> <li>Insufficient Response               <ul style="list-style-type: none"> <li>No letter of extension of contract and no site meeting minutes conducted by project</li> </ul> </li> </ul>	The Committee recommends that; <ol style="list-style-type: none"> <li>The County Executive establish a project</li> </ol>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	<p>the following anomalies were noted;</p> <ul style="list-style-type: none"> <li>No letter of extension of contract and no site meeting minutes conducted by project implementation team provided</li> <li>Memorandum of Understanding on the co-funding between the municipality, department of trade and lands were not provided for audit.</li> <li>Ownership documents for the land the business complex was built in the form of land title deed was provided for audit.</li> <li>Physical inspection carried out on 10 September, 2024 revealed that the</li> </ul>	<p>was inherited from the defunct Kitale Municipal Council.</p> <p>iii. The department did not allocate resources since it had allocated for County Aggregated Industrial park which exhausted the departmental budget leaving non substantial amount as it has reached the departmental budget ceiling however in this financial year the department will allocate some resources for the completion during supplementary budget one</p>	<p>implementation team provided</p> <ul style="list-style-type: none"> <li>Memorandum of Understanding on the co-funding between the municipality, department of trade and lands not provided.</li> <li>Ownership documents for the land the business complex was built in the form of land title deed was provided for audit.</li> <li>The project is still stalled</li> <li></li> </ul>	<p>management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	Contractor was not on site and the project had stalled at 92% completion state.			<p>Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and</p> <p>4. The Office of the County</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				from the adoption of this report.
<b>26.Slow implementation of Rehabilitation and Modernization of Kenyatta Stadium in Kitale</b>	<p>Rehabilitation and modernization of Kenyatta Stadium Phase 1A in Kitale at a contract sum of Kshs.657,305,895 with expected completion date 28 February, 2025. Project inspection September, 2024 revealed</p> <ul style="list-style-type: none"> <li>➤ The construction of the stadium was behind schedule.</li> <li>➤ There are boundaries dispute which had delayed the construction of the boundary fence.</li> </ul>	<ul style="list-style-type: none"> <li>• The department of Gender Youth Sports Culture and Tourism has been in constant communication with the department of lands and urban development over the boundary issue at the stadium even before the project design was done. Copies of minutes and correspondences attached. The map was used by the consultant to prepare the drawings only to be served with court orders on development of boundary wall. Still further, the project management team has called on lands department to have the issue resolved. Attached correspondences on file G.</li> </ul>	<ul style="list-style-type: none"> <li>• Copies of correspondences not attached</li> <li>• No explanation on delay of other works apart from boundary</li> <li>•</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for</li> </ol>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and</p> <p>4. The Office of the County Governor undertakes administrative action</p>



SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
<b>27.Stalled Construction of Trans Nzoia Teaching and Referral Hospital (Renamed Kijana Wamalwa Teaching and Referral Hospital)</b>	<p>Trans Nzoia Teaching and Referral Hospital-contract sum of Kshs.1,602,528,713.</p> <p>The contract was to be implemented in two (2) phases; Phase 1 of the project was completed on 23 July, 2016.</p> <p>Phase 2 had projected completion date of 30 September, 2020. However, as at September, 2024,</p> <ul style="list-style-type: none"> <li>➤ The project was incomplete and stalled and was approximated at 90% complete even though Kshs.1,577,689,119 (Approx. 98% of the contract amount) had been paid.</li> <li>➤ The audit confirmed that the Hospital was in use without certificate of</li> </ul>	<p>The delay in completion prompted appointment of a project implementation committee to supervise the Contractors. This led to a joint snagging of the project and project hand over to the client on 4<sup>th</sup> August 2023.</p> <p>Due to the technicalities in the contract documents, the client is reviewing them for further action as they move towards utilizing the facility for the intended specialized services.</p> <p>Attached please find the snagging list of the pending works and handing over documents. <b>Appendix</b></p> <p>(i) Appointment of Project Implementation Committee</p> <p>(ii) Snagging List of the pending work</p> <p>(iii) Handing over report</p> <p>(iv) Certificate of occupation</p>	<ul style="list-style-type: none"> <li>• The project is still incomplete even with 98% of contract sum paid and the snagging report listing incomplete works.No evidence provided to show the action taken against the contractor</li> <li>• The handing over was for incomplete works implying the county will incur addition costs to full completion</li> <li>•</li> </ul>	<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management</p>

### SUMMARY OF UNRESOLVED ISSUES

Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	<p>occupation from public health hence endangering the lives of patients.</p> <p>In the circumstances, the value for money on the expenditure of Kshs.1,577,689,119 incurred on the project could not be confirmed.</p>			<p>t Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and</p> <ul style="list-style-type: none"> <li>• The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to</li> </ul>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>29.Construction of Early Childhood Development Education (ECDE) Classrooms</b>	<p>Physical inspection carried out on 10 September, 2024 on six (6) sampled classrooms revealed</p> <ul style="list-style-type: none"> <li>➤ The classrooms were complete but not in use</li> <li>➤ the classrooms lacked emergency exits contrary to the requirement of criteria 6 of first schedule of Early</li> </ul>	<ul style="list-style-type: none"> <li>• The delay in use of the classroom was as result of the delay in the payment of the contractors who in turn delayed to handover and also waiting commissioning now done. So far, all the six ECDE classrooms are in use.</li> </ul>	<ul style="list-style-type: none"> <li>• No certificate of occupation provided</li> <li>• No reason was provided why emergency exit was not provided and no action taken yet except expression on intent</li> <li>•</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper</li> </ol>

### SUMMARY OF UNRESOLVED ISSUES

Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	<p>Childhood Education Act, 2021.</p>	<ul style="list-style-type: none"> <li>The department of education will liaise with the department of public works to develop a BQ Catering for the emergency door in line with Early Child Education Act,2021</li> </ul>		<p>project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>update to the Committee in the subsequent audit cycle;</p> <p>4. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012</p>



SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>5. The Office of the County Governor to urgently take action to create emergency exits as provided by the requirement of criteria 6 of first schedule of Early Childhood Education</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				Act, 2021.
<b>31.Poor Implementation of Pipeline Extension and Stalled Borehole at Mitume Usafi Estate</b>	<p>The pipelines did not equally distribute water to the residents with some areas not having access to the water from the project at all.</p> <p>-There was water rationing and low pressure at the designated water kiosk</p> <p>-Stalled a project of unknown value for the drilling and equipping of a borehole at Mitume Usafi Estate with no pump,and solar panels vandalized.</p>	<p>The project was complete and operational until the commencement of the Kenya Informal Settlement Program (KISP II) that seeks to upgrade infrastructure in slum areas.</p> <p>Pipes under this project were uprooted during the grading of roads in Mitume, Tuwan Ward. Broken pipes and leakages will be restored by the said program under relocation of existing services.</p>	<ul style="list-style-type: none"> <li>• The management admits to the problem</li> <li>• The issue of stalled and vandalised borehole not addressed including documentations.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance</li> </ol>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and</p> <p>4. The Office of the County Governor undertakes administrative action against the responsible</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE				

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
<b>32.Inefficiencies in the New County Revenue Software Collection System</b>	The County acquired new revenue system at a contract sum of Kshs.26,968,080. Management did not provide contract agreements, the two (2) commercial banks for audit. Further, in the month of January, 2024, no revenue was collected as result of lack of seamless change over from old to new revenue system.	The management acknowledges the Auditors findings and I hereby submit a copy of contract agreements between County Government and Kenya Commercial Bank and Equity bank on the revenue collection. <b>Appendix 1</b> Copy of contract Agreement	<ul style="list-style-type: none"> <li>Insufficient response as appendix 1 not provided and no response on seamless changeover which disrupted January revenue collection</li> <li></li> </ul>	The Committee recommends that; - 1. The County Government in conjunction with the National Treasury, in accordance with the provisions of section 12(e) of the Public Finance Management Act, 2012, engage in designing and prescribing an efficient revenue collection system for automated revenue collection of all revenue streams and provide a status

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls;</p> <p>3. The Office of the County Governor undertakes administrative actions against the responsible officer(s) who</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>failed to provide documents to the auditors at the time of audit, in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</p> <p>4. The Office of the County Governor should pursue the revenue system vendors as per the contract terms to ensure seamless</p>



SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				changeover to ensure that the old date is captured and provides a status report to the Committee within 60 days from the adoption of this report.
<b>33.Lack of Risk Management Policy</b>	Lack of Risk Management Policy or strategy in place.	<p>The internal audit function will play a pivotal role in spearheading this initiative, working collaboratively with all departments within the county.</p> <p>The key activities, resources, expected outcomes, responsible parties, and timelines for the Risk Management Policy development have been clearly identified in the annual work plan for the financial year 2024-2025.</p> <p><b>Appendix:</b> (a) CECM Performance Contract Extract</p>	<ul style="list-style-type: none"> <li>• Insufficient response as no policy in place</li> <li>•</li> </ul>	<p>1. The Committee recommends that the Accounting Officer should put in place a risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
		(b) Annual Work Plan		Auditor General. 2. The committee further recommends that the Auditor General to closely monitor the development, documentation and communication of these policies within the county in the subsequent audit cycle.
<b>34.Lack of an Asset Register</b>	The summary of non-current asset register at Annex 6 reflects a non-current assets balance of Kshs.14,973,306,886 was not supported with a fixed assets register showing each asset category and individual assets with such details as serial number, chassis number, engine	The Fixed Asset register showing each asset category and individual assets with the details of the asset has been availed to the auditors for audit review. Appendix....Asset Register	<ul style="list-style-type: none"> <li>Fixed assets register showing each asset category and individual assets with such details as serial number, chassis number, engine number, registration number, date of</li> </ul>	The Committee recommends that the; - 4. County should expedite the process of updating and presenting their Fixed Assets Register in the format

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	number, registration number, date of purchase, costs, location and tagging number.		<p>purchase, costs, location and tagging number has not been provided</p> <ul style="list-style-type: none"> <li>•</li> </ul>	<p>prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</p> <p>5. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>6. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>
<b>35.Unrecorded Purchases of Land</b>	The Department of Lands, Housing and Physical Planning acquired nine (9) parcels of land costing Kshs.17,925,000 during the year under review. However, the <b>acquired parcels were not recorded as the department did not have a fixed asset register</b> which contains information	The department has updated the Fixed Asset Register and recorded the acquired parcels of land in the fixed asset register with all the details. The department is in the process of transferring the ownership of the acquired parcels. However, the copies of the vendors of the ownership documents	<p>➤ Parcels of land with LR numbers are not in the register</p> <p>➤ Title deeds are not in the name of the county but the sellers hence</p>	<p>The Committee recommends that the; -</p> <p>1. County should expedite the process of updating and presenting their Fixed Assets Register in the format</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	<p>such as the Land Reference Number (LR Number), acquisition costs, opening balances at the start of the year, disposals and the closing balances at the end of the year.</p> <p>Further, <b>no title deeds for the above parcels were provided for audit</b> and therefore, could not confirm ownership.</p>	<p>have been presented to the auditors for audit review. Appendix (a) Fixed Asset Register (b) Ownership documents</p>	<p>casting doubt on ownership</p>	<p>prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</p> <p>2. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the</p>

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
				<p>Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>3. The Office of the County Governor pursues and over the process of land registration in favour of the Trans Nzoia County Government and submit a status update to the Office of the Auditor General and the Senate within 60 days of adoption of this Report.</p>
<b>36.Lack of Management Response to Internal Audit Reports</b>	Internal auditor through the audit committee submitted audit reports submitted to various departments but there were no Management responses	The audit committee wrote a memo to the CECM Finance and Economic Planning raising concern on the department's failure to	<ul style="list-style-type: none"> <li>Insufficient Response as issue not resolved as per management admission</li> </ul>	The Committee recommends that the county Executive expedites provision of management

SUMMARY OF UNRESOLVED ISSUES				
Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations
	or actions on the same.	<p>respond to internal audit reports.</p> <p>The audit committee will review the status in the next audit meeting scheduled on 6<sup>th</sup> December 2024 and make a determination on the way forward.</p> <p>In other jurisdiction, the internal audit reports are tabled in the cabinet meeting and the respective CECs are required to follow-up the audit queries of their respective departments and table responses to the issues raised in the subsequent cabinet meeting. This will ensure the internal audit reports are responded to and necessary correction action taken in time</p>	<ul style="list-style-type: none"> <li>• No minutes of management deliberations and implementation matrix attached</li> <li>•</li> </ul>	<p>response to the Internal audit reports and provide an implementation matrix/status update from each department to the Auditor General and the Senate within sixty (60) days from the adoption of this report.</p>

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR  
GENERAL ON AUDITED FINANCIAL STATEMENTS OF TURKANA COUNTY EXECUTIVE FOR THE  
FINANCIAL YEAR 2023/24.**

**Basis of Qualified Opinion**



<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1.	<b>Non-Inclusion of Assets of Defunct Local Authorities</b>	Annex 6 - summary of non-current assets register reflects cumulative historical cost of non-current assets balance of Kshs.10,603,708, 879. The balance excludes assets of undetermined value including land, buildings, motor vehicles, computers, and other office furniture and equipment taken over from the defunct local authorities.	The County Government appointed County Assets and Liabilities Committee (CALC) in 2017 vide gazette notice 2701 dated 24th March, 2017 to identify, verify and validate all assets and liabilities of defunct Local authorities. The final report was submitted by the committee to the Inter-Governmental Relations Technical	The Committee observed that the management did not have a fully functional and maintained asset register.	The Committee recommends that;- 6. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of	Within 60 days from the adoption of the report.

		the accuracy and completeness of non-current assets balance of could not be confirmed	<p>Committee (IGRTC) for approval. The approval was granted by IGRTC for inclusion of the assets and liabilities in the asset register. Inter-Governmental Relations Technical Committee (IGRTC) handed over the motor vehicles/cycles category of assets in May,2024. The county government has initiated additional steps to have a comprehensive asset register in place.</p>		<p>adoption of this report;</p> <p>7. County should adopt and implement the report of the Inter-Governmental Relations Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>8. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
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2.	<b>Inaccuracies in Own Source Revenue</b>	<p>The statement of receipts and disbursements for Receiver of Revenue - County Government of Turkana reflects own source revenue amount of Kshs.446,857,036.</p> <p>review of the collection systems revealed that the County Executive had not fully automated its revenue streams.</p> <p>the County Executive did not have an updated valuation roll.</p> <p>Physical verification through spot check conducted on 10 October, 2024, revealed that no collection of revenue was</p>	The management did not provide any response.	The Committee observed that the management did not provide any response regarding the issue.	<p>The Committee recommends that; -</p> <ol style="list-style-type: none"> <li>1. the Office of the County Governor undertakes administrative action(s) against the responsible officer(s) who fails to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012;</li> <li>2. The County Government in conjunction with the National Treasury, in</li> </ol>	Within 60 days of adoption of the report.
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		<p>made from on-street parking due from vehicles parked daily within the town and on parking slots marked by the County Government as vehicles parked did not have daily or monthly receipt/sticker as evidence of payment.</p> <p>Also, Management did not maintain a register of the parking slots within the Municipality for effective management and collection of revenue from street and bus stage parking. The accuracy and completeness of the County's own source revenue</p>			<p>accordance with the provisions of section 12(e) of the Public Finance Management Act, 2012, engage in designing and prescribing an efficient revenue collection system for automated revenue collection of all revenue streams and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of</p>	
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		amount of Kshs.446,857,036 could not be confirmed.			this report; and 3. the Auditor General keeps the matter in view in the subsequent audit cycle	
<b>OTHER MATTERS</b>						
3	<b>Budgetary Control and Performance</b>	The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amount of Kshs.15,983,137,168 and Kshs.13,973,380,385 respectively, resulting to underfunding of Kshs.2,009,756,783 or 13% of the budget. the County Executive spent Kshs.13,522,985,032 against actual receipts of	The underfunding resulted from shareable revenue for the month of June,2024 which had not been received and other grants fund which had been budgeted during the financial year but were not disbursed to the county. The underperformance was largely driven by late exchequer releases and undisbursed	The Committee observed that; - i) the county entities did not receive exchequer releases from the National Treasury on time. j) the Committee noted that the county executives did not meet their own source revenue collection targets. This	The Committee recommends that; - 1. The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate; and 2. The County executive puts in place	Continuous

		<p>Kshs.13,973,380,385 resulting to an under-expenditure of Kshs.450,395,353.</p> <p>The underfunding and under-expenditure affected implementation of planned activities and may have impacted negatively on service delivery to the residents of the County.</p>	grants from donors	<p>challenge hampered budget implementation in the affected county entities.</p> <p>k) Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.</p>	<p>measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.</p>	
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4	<b>Under Absorption of Other Grants and Transfers</b>	<p>The Turkana County Government received conditional grants of Kshs.501,853,120 against a budgeted amount of Kshs.1,460,605,071 or 34% of the budget resulting to an underfunding of Kshs.958,751,951 or 66% of the budget.</p> <p>Under disbursement of budgeted funds affects timely implementation of approved projects/activities in the County</p>	The under absorption was because of under disbursement of the budgeted grants and late disbursement of the grants that were disbursed to the county in the year.	<p>The Committee observed The management received conditional grants amounting to Kshs.501,853,120, which was only 34% of the budgeted allocation of Kshs.1,460,605,071, resulting in an underfunding of Kshs.958,751,951 or 66% of the budget. This significant shortfall in funding negatively impacted the timely implementation of planned projects and activities, ultimately depriving county</p>	The Committee recommends that there should be improved monitoring and reporting mechanisms to track grant disbursements and utilization, ensuring that any shortfalls are addressed promptly to prevent delays in service delivery and project implementation.	Within 60 days after the adoption of the report.
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				residents of essential services and benefits associated with completed projects. The under-disbursement of funds also raises concerns about financial planning, fund allocation, and the county's ability to effectively execute its development agenda.		
5	<b>Pending Bills/ Accounts Payables</b>	Note 1 under other important disclosures to the financial statements, reflects a summary while Annex 2 gives analysis of total pending accounts payable of	The pending bills have been paid as first charge in FY 2024-25 budget. Formal contract signed between the County Executive and the firms awarded	The Committee observed that 1. The Committee observed that the amount charged for legal fees was not supported by calculations based on the	The Committee recommends that; - 1. The County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation	Within 60 days after adoption of this report.



		<p>Kshs.801,687,224.</p> <p>Failure to settle pending bills during the year to which they relate affects the implementation of subsequent year's budget programs as the accounts payable form a first charge on that year's budget provision.</p>		<p>Advocate Remuneration Order, and Management did not support or explain how the rates charged were determined.</p> <p>2. The Committee observed that management had not established an organogram in the department of legal services. Currently, there is a county attorney and a county solicitor.</p> <p>3. The committee observed that the county</p>	<p>25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</p> <p>2. The EACC initiates an investigation with the view of causing prosecution of the accounting officer for the possible loss of Kshs.24,048,678 whose expenditure was incurred as legal fees without proper documentation and approvals.</p> <p>3. The County Executive utilizes the Office of the County Attorney to provide legal advice and</p>	
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				had not disclosed its contingent liabilities in its financial statements.	court representation and should provide evidence of compliance with the County Attorneys Act within 60 days of the adoption of this report.	
6	<b>Delay in Exchequer Releases</b>	The equitable share for the year under review amounted to Kshs.13,143,946, 933 including other income (Saccos and Commissions) of Kshs.22,673. the quarterly transfers were not disbursed in equal instalments in accordance with the payment schedule approved by the Senate and	The county's equitable share for the year ended 30th June,2024 as per the CARA and approved disbursement schedule by the Senate was Kshs.13,143,946, 933. The county as at 30th June,2024 had received Khs.12,092,431,176 remaining Kshs.1,051,515,757.	The Committee noted that the County Executive experienced delayed exchequer releases by the National Treasury thereby hampering their budget implementation.	The Committee recommends that; - 3) The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate	Continuous

		<p>published in the gazette by the Cabinet Secretary for The National Treasury and Planning.</p> <p>There was under disbursement of Kshs.2,168,751,245 in quarter 1 and over disbursement of Kshs.1,117,235,488 in quarter 4. part of the county's equitable share for year ended 30 June 2024 amounting to Kshs.1,051,515,757 was disbursed by National Treasury on 26 July, 2024, after closure of the financial year.</p> <p>The late exchequer disbursements of equal share affected timely</p>	<p>Late exchequer receipts into the county Revenue Fund account affects transfers to county executive and hence makes it difficult for executive to implement programs and activities on time.</p>		<p>4) the County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.</p>	
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		implementation of approved projects/activities .				
7	<b>Unresolved Prior Year Matters</b>	The audit report for the year ended 30 June, 2023 highlighted issues under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. Although Management has indicated in the report on progress made in follow up of auditor's recommendations , the matters remained unresolved.	Management has resolved some of the issues as indicated in the progress report and will work to ensure that the remaining unresolved issues are resolved	The Committee observed that issues from prior years had not been resolved.	The committee recommends that; - 1.the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adoption of this report.	Within 60 days after adoption of the report.
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>						
8	<b>Non-Compliance with One-Third of Basic Salary Rule</b>	eight hundred thirty (830) employees earned	The management decided to resolve issue of	The Committee observed that some of the	The Committee therefore recommends that -	Continuous

		<p>a net salary of less than a third (1/3) of the respective basic salary. Management has not given satisfactory explanation for failure to comply with the provision of Section C.1(3) of Human Resource Policies and Procedures Manual for the Public Service (2016)</p>	<p>employees earning less than a third (1/3) of their basic salary by issuing a circular to all accounting officers on how to address the data on those officers earning less than a third of their basic salary as per employment Act, 2007.</p> <p>The matter was addressed fully unlike the year under review. The recommendation on The IPPD system to be configured to alert and disallow deductions that would result to the violation of a third rule is being used to resolve the issue on the employees earning less than a third (1/3) of their</p>	<p>county staff were earning less than a third of their basic pay contrary to Section 19 (3) of the Employment Act 2007.</p>	<p>3) The county entities should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</p> <p>4) The Auditor General should continue monitoring the issue in subsequent audit cycles.</p>	
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			basic salary as per the Employment Act 2007.			
9	<b>Overall Ethnic Composition of Staff</b>	<p>The County executive had four thousand, four hundred and six (4,406) employees, out of whom three thousand seven hundred and twelve (3,712) or 84.25% were from the dominant community while six hundred ninety-four (694) or 15.75% were from non-dominant communities.</p> <p>During the year under review, the County Executive recruited six hundred and eighty-five (685) personnel into various positions.</p>	<p>Turkana County composition of non-dominant communities of County Staff is at 16%. The Board is alive to the county's obligations to eliminate ethnic imbalance and implementing the provisions of section 65 (1) (e) of the County Government Act. The Board has experienced the several challenges in working towards achieving the statutory threshold of 30%; The medium-term plan of the Board will be to prepare and implement a public service</p>	<p>The committee observed that the County Executive had a total of 3,298 employees out of which 2,176 or 63.4% were from the dominant local community in the County. This is contrary to the provisions of the National Cohesion and Integration Act, 2008 which stipulates that at least 30% of employees should be from communities other than the dominant one</p>	<p>The Committee observed that; -</p> <ol style="list-style-type: none"> <li>1. The County Executives should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of County Government Act on ethnic inclusivity.</li> <li>2. The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with section</li> </ol>	<p>Within 60 Days from the adoption of this report.</p>

		Analysis of the recruitment revealed that six hundred sixty seven (667) or 97% of the new staff were from the dominant community while eighteen (18) or 3% were from non-dominant communities,	employment equity plan as stipulated under section 68C of the County Government Act, 2012. The employment equity plan will be implemented in line with approved staff establishment.		65(1)(e) of County Government Act, 2012.	
10	<b>Unsurrendered Imprest</b>	The statement of assets and liabilities reflects accounts receivable outstanding imprest balance of Kshs.85,093,020 as at 30 June, 2024. The outstanding imprest amount of Kshs.85,093,020 which was due for surrender on or before 30 June, 2024 and had not	<b>The management did not respond to the issue</b>	The Committee observed that the management failed to respond to the issue.	The Committee recommends that the Accounting Officer(s) recover the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation. The Committee further recommends the sanction and	Immedia te

		been surrendered by then			surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015	
11	<b>Idle Cash in Bank for County Aggregation and Industrial Park</b>	<p>The Council of Governors at a meeting held in May, 2023 deliberated on the implementation framework for County Aggregation and Industrial Parks (CAIP).</p> <p>The Council forwarded the tender documents incorporating the tendering forms, evaluation and qualification criteria, bills of quantities, drawings and</p>	The county government is finalizing the approval processes and will advertise for commencement of works in the current financial year 2024-25.	The committee observed that the management is not compliant with Regulation 83(1)(2)(b)(c) of the Public Finance Management (County Governments) Regulations, 2015	The Committee recommends that in accordance to Regulation 83(1)(2)(b)(c) of the Public Finance Management (County Governments) Regulations, 2015, The County Treasury should expedite the process of establishing sound cash management systems, procedures and processes to ensure efficient and effective banking	Within 60 days after adoption of the report.



		<p>contract forms which the County Government of Turkana was requested to customize and submit to an updated website link for processing and advertisement by 23 May, 2023.</p> <p>there was no evidence that Management submitted to the designated address, customized tender documents for the County for processing and advertisement as required by the Council of Governors.</p> <p>An amount of Kshs.100,000,000 deposited in the Project bank account has not</p>			<p>and cash management practices.</p> <p>In addition, the management to start the tendering process.</p>	
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		<p>been utilized and is lying idle. contrary to Regulation 83(1)(2)(b)(c) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County Treasury shall be responsible for establishing sound cash management systems, procedures and processes to ensure efficient and effective banking and cash management practices.</p>				
12	<p><b>Purchase and Installation of High Mast Lighting within Lodwar Municipality</b></p>	<p>A local contractor to supplied, installed and commissioned five (5) high mast</p>	<p>In a bid to resolve that, Ewoi Building contractors Ltd went ahead and</p>	<p>The Committee observed that Regulation 22, 20 (g) of the PFM Act</p>	<p>The Committee recommends that; - 4) The County Executive establishes a</p>	<p>60 days after adoption of the report</p>

		<p>lighting in Lodwar Municipality at a contract sum of Kshs.26,575,000. The inspection and acceptance report indicated that one of the lighting masts at Kanan Market was not connected and therefore was not lighting since the meter had not been processed. Physical verification carried out on the evening of 9 September, 2024 confirmed that the high mast lighting at Kanan Market was not functioning. No explanation was provided on why the meter had not been processed and</p>	<p>processed a meter application which is almost under completion. A process which delayed due to unresolved dispute. Though the functioning of highmast was confirmed when it was powered using a generator, the two contractors agreed that Ewoi Building to go ahead and connect the highmast to power since the two projects were identical and required separate metering hence different electricity billings.</p>	<p>County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there was no value for money.</p>	<p>project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p>	
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		connected nine (9) months after commissioning.			<p>5) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>6) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
13	<b>Incomplete Construction of Naakot Outpatient Dispensary</b>	The tender to construct Naakot outpatient dispensary and two (2) door pit latrines in	The contractor made a request for extension of contract period citing insecurity and adverse	The Committee observed that Regulation 22, 20 (g) of the PFM Act County	1) The County Executive establishes a project management and monitoring	60 days after adoption of the report

		<p>Lokokat ward was awarded to a local contractor on 25 January, 2025 at a contract sum of Kshs.8,635,420. The construction commenced on 14 March, 2024 and was to be completed on 13 July, 2024. project verification on 10 September, 2024 revealed that the construction of the dispensary and the two door pit latrines stalled at lintel and walling level respectively. The amount paid to the contractor to date is Kshs.5,181,252 or 60% of the contract sum. No sufficient explanation was</p>	<p>weather conditions caused by rains. (refer to annex; request for extension letter). The contract implementation team evaluated the request on 16 July 2024 and made a recommendation for extension of contract for 4 months. (Refer to annex; CIT minutes). The contract addendum was signed on 17th July 2024 (refer to annex; Contract Addendum). The project is complete</p>	<p>Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there was no value for money.</p>	<p>System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise</p>	
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		given for failure to complete the project. Value for money not realized			completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
14	<b>Delay in Supply and Installation of Reverse Osmosis Plant</b>	The County Executive through Department of Water made payments totalling to Kshs.20,313,981 to a local company for	The reverse osmosis plant has now been successfully installed, and all related civil works have been completed. In addition, the housing structure	The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the	1) The County Executive establishes a project management and monitoring System to help in proper project conceptualizati	60 days after adoption of the report

		<p>supply and installation of the reverse osmosis plant at Kaituko and Monti township wards. The company was awarded the tender on 5 February, at a contract sum of Kshs.39,702,485 for period of six (6) months effective from the date of signing the contract and the construction expected to be completed on 31 July, 2024.</p> <p>Physical inspection of the project on 11 September, 2024 revealed that the project was not complete. Further, the contract period having expired on</p>	<p>for the plant has been constructed and the fencing around the site has been finalized to secure the facility. Finance Act for the Financial Year 2023 was approved by the County Assembly. The pipeline extension works are currently ongoing and are expected to be completed soon. The project team is working diligently to ensure that the remaining works are finalized promptly to provide the intended utility to the beneficiaries</p>	<p>project remained incomplete even after verification therefore there was no value for money.</p>	<p>on, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a</p>	
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		<p>31 July, 2024, the contractor had only implemented 60% of the contract.</p> <p>the reverse osmosis plant installation of Kshs.16,430,000 and pipeline extension of Kshs.14,498,000 were not done. Value for money not realized.</p>			<p>budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
15	<b>Incomplete Construction of Gate and Fencing at Kakuma Stadium</b>	<p>Management awarded a contract for construction of a gate and fencing works at Kakuma stadium to a local contractor at a contract sum of Kshs.9,785,000. Management did not provide for audit contract details and</p>	<p>The department has budgeted the pending bills and commitment of the Contractor in the current budget and the payment has been processed of Kshs.5,871,000 and the contractor would be paid soon and return to the site to</p>	<p>The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there</p>	<p>The Committee recommends that;-</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and</p>	<p>60 days after adoption of the report</p>



		<p>progress of work reports on the contract.</p> <p>The contractor had been paid a total of Kshs.5,855,342 or 60% of measured works.</p> <p>Field verification of the project on 9 September, 2024 revealed that the contractor was not on site and works had stalled at the preliminary level.</p> <p>Value for money not realized.</p>	<p>complete outstanding works.</p> <p>Protest/withdrawal letter from the Contractor Songot Company Limited</p>	<p>was no value for money.</p>	<p>timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and</p>	
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					<p>provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
16	<b>Delay in Settlement of Legal Cases</b>	Note 9, under other important disclosures in the financial statements reflects an amount of Kshs.165,669,147 as contingent liability which relates to a cumulative of fourteen (14) legal cases in various courts.	The County Attorney's Office is committed to addressing the concerns raised in the audit. While ongoing cases do present financial risks, steps are being taken to expedite legal proceedings, reduce delays, and manage costs more effectively. We appreciate the	The committee noted that the matter was still outstanding as the documents to support the legal expenditures were not submitted for audit review during the audit cycle contrary to Section 62 of the Public Audit Act, 2015	The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides	Within 60 days after adoption of the report.

		<p>Audit review revealed that eleven (11) of the cases were on-going, one (1) case was completed in favor of the County Government at a cost of Kshs.2,550,000 while two (2) cases were ruled against the County Executive at a cost of Kshs.12,548,000.</p> <p>From the analysis, it is estimated that with the ratio of on-going cases being higher compared to the completed cases, there is need to expedite cases by the County Attorney so as to avoid undue</p>	<p>recommendations provided and will continue to improve our processes in managing litigation for the County.</p>		<p>a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
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		<p>delays which may lead to compensation for damages suffered by the plaintiff which may be costly to the County Government.</p> <p>in accordance to section 5(b) of County Attorney Act, 2020, which states that a County Legal Counsel shall- 'handle matters without undue delay, risk or unnecessary expense to the county government'.</p> <p>value for money not realized on the legal expenses .</p>				
17	<b>Completion of Kataboi Eco Lodge</b>	Field verification on the project done on 6 September, 2024 revealed that the	The county government is quantifying the remaining works in order to	The Committee observed that Regulation 22, 20 (g) of the PFM Act	The Committee recommends that;- 1. The County Executive establishes a	Within 60 days after adoption

		contractor was not on site, there was also no security at the site. Further, residents of the area have gained access to the facility ongoing works by the contractor. This may lead to additional costs in rehabilitation.	allocate resources for completion of the project since the second contract expired by effluxion of time.	County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there was no value for money.	project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report; 2. The Office of the County Governor to	of the report.
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					<p>prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
18	<b>Construction of Plastic Re-Use Facility</b>	A field audit verification on the project done on 6 September, 2024 revealed that the contractor was not on site, and the project has	The management have allocated a budget of 5.8M under the FFLOCA project for the Turkana Central Committee to complete the project which will	The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the	The Committee recommends that; - 1. The County Executive establishes a project management and monitoring System to help in proper	Within 60 days after adoption of the report.

		remained incomplete	therefore create employment opportunity for the community. This was after the technical assessment by the engineers as per the attached report.(Refer to annex: Bill of Quantity)	project remained incomplete even after verification therefore there was no value for money.	project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report; 2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a	
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					<p>budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
19	<b>Construction of Kalokol Resource Centre</b>	Field audit verification on the project done on 6 September, 2024 revealed that the project was complete but not in use. The ceiling board at the verandah is almost falling due to leakages in the roof. fixtures such as taps, window	The Citizen Resource Centre is complete, and the contractor is yet to handover. The County Government has set aside funds for payment of this contract listed as a pending bill in the FY 2024/2025 Budget estimates.	The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there	The Committee recommends that; - 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely	Within 60 days after adoption of the report.



		panes are getting damaged due to lack of security at the center	Budget of Kshs.13,425,920 is committed	was no value for money.	<p>completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General</p>	
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					<p>within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
20	<b>Delay in Completion of Turkana County Headquarters Building</b>	<p>Another physical inspection carried out on the project on 27 August, 2024 revealed that, although the contractor was on site, the project was not yet complete and put into intended use. Lift testing and commissioning, carpeting, electrical and plumbing works and power connection all of undetermined amount were</p>	<p>The project implementation team through the department of public works are quantifying the remaining works for retendering in order to get a new contractor to finish the remaining works. Government is committed to completing and making use of the project.</p>	<p>The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there was no value for money.</p>	<p>The Committee recommends that; -</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for</p>	<p>Within 60 days after adoption of the report.</p>

		<p>ongoing and yet to be completed.</p> <p>the County was likely to lose funds through contract variations, interest charges and cost escalations and value for money had not been received on the expenditure already incurred.</p>			<p>in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter</p>	
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					in view and provide a status update to the Committee in the subsequent audit cycle.	
21	<b>Proposed Construction of Governor's Residence</b>	A physical project verification exercise done on 27 August, 2024 revealed that the contractor was on site but no works were on going. Management did not provide explanation on why the contractor had stopped work on the project	The county government will work to deliver the project by the end of Financial Year 2025/26.	The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there was no value for money.	The Committee recommends that;- 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public	Within 60 days after adoption of the report.

					<p>Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in</p>	
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					the subsequent audit cycle.	
21	<b>Stalled Construction of Modern Business Centre Located in Lodwar Municipality</b>	A project verification exercise carried out on the project on 18 September, 2024 revealed that the project has remained stalled.	A final project appraisal report prepared by the Department of Public Works on 30th September 2021 indicates the project is nearly half way done, with assessment placing works done at 46.94% valued at 62,148,483.06. The Office of the County Attorney is currently handling this matter since the contactor file a court case.	The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there was no value for money.	The Committee recommends that; - 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government)	Within 60 days after adoption of the report.

					<p>Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
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22	<b>Project Implementation Status</b>	<p>The County Executive had planned to implement two hundred and sixteen (216) projects during the year under review valued at Kshs.1,392,614,644 out of which one hundred and thirty (130) projects valued at Kshs.770,863,917 were completed, with eighty-six (86) projects valued at Kshs.621,750,727 ongoing.</p> <p>This is an indication of inadequacy in project planning and control mechanisms to ensure efficient absorption of available funds. listing/reports on stalled projects</p>	<p>Management has put in place monitoring structures that will ensure that all ongoing projects are completed on time. The PFM Act allows for payment of civil works done and certified only. The remaining works will be paid when they have been executed and certified.</p>	<p>The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached in addition, the project remained incomplete even after verification therefore there was no value for money.</p>	<p>The Committee recommends that; -</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the</li> </ol>	<p>Within 60 days after adoption of the report.</p>
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		were not provided for audit review.			<p>date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
23	<b>Lack of Non-current Assets Register</b>	Annex 6 - summary of non-current assets register reflects cumulative	Upon assuming office by the new administration several steps have been made	The committee observed that the management did not provide the	The Committee recommends that; - 4. County should expedite the process of	Within 60 days from the date of adoption

		<p>historical asset amount of Kshs.10,603,708, 879 as at 30 June, 2024. However, the County Executive had not kept and maintained an assets register. Management did not show any assurance over the existence, location, use and valuation of the County Executive assets.</p>	<p>towards addressing the challenge of lack of assets register; The management is committed to having an asset register in place by 30th June, 2025.(Refer to annex 8: Draft Asset and Liability Management Policy).</p>	<p>updated asset register.</p>	<p>updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</p> <p>5. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from</p>	<p>of this report</p>
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					<p>defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>6. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
24	<p><b>Information Communication Technology Controls</b></p> <p><b>Weaknesses in Information and communication Technology Controls</b></p>	<p>The ICT policy was not approved in-order to pave way for the constitution of effective IT Strategic Committee that will provide strategic advice on ICT initiatives and investments.</p>	<p>Once the County Attorney office approves the Draft Policy document, the document would then be shared with the County Executive Committee members for approval through a cabinet</p>	<p>The committee noted that the policy is in draft form and is yet to be approved by the County Attorney and the Cabinet.</p>	<p>The Committee recommends that;</p> <p>-</p> <p>1) The committee recommends that the process be fast tracked and the policy be implement</p>	<p>Within 60days after adoption of the report.</p>

		<p>Management had constituted an IT Steering Committee. there was no documentary evidence to confirm that the committee was functional or has undertaken any activities since its appointment on 1 August, 2023. the existence of an effective ICT governance, adequacy of internal control structures in safeguarding public resources could not be confirmed.</p>	<p>memorandum introduced by the County Executive committee member in-charge of ICT programming in the County. This process would be complete by December, 2024.</p>		<p>ed within sixty (60) days from the adoption of this report and submit the same to the Auditor General.</p> <p>2) The Auditor General to closely monitor the development, documentation and communication of these policies within the county entity in the subsequent audit cycles.</p>	
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27	<b>Physical and Environmental Weaknesses over the ICT and E-government Controls</b>	<p>Weaknesses which can adversely affect the operations of the County if not attended</p> <p><b>Cabling/Network:</b> The cables are not labelled making it hard to troubleshoot should an outage occur and there is an absence of documentation on the available network topology.</p> <p><b>Accessibility to back panels:</b> Working behind the racks is extremely difficult and the spacing and arrangement of the racks needs to be improved.</p> <p><b>Power:</b> There is no surge protector for the equipment in the Data Center</p>	<p>The issues in the Server room at the County treasury leading to i- adequate safe guards at the data Centre to protect the equipment and critical data from intrusion has been fully addressed</p>	<p>The Committee observed that the audit revealed several ICT-related weaknesses within the County Executive that could significantly impact its operations if not addressed. The network infrastructure lacked proper labeling, making troubleshooting difficult, and there was no documentation of the network topology. Physical accessibility to back panels was constrained due to poor spacing and arrangement of racks, while inadequate</p>	<p>The Committee recommends the management to enhance ICT infrastructure and ensure operational continuity, the County Executive should immediately implement best practices in network management, including proper labeling of cables and documentation of network topology for efficient troubleshooting. The physical arrangement of racks should be improved to facilitate accessibility and maintenance. A robust power backup solution, including surge protectors and a</p>	<p>Within 60 days after the adoption of the report.</p>
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		<p>and when main electrical power goes off, the available UPS cannot withstand the available equipment operation for more than 30 minutes.</p> <p><b>Security:</b> The Data Center door is located on the same corridor serving many other offices that serve the general public, there is also no logging in / out of visitors to the Data Center. In addition, there is no intrusion detection system in place.</p> <p><b>Fire:</b> Fire suppression system is not in place and there are highly combustible materials at the</p>		<p>power backup meant that the available UPS could only sustain operations for 30 minutes in case of a power outage.</p>	<p>higher-capacity UPS or generator, should be installed to ensure uninterrupted operations. Security measures must be strengthened by restricting access to the Data Center, implementing visitor logging, and installing an intrusion detection system. Fire safety protocols should be enhanced by installing a fire suppression system and removing combustible materials. Most importantly, the County Executive should establish a disaster recovery site to ensure business continuity and protect critical data in case of system failures or</p>	
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		<p>back of the Data Center.</p> <p><b>Lack of disaster recovery site:</b></p> <p>The County should have a disaster recovery site in place that can be used, in case the data center goes down to enable recovery of backups and restore critical systems and data.</p>			<p>cyber threats. Regular audits and risk assessments should also be conducted to maintain ICT security and resilience.</p>	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF UASIN GISHU COUNTY EXECUTIVE  
FOR THE FINANCIAL YEAR 2023/24**

**Basis for Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1	<b>Anomalies in Pending Bills</b>	Note 19(1) reflects pending accounts payables balance of Kshs.642,153,876. while Annex 2 reveals a balance of Kshs.9,082,944 leading to a variance of Kshs.633,070,932 No breakdown of other pending payables balance of Kshs.41,465,948 There was an increase by	FY 2022/23 to Kshs. 707,393,356 due to the late disbursement of funds from the National Treasury, during the FY 2023/2024. The disbursement of June 2024 was received in the month of October 2024. Pending bill of Kshs 31,340,000 was erroneously	The management had breached Section 41(2) of PFM County Governments Regulation, 2015. The management did not provide clear evidence on how it intends to clear pending bills.	1) all County Governments pay verified pending bills amounting to less than Kshs. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2025/2026 2) That; i. pursuant to the provisions of Regulation 41(2) & (3) of	60 days after adoption of the report.



		<p>Kshs.428,367,750 in pending bills from the previous financial year 2023-2024.</p> <p>An amount of Kshs.31,340,000 was not included in the list of pending bills as at 30 June, 2024.</p> <p>Ageing analysis of the pending bills not provided.</p>	<p>omitted, adjusted made to list Ageing analysis finalized and availed.</p>		<p>the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited</p>	
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					<p>pending bills when approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>iv. pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>v. pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management</p>	
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					vi. (County Governments) Regulations; pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations.	
<b>OTHER MATTERS</b>						
2	<b>Budgetary Control and Performance</b>	There was an under-funding of Kshs.3,577,487,218 or 27% of the budget and an under-absorption of Kshs.544,367,221 or 6% of the actual receipts.	The under-funding due to delay in the disbursement of funds by the National Treasury. The under-absorption also due to the delay in disbursed of funds	<ol style="list-style-type: none"> <li>1. The county entities did not receive exchequer releases from the National Treasury on time.</li> <li>2. The county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the</li> </ol>	<ol style="list-style-type: none"> <li>1) The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</li> <li>2) The County Executive puts in place measures to enhance its own generated revenue in order to meet its</li> </ol>	Continuou s

				<p>affected county entities.</p> <p>3. Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.</p>	<p>revenue target and address revenue shortfalls.</p> <p>3) County Assemblies to exercise their powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.</p>	
3	<b>Unresolved Prior Year Matters</b>	Several paragraphs were raised, however, no report or recommendations from Uasin Gishu County Executive Management and	County appeared before the PAC Senate Session and presented the financial statements for the FY 2022/2023. We	The management had not addressed most of the prior year's matters.	1) the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General	60 days after adoption of the report.

		oversight bodies were submitted for audit verification. Further, the issues remain unresolved	are awaiting the PAC recommendations.		and submits a report to the Auditor General within 60 days of the adoption of this report. 2) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>						
4	<b>Compensation of Employees Failure to Observe Ethnic Balance on Staff Composition</b>	There are a total of 4,639 employees out of whom 4,001 or 86% of the total members of staff were from the dominant community in the County. The County employed 181 staff out of whom 167 or 92% were from the dominant community.		The management did not adhere to Section 65(1)(e) of the County Government Act 2012	1) The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County Government Act on ethnic inclusivity. 2) The Standing Committee on National Cohesion and Regional	60 days after adoption of the report.

					Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.	
5	<b>Irregularities in Recruitment of Employees</b>	<p>All the staff appointed were not inducted within the first three months. No evidence that the vacancies emanated from the gaps in the authorized staff establishment. No evidence of advertisement, shortlisting, Interview evaluation criteria, attendance register for the officers interviewed and interview report was maintained by</p>	<p>The CPSB annual work plan outlines the number of recruitments for the year, which are aligned to the approved budget. Once the budget is confirmed and the vacancy is validated within the staff establishment, the CPSB will consider approval requests and publicly announce the vacancy. Casual workers are engaged only</p>	<ol style="list-style-type: none"> <li>1) The management had no annual recruitment plan.</li> <li>2) The management did not provide the OAG relevant documents to support recruitments of the employees.</li> </ol>	<p>The County Executive should expedite development and approval of its annual recruitment plan and provide a status report should to the Auditor General for verification within sixty (60) days of the adoption of this report.</p> <p>The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with</p>	60 days from the adoption of this

		the County Public Service Board.	on urgent short-term tasks with approval of the CPSB. The Board has developed a tailored temporary requisition form that must be completed by each department on need basis.		section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report	
6	<b>Irregular Payment of Acting Allowance</b>	Acting allowance processed through the IPPD system totaling to Kshs.1,760,000 paid to five (5) members of staff who had acted for more than six (6) months and earned allowances amounting to Kshs.1,005,864	County Public Service Board approved extension of acting appointments to enable departments run seamless pending budgetary allocation to fill the gaps/positions.	The management paid acting allowances beyond stipulated timelines	1) Provision to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of	60 days from the date of adoption of this report

					<p>casual employees, contracted workers, acting positions and a platform for management of county human resources.</p> <p>2) The Office of the County Governor (CEO) undertakes administrative action against the responsible officer(s) who fails to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60)</p>	
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					<p>days from the adoption of this report.</p> <p>3) the OAG to monitor the matter in the subsequent audit cycle.</p>	
7	<b>Irregularities in Construction of Civil Works Road Projects</b>	<p>Length and width of the roads not indicated.</p> <p>Registration of engineers and contractors.</p> <p>Some roads did not have drainage or drainages were poorly</p> <p>Box culverts poorly channelled.</p> <p>Some roads were not maintained during the period under review.</p> <p>Supervisory fees prime costs, engineers miscellaneous accounts not explained.</p> <p>The contracts did not indicate the</p>	<p>To include the expected distances of graveled roads in the Agreements from this Financial Year 2024/2025.</p> <p>Resident Engineers (REs) are registered</p> <p>Due to budgetary constraints drainage works in the identified projects could not be implemented.</p> <p>The prime cost sums used for project-related purposes</p> <p>Going forward, geographical</p>	<p>The management did not account for supervisory fees, prime costs, and engineers' miscellaneous accounts.</p> <p>The management did not specify works to be executed in the BQs.</p> <p>The management made payment to poorly done and incomplete works.</p>	<p>The Ethics and Anti-Corruption Commission to cause the investigation of the accounting officer and the responsible officers for the possible loss of public funds with a view to instituting the prosecution of the culpable officer(s) for the offences.</p>	60 days from the date of adoption of this report

		individual and cumulative road distances. The Kipsano-Cheptabach footbridge in Cheptiret/Megun Ward was incomplete, unusable state and may have to be redone	coordinates for the start and end point of and structural works will be included.			
8	<b>Irregularities in Construction and Civil Works</b>	No public participation in project identification. No purchase orders with the successful bidders. Some payments not related to Construction and Civil works. Leakages on ceiling boards of renovated buildings and the newly constructed abolition block. Paving slabs had not been laid as	The Bills of quantities contains market prices. The procuring entity used the contract agreement with successful bidder. The budget for project signboard, hoarding, storage store and site office were instructed by the Project Manager with the approval of the client to be	The management did not: Ensure works were executed in accordance with the BQs. Properly classify transactions. Maintain proper project documentation.	The Ethics and Anti-Corruption Commission to cause the investigation of the accounting officer and the responsible officers for the possible loss of public funds with a view to instituting the prosecution of the culpable officer(s) for the offences.	60 days from the date of adoption of this report

		specified in the BQ.	used to varnish the ground and first floor internal walls and ceiling. Progress chart provided, clothing cubes for ladies' washrooms were fabricated as per the BoQ, three coats of exterior emulsion paint to external walls, water cistern and roof leakages was done.			
9	<b>Prolonged Delays in Upgrading of 64 Stadium</b>	The contractor was on site although there was no activity. The grass was drying. The electricity lines had not been moved. Extension approved for 9 months till May, 2023.	Performance bond for the two extensions as provided. Contract extensions forwarded to the relevant authority. Design review causing delay in project implementation	The management did not: Provide a performance bond for extensions. Provide an evaluation committee extension of project time.	1) The Management establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of	60 days from the date of adoption of this report

		<p>Another Extension approved for another nine (9) months till March, 2024.</p> <p>Another extension of 18 months granted.</p> <p>No evidence of review meetings, risk register maintained</p> <p>Project delayed over 2 years</p> <p>Contractor has stopped works citing delays in payment.</p> <p>As at the time of audit in October, 2024, payments totalling Kshs.663,428,347 had been made leaving an unpaid balance of Kshs.500,135,578</p>	<p>Relocation of service.</p> <p>Delay as a result of Covid 19 Pandemic</p> <p>Delay as a result of acute shortage of materials and fuel in the Country.</p> <p>Delayed resolution of conflict in the design and extent of site boundary among other reasons.</p>		<p>projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015.</p> <p>2) The EACC to investigate the project from inception with a view of causing prosecution of The Office of the County Governor and the CECM, Finance and Economic Planning for possible loss of funds and provide a status report to the</p>	
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					<p>Office of the Auditor General and the Senate within 60 days from the adoption of this report; and</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
10	<b>Irregular Extension of Consultancy Services in the Upgrading of 64 - Stadium</b>	<p>Project extended twice and for more than thirty (30) days. Contract period was extended two times totalling 76 weeks, more than the contract period.</p> <p>The consultancy services were terminated. No explanations were provided on the termination.</p>	<p>Preparation of ownership documents ongoing. The use of the land commenced before the land was acquired. Preparation of the mutation forms is ongoing. County executive is in custody of the original titles. The public participation for the parcels were</p>	<p>The management did not provide documents to demonstrate further action to complete the project.</p>	<p>1) The County Office of the County Governor establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of</p>	<p>60 days from the date of adoption of this report</p>

		<p>Not registered in favour of the County Government. Previous owners using the parcels. The ten (10) Land mutation forms not provided. Minutes of public participation not provided. Accounting Officer/user department requisitions not supported. Estimated value of the parcels of land unrealistic and based on the prevailing rates. No evidence of advertising tenders. Official search done after execution of the sale agreement. Title deeds not yet processed.</p>	<p>undertaken during preparation of budget and were approved by County Assembly. Environmental and Social Impact Assessment reports to be undertaken during construction phase of the projects.</p>		<p>value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritize completion of the project and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p>	
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		Land purchased not demarcated. Two (2) additional parcels of land omitted from the financial statements			3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
11	<b>Stalled Construction of Chebororwa Agricultural Training Centre (ATC) Produce Stores</b>	As at October, 2024, the project was not complete. There was no request for extension of the contract. A few construction materials were on site, the contractor was not on site and the project had stalled. Contractor served with two notices of slow progress and failed to respond to both of them. Contract expired at the end of project period and the management is in the process of	The contractor served with two notices of slow progress, on 15th July, 2023 and on 25th August, 2023 and did not respond to both of them. The contract period ended on 27th August 2023 without request for extension ending project period and Contract Termination Notice issued on 23rd October, 2023.	The project was incomplete and stalled, and the contractor was not on site.	1) The Management establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance	60 days from the adoption of this report.

		terminating the project.			<p>Management (County Government) Regulations, 2015.</p> <p>2) The Office of the County Governor to prioritize completion of the project and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
12	<b>Equipping the County Call Centre</b>	Serial numbers of the call centre equipment not indicated making	The items supplied are safe and secure custody with 24	The management did not: Ensure contract extensions were	The Ethics and Anti-Corruption Commission to cause the investigation of the	60 days from the date of adoption



		<p>them susceptible to loss/theft. Specifications of the computers varied with those in the terms of reference. Compatibility of the switchboard in doubt. value for money for the headphones could not be confirmed. Operationalization of the Call center doubtful. No laptops were provided for the audit verification. The excess purchase of laptops amounted to wasteful expenditure County.</p>	<p>hours CCTV surveillance. Asset management system being implemented. Toll-free number was disconnected and is currently not operational. The 6 desktop computers specifications slightly vary from the TOR Switchboard runs independently from the call center. Headphones counted were 9 but the missing headphone was found. Operationalization of the call center is ongoing. The 10 laptops exist and were redistributed to</p>	<p>based on Evaluation Committee recommendations. Justify the project being extended twice for over 30 days. Prevent the contract period from being extended twice, totaling 76 weeks—exceeding the original contract period. Provide explanations for the termination of consultancy services.</p>	<p>accounting officer and the responsible officers for the possible loss of public funds with a view to instituting the prosecution of the culpable officer(s) for the offences.</p>	<p>of this report</p>
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			<p>officers within the department. The items supplied are safe and secure custody with 24 hours CCTV surveillance. Asset management system being implemented. Toll-free number was disconnected and is currently not operational. The 6 desktop computers specifications slightly vary from the TOR Switchboard runs independently from the call center. Headphones counted were 9 but the missing headphone was found. Operationalization of the call</p>			
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			center is ongoing. The 10 laptops exist and were redistributed to officers within the department. The additional 10 laptops and 10 headphones were procured to be used by staff working at the call center.			
13	<b>Office of the County Attorney</b>	County engaged external advocates to represent it in various legal matters despite having a fully functioning Office of the County Attorney tasked with representing the County Executive in court or in any other legal proceedings. The County attorney has an approved staff establishment of	Office of the County Attorney is not adequately staffed Will be addressed progressively The Office intends to budget for two more Legal Counsel in the next budget cycle. The County Attorney is not precluded in law from engaging and/or procuring	The management engaged external advocates for legal representation despite having a fully functioning Office of the County Attorney responsible for handling the County Executive's legal matters.  The Office of the County Attorney has an approved staff establishment of 42 employees but currently operates	1) The Office of the County Governor to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.	60 days from the date of adoption of this report

		42 employees against actual 10 employees.	the services of external counsel or consultants.	with only 10 employees.	<p>2) The County Executive utilizes the Office of the County Attorney to provide legal advice and court representation. The county should provide evidence of compliance with the County Attorneys Act within 60 days of the adoption of this report.</p> <p>3) The OAG to follow up on the matter in subsequent audits.</p>	
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
14	<b>Lack of Operational Secondary Power Back Up</b>	There was no secondary power back up leading to multiple instances where the County staff remained unproductive whenever there	The County is cognizant of the need for an alternative power backup solution to avert cases of business disruptions as a result of power	The management has no power back up plan in subcounty offices in place	1. The Office of the County Governor should put in place a risk management policy and disaster recovery plan within sixty (60) days from the adoption of this	60 days from the date of adoption of this report

		were power blackouts.	blackouts. A solar power solution installation has been completed and is expected to efficiently provide reliability in service delivery.		<p>report and submit the same to the Auditor General.</p> <p>2. The Auditor General to closely monitor the development, documentation and communication of these policies within the county entity in the subsequent audit cycles.</p>	
15	<b>Control Weaknesses in Asset Management</b>	A comprehensive asset register detailing the assets that the County owned and/or were in control of the County and their values were not provided for audit review. Therefore, the value of assets under the care and/or ownership of the County Executive could not be determined.	At the time of this audit review, comprehensive assets register was being updated. However, the assets with historical costs have not been updated in the assets register. The valuation of these assets has not been finalized and is being undertaken	The management had an incomplete asset management register.	<p>1. The management should update and present its Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board.</p> <p>2. The management should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from</p>	60 days from the date of adoption of this report

			by the National Government. The County Human Resource Policies and Procedures Manual of March, 2023 has since domesticated, approved and is in use. Corruption Risk Assessment and Management Plan and a Risk Management Register have been developed		defunct Local Authorities and provide a status update to the Office of the Auditor General within 60 days of the adoption of this Report. 3. The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.	
16	<b>Lack of Human Resources Policy, Procedures Manual, Risk Management</b>	Management had not promulgated a code of conduct for its employees. There was no Human Resources Policy and Procedures Manual The Employee Code of Conduct is also undergoing review.	The County Human Resource Policies and Procedures Manual of March, 2023 has since domesticated, approved and is in use. Corruption Risk Assessment and Management	The management did not have a Human Resource Policy and Procedures.	The County Executive should expedite development and approval of its Human Resource Policies and Procedures and provide a status report should to the Auditor General for verification within sixty (60) days of the adoption of this report.	60 days from the date of adoption of this report

			Plan and a Risk Management Register have been developed			
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF VIHIGA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/2024.**

**Basis for Qualified Opinion**

<b>Audit Query</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
<b>14. Non-Disclosure of Commission Earned from Payroll Services Rendered</b>	<ul style="list-style-type: none"> <li>Service charge/commission amounting to Kshs.4,298,552 was charged for processing payroll deductions for third party institutions but the commission earned was not disclosed in the financial statements as income</li> </ul>	<ul style="list-style-type: none"> <li>The service charge/commission earned by the County Executive are recognized under the Receiver of Revenue financial statements as own source revenue. However, the amount totaling to kshs. 2,835,152 out of kshs. 4,298,552 were erroneously shown as commission earned from commercial loans when it was all remitted to settle staff loans in various banking institutions, hence commission earned for processing payroll deduction stands at Kshs. 1,463,400 in the year under review.</li> <li>The receiver of revenue reported Kshs. 827,996 out of Ksh. 1,463,400 recovered from the payroll as third-party commission earned as miscellaneous income. However, in the subsequent periods, these will be reported as commission earned from third parties.</li> </ul>	<ul style="list-style-type: none"> <li>It is not clear how Kshs. 2,835,152 was arrived at.</li> <li>Although Kshs.827,996 is disclosed as miscellaneous revenue under receiver of revenue, but we could not confirm if the same was in respect to commission earned</li> <li>Kshs.635,404 (1,463,400-827,996) not accounted for</li> </ul>	<p>The Committee recommends that;</p> <p>6. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report; and</p> <p>7. The Office of the County Governor</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	to the County.			must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.
<b>2.1 Transactions in System Payments but not Processed in Payment Detail</b>	516 transactions with a total value of Kshs.314,645,241 were paid but not captured in payment details.  According to Management, the payments relate to imprest surrender and	The management reported all transactions in the financial statements through various reporting expenditure lines such as domestic travel and subsistence, other capital grants and transfers. It is also important to note that these are primary data used to prepare the financial statements and hence captured under various categories of reporting lines.	Amount of imprest surrendered during the year and direct payments to departments and donor funded projects as reflected in the financial statement are way above Kshs.314,645,241.  The inconsistency is not explained or reconciled.	The Committee recommends that; 1. EACC to investigate the 516 transactions with a total value of Kshs.314,645,241 with a view to cause prosecution of responsible officer(s) pursuant Regulation 210 of PFM County Regulations and section 199 of the PFM Act for possible loss of

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>direct transfer to departments and donor funded project payments.</p> <p>The payments had not been incorporated in the financial statements.</p>			<p>funds and provide a status update on the progress within 60 days to the OAG and the Senate;</p> <p>2. Office of the County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 60 days of adoption of this report;</p> <p>3. the Institute of Certified Public Accountants of Kenya (ICPAK) to undertake</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report;</p> <p>4. the Management to engage the National Treasury to assist in resolving the discrepancies in the IFMIS records to clear outstanding unreconciled items and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>
<b>2.2 Transfer to Other</b>	Analysis of payment details in IFMIS	The management response to the Auditor's observation on the above subject matter is as follows;	The amount of Kshs.370,958,471 is a typing error. The correct	<p>The Committee recommends that;</p> <p>1. The Controller of Budget to</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<b>Government Agencies</b>	<p>indicates that, the amount of Kshs.308,760, 541 transferred to other entities, differs with the executive's ledger amount of Kshs.370,958, 471 resulting into an unreconciled difference of Kshs.62,197,930.</p> <p>Reconciliation between the two sets of records was not done.</p>	<p>The executive's ledger reported in the financial statements on other capital grants and transfers was kshs. 328,795,971 which consisted of Kshs. 328,345,971(Other capital grants and transfers) and Kshs. 450,000(other current grants and transfers) and not kshs. 370,958,471 as highlighted by the Auditor, hence the variance could have been Kshs. 20,035,430 which is the difference between kshs. 328,795,971 and Kshs. 308,760,541 and not 62,197,930.</p> <p>The management would like to clarify that payments that go through the Internet Banking (IB) are captured in the payment details in the IFMIS system. Hence the difference between the two figures was as a result of transactions which do not go through the payment details but forming part of the expenditures reported in the financial statements.</p> <p>Further, during clean – up of system at the end of the financial year, the voided transactions remain in the payment detail analysis report but are cleared from the accounts analysis report which</p>	<p>amount should be Kshs.328,345,971. Therefore, the difference is Kshs.20,035,430 is attributed to voided transactions which are not fully cleared in the IFMIS.</p> <ul style="list-style-type: none"> <li>• Not explained why voided transactions were not cleared after 30 June 2024.</li> </ul>	<p>liaise with the Auditor General to confirm whether the payments were canceled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days of adoption of this report;</p> <p>2. The Office of the County Governor undertakes administrative action against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p>is used for preparation of financial statements.</p> <p>In the year under review, included in Kshs. 328,345,971 is Kshs. 127,656,991.25 which did not go through payment detail and were in the accounts analysis which formed part of the expenditure reported in the financial statement. Again, included in Kshs. 308,760,541 is Kshs. 108,071,561.35 which remained in the payment details were voided transactions and transfers to other county government entities. Hence the variance of Kshs. 20,035,430.</p>		<p>Finance for voiding payments without approval and diverting funds;</p> <p>3. Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved; and</p> <p>4. The Committee recommends that the EACC should expedite investigations on the matter in</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				line with the Controller of Budget Act.
<b>3. Long Accounts Receivables-Outstanding Imprests</b>	The recoverability of the amount advanced to the County Assembly amounting to Kshs.14,000,000 is doubtful.	The management acknowledges the Auditor's observation on the above subject matter and responds as follows; Upon reconciliation with the County Assembly on the outstanding amount owed to County Executive, it was established that the Assembly owes the Executive Kshs. 9,000,000 and not Kshs. 14,000,000. However, the management has written to the Clerk to the County Assembly to refund the long outstanding amounts given that, these funds are for third parties.	<p>The outstanding amount from County Assembly is indicated as Kshs.14,000,000. However, the correct outstanding amount is 9,000,000 as Kshs.5,000,000 received from the Assembly was not captured in the county executive records.</p> <p>The management has written to the county assembly about the same but no response has been received.</p>	The Committee recommends that the Office of the County Governor immediately issue a formal demand letter to the County Assembly of Vihiga, requiring the prompt repayment of the outstanding Kshs.9,000,000 owed to the County Executive, or alternatively, provide a concrete and time-bound payment plan and ensure that a detailed status report on the actions taken to recover the funds is submitted to the Office of the Auditor General and the Senate within sixty (60) days from the adoption of this report.

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<b>3.2 Outstanding Salary Advances</b>	<p>The recoverability of the accounts receivables – outstanding imprests amounting to Kshs.16,638,638 could not be confirmed.</p>	<p>The management acknowledges the Auditor’s observation on the above subject matter and responds as follows; Some of the long outstanding salary advances were advanced to Members of the County Assembly when the payroll was still managed centrally at the County Executive. The payroll was separated in September, 2015. The Clerk to the County Assembly was to recover and remit these outstanding advances to the County Executive. Despite the County Executive reminders to the Clerk, no action has been taken to date.</p> <p>Mr. Sande Mukuna and Mrs. Florence Khaguli worked in the previous regime and left without clearing their advances. We have written to them to repay.</p> <p>Mr. Newton Okwiya who worked in the previous regime passed on. The management is in the process of writing off his outstanding advance in line with the PFM Act, 2012.</p>	<ul style="list-style-type: none"> <li>• Letter written to the clerk county assembly to recover and remit the outstanding salary advances to the county Executive.</li> <li>• No response received from the County Assembly and no action taken.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the County Executive immediately issues a formal letter of demand to the County Assembly, asking for recovery of the long-outstanding salary advances to the Members of the County Assembly (MCAs), including exploring legal action where necessary or providing a concrete plan for the recovery of the funds and provides a status report to the Office of the Auditor General within sixty (60) days from the</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>adoption of this report; and</p> <p>2. The County Executive to provide a detailed status report on the actions taken to recover the outstanding advances, including progress on the recovery of amounts owed by Mr. Sande Mukuna and Mrs. Florence Khaguli, as well as the write-off process for Mr. Newton Okwiya's advance in line with Section 150 of the PFM Act, 2012, is submitted to the Office of the Auditor General and the Senate within sixty (60) days from the</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations										
				adoption of this report.										
<b>1. Budgetary Control and Performance</b>	<p>The summary statement of comparison of budget and actual amounts (recurrent and development combined) reflects final revenue budget and actual on comparable basis of Kshs.5,965,773,487 and Kshs.4,963,541,189 respectively resulting into underfunding of Kshs.1,002,232,298 or 17% of the budget.</p> <p>In the circumstances, the under-</p>	<p>The management acknowledges the Auditor's observation on the above subject matter and responds as follows; The underfunding of kshs. 1,002,232,298 were as a result of not receiving all the budgeted revenue by the county executive where the June exchequer and other conditional grants were not received as tabulated below, hence under-funding.</p> <p><b>TABLE 1</b> <b>COUNTY GOVERNMENT OF VIHIGA REVENUE PERFORMANCE IN THE FY 2023/2024</b></p> <table> <tr> <th>Sr</th><th>Revenue Source</th><th>Budget Amount (Kshs)</th><th>Actual Received (Kshs)</th><th>Variance (Kshs)</th></tr> <tr> <td>1</td><td>Equitable Share</td><td>5,267,026,885</td><td>4,845,664,732.00</td><td>421,362,153</td></tr> </table>	Sr	Revenue Source	Budget Amount (Kshs)	Actual Received (Kshs)	Variance (Kshs)	1	Equitable Share	5,267,026,885	4,845,664,732.00	421,362,153	<ul style="list-style-type: none"> <li>The Committee observed that Equitable share of Kshs.421,362,153 was later received in August 2024 recognised in the subsequent financial year.</li> <li>Other amounts were not received in full as was budgeted.</li> </ul>	<p>The Committee recommends that:</p> <p>9. The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and</p> <p>10. The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.</p>
Sr	Revenue Source	Budget Amount (Kshs)	Actual Received (Kshs)	Variance (Kshs)										
1	Equitable Share	5,267,026,885	4,845,664,732.00	421,362,153										

Audit Query	Audit Finding	Management Response					Committee Observations	Committee Recommendations
	funding affected the planned activities and may have impacted negatively on service delivery to the residents of Vihiga County. •	2	Leasing of Medical Equipment	124,723,404	-	124,723,404		
		3	DANIDA Grant-Primary Healthcare in Developed Context Program	22,812,439	8,489,250.00	14,323,189		
		4	Own Resources	300,549,454	162,304,033.00	138,245,421		
		5	Conditional Grant for Aggregated Industrial Parks Program	-	-	-		
		6	Transformin g Health Systems for Universal Care Project-THS-UHC	521	-	521		

Audit Query	Audit Finding	Management Response					Committee Observations	Committee Recommendations
		7	IDA (World Bank) credit (National Agriculture and Rural Inclusive Growth Project) NARIGP	93,5 31,6 72		13,38 9,987	80,1 41,6 85	
		8	Provision of Fertilizer Subsidy Program	97,6 62,4 44		-	97,6 62,4 44	
		9	IDA (World Bank) Credit-National Agricultural Value Chain Development Project (NAVCDP)	200,000,000	195,112,952		4,887,048	
		10	Agriculture Sector Development Support Program - ASDSP II	6,839,704		990,847.00	5,848,857	

Audit Query	Audit Finding	Management Response					Committee Observations	Committee Recommendations
		11	Livestock Value Chain Support Project (LVCSP)	14,323,680	-	14,323,680		
		12	Treasury Development - ( KDSP)	8,442,092	-	8,442,092		
		13	Kenya Urban Support Program-UDG Grant	1,194,955	-	1,194,955		
		14	Village Polytechnic	6,141,234	-	6,141,234		
		15	Nutrition International	18,529,528	7,500,000	11,029,528		
		16	Climate Change Fund/FLLo CA	247,671,146	173,765,060.00	73,906,086		
		18	Balance (b/f)	270,395,647	270,395,647.00	-		

Audit Query	Audit Finding	Management Response					Committee Observations	Committee Recommendations
				6,67 9,84 4,80 5	5,677 ,612, 507.5 0	1,00 2,23 2,29 8		
		•	Grand Total					
<b>2. Pending Bills</b>	Failure to settle pending bills amounting to Kshs.1,466,523 during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions to the subsequent year as they form a first charge	<p>The management acknowledges the Auditor's observation on the above subject matter and responds as follows; The management has scrutinized the pending bills as at 30<sup>th</sup> June 2024, through the County Pending bills committee of which Kshs. 1,376,666,666 was verified to be the pending bills owed by the County Executive of Vihiga. The difference between the reported figure in the financial statements and the verified figure of 1,376,666,666 will be adjusted in the subsequent year 2024/2025 financial statements.</p> <p>However, the Vihiga County Executive is committed in addressing the pending bills issues and has in place a payment plan under which this will be settled. In addressing this matter, the management has set aside Kshs.679,120,202 in the approved supplementary budget for financial year 2024/2025.</p>					<ul style="list-style-type: none"> <li>According to the payment plan, the management intends to clear the pending bills by June 2027, a period of 3 years.</li> <li>However, the payment plan is not approved by the cabinet.</li> </ul>	<p>The Committee recommends that:</p> <p>3. All County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and</p> <p>4. that-</p> <p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments)</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>budget estimates;</p> <p>v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB)</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				shall not approve the supplementary budgets.
<b>1. Unresolved Prior year Matters</b>	Management had not resolved all issues raised in the prior year audits hence failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting template.	<p>The management response to the Auditor's observation on the above subject matter is as follows.</p> <p>The management has adhered to the provisions of the Public Sector Accounting Standard Board template as shown in pages 30-35 of the financial statements.</p> <p>It has highlighted issues that were raised and debated at the Senate with comments of whether resolved or unresolved.</p>	<ul style="list-style-type: none"> <li>• The issues raised by the office of the auditor general for the financial year 2022-2023 and 2023-2024 have not been interrogated by the County Assembly and Senate.</li> <li>• Awaiting recommendations for appropriate action.</li> <li>• However, some of the OAG recommendations have been addressed and therefore not</li> </ul>	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by acting on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
			included in the audit for FY 2023-2024.	
<b>2. Non-Achievement of Annual Development Plan and Budget Targets</b>	<p>Projects valued at Kshs.392,444, 106 were completed but not paid for. No plausible reason was provided.</p> <p>The County Executive is behind schedule in its implementation of the Annual Development Plan (ADP).</p>	<p>The management acknowledges the auditor's observation on the above subject matter and responds as follows. The Annual Development Plan (ADP) breaks down the projects, programmes and priorities contained in the CIDP that are earmarked to be implemented in the financial year. The ADP includes all projects to be funded by the County Government, the National Government, Development partners as well Public Private Partnerships. When it comes to the Annual County Government budget it only contains the projects that will be funded by the County Government resource envelope. This was the main cause of the difference between the value of projects in the ADP and the Budget.</p> <p>The completed projects under the financial year 2023/2024 that were not paid were as a result of failure to receive all the exchequer from the National Treasury in the year under review. Nevertheless, the management has done its first supplementary budget FY</p>	<ul style="list-style-type: none"> <li>• No records provided to show the amount paid out of outstanding amount of Kshs.392,444.</li> <li>• In-sufficient funds allocated to development projects.</li> </ul>	<p>The Committee recommends that:</p> <ol style="list-style-type: none"> <li>1. All County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and</li> <li>2. that-             <ol style="list-style-type: none"> <li>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County</li> </ol> </li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		2024/25 that has allocated a total of Kshs. 679,120,202 towards payment of accumulated pending bills in FY2023/24 and prior years.		<p>Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the</p>

<b>Audit Query</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
				supplementary budgets.
<b>3. Late Exchequer Releases</b>	Exchequer releases amount of Kshs.4,963,541,189 was received by the County during the year out of which Kshs.2,000,446,283 or approximately 40% of the total of 4,963,541,189 was received in the last quarter.	The management has noted the Auditor's observation on the above subject matter and is in agreement with the Auditor and looking forward to prompt exchequer releases by the National Treasury, as required by the law.	<ul style="list-style-type: none"> <li>In the last few years, the National Treasury has not been remitting funds to counties in time and as stipulated in law.</li> </ul>	<p>The Committee recommends that;</p> <p>3. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate; and</p> <p>4. The county executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.</p>
<b>1. Irregularities in the Construction of a Modern</b>	<p>The following unsatisfactory matters were noted:</p> <ul style="list-style-type: none"> <li>Delay in completing and handing</li> </ul>	<p>The management acknowledges the Auditor's observation on the above subject matter and response as follows;</p> <p>i. Final snagging at the time of the audit had not been addressed however, the contractor has actioned on the snag list which</p>	<ul style="list-style-type: none"> <li>Completion certificate attached but handing over certificate is not provided</li> </ul>	<p>The Committee recommends that;</p> <p>9. The County Executive establishes a project management and monitoring</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<b>Funeral Home</b>	<p>over the project for use.</p> <ul style="list-style-type: none"> <li>The snags noted by the project implementation committee were yet to be addressed by the contractor.</li> <li>Variations were not properly documented and justified.</li> <li>Quality of roofing</li> </ul>	<p>has enabled the client occupy the funeral home.</p> <p><b>ii.</b> Due process for variation was procedurally followed. The minutes from Contract Implementation Team (CIT) requesting for variations and approval by the accounting officer were available in the project file at the time of audit and they are still available for verification.</p> <p><b>iii.</b> The change was necessitated by the fact that at the time roofing was taking place original Decra tiles as imported from New Zealand by Tile and Carpet were not available in the market and instead we had many inferior brands of similar appearance from China which the contractor could not guarantee the quality, the roofing cover was thus substituted to Versatile Gauge 28 sheets.</p> <p><b>iv.</b> The change in ceiling finish was requested by the user department, being Health, and noted in site meeting minutes and further recommended to the</p>	<ul style="list-style-type: none"> <li>No final accounts were provided- the variations not fully supported.</li> <li>Although roofing materials, ceilings etc used appears to have been of lower quality. No explanation was provided.</li> </ul>	<p>System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>10. The Office of the County</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>material s, ceiling boards, ceramic tiles etc differed with the ones specified in the bills of quantity .</p> <ul style="list-style-type: none"> <li>It doubtful if the changes were appropriately authorized and value for money realized from the</li> </ul>	<p>Chief Officer by the Contract Implementation Team (CIT) for approval before commencement. The ceiling was thus substituted to gypsum ceiling of similar quality. It is noteworthy to note that standard building contract and appendix to conditions of contract on Final Account states that all works done on site are re-measured and valued.</p> <p>v. There were shortages in Duravit sanitary fittings and contractor provided equivalent fittings.</p> <p>Currently the project is complete, handed over and in use.</p> <ul style="list-style-type: none"> <li>a) Recommendation for change in Scope of work</li> <li>b) Approval for change in scope of work</li> <li>c) Certificate for completion</li> <li>d) Photos</li> </ul>		<p>Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>11. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and</p> <p>12. The Office of the County Governor undertakes administrative action against the responsible officer(s) who</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	cumulative expenditure of Kshs.94,294,478.			failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>2. Delays in Completion of the Governor's and Deputy</b>	The County has not benefitted from the project which has cost Kshs.148,526,625 because of project delays and failure to	The management acknowledges the concerns raised by the auditor and responds as follows; <b>1. Status of Key Installations.</b> i. <b>Water Supply:</b> The management has installed ground-raised steel water tanks at both residences, each with a capacity exceeding 10,000 liters.	<ul style="list-style-type: none"> <li>• Communication between the contractor and management on outstanding works attached.</li> <li>• However, the inspection and</li> </ul>	The Committee recommends that; 1. The County Executive establishes a project management and monitoring

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<p><b>Governor's Residences</b></p>	<p>allocate sufficient funds to complete the projects.</p>	<p>Plumbing works were completed, ensuring a reliable water supply. The Amatsi water company has finalized the connection of the potable water to the two residences ensuring a reliable water supply.</p> <p>ii. <b>Electricity Connection:</b> this was not part of the contract though the management is working to ensure both residences are connected to power lines. The payment of the connection fee was processed but due to delays in exchequer release, the process was halted. We have acquired a revised quote from the power utility company due to the lapse in time. To fully address the payment, the management has re-budgeted for the same.</p> <p>iii. <b>Access Roads:</b> this was not part of the contract, however, there exist access roads to the residences and the management will continue improving on their conditions.</p> <p><b>2. Contractor Compliance and Project Completion Efforts</b></p>	<p>acceptance committee report are not provided to confirm the current status</p> <ul style="list-style-type: none"> <li>• No completion/handing over certificate evidence to show that the buildings have been completed and handed over for use</li> </ul>	<p>System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p>The contractor handed over the project on 14/8/2024 within the extended period of 6 months from the month of march, 2024. Due to the extended time of construction of the project spanning over 7 years, latent defects started to manifest visually and in some installation via the operation of some fittings. This warranted the technical team to prepare a snagging list that was handed to the contractor. The contractor committed to address the failures within the grace period (defects liability period) that was to run till 14/3/2025.</p>		<p>within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>provide a status update to the Committee in the subsequent audit cycle; and</p> <p>4. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>3. Irregular Procurement of Motor Vehicle Insurance</b>	Unsatisfactory matters noted: <ul style="list-style-type: none"> <li>The job was irregularly awarded to a supplier who failed to submit required security bond of</li> </ul>	<p>The document was part of mandatory requirements and it was on bidder's attachments at the time of evaluation.</p> <p>It is important to note that, the insurance companies normally issue motor vehicle stickers upon payment of the premium. In this regard, the County Executive was issued with the stickers equivalent to the amount paid, of which covers the vehicles that were on road, therefore, the vehicles were covered.</p>	<ul style="list-style-type: none"> <li>The security document was not provided by the firm awarded contract making procurement process irregular.</li> <li>The county government</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents (security document amounting to Kshs. 280,000 for the successful bidder</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>Kshs.280,000.</p> <ul style="list-style-type: none"> <li>The County failed to pay an annual instalment of Kshs.12,401,112. as provided in the contract .</li> </ul>		<p>breached the terms of payments (contract) as agreed with the service provider.</p> <ul style="list-style-type: none"> <li>Although the contract is still active, but we could not establish the amount paid to-date.</li> </ul>	<p>attached to the tender documents) to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The County Government immediately settles the outstanding annual instalment of Kshs. 6,254,312 to ensure full compliance with the insurance contract. Failure to pay the full instalment exposes the County Executive to</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>significant financial risk, as the insurer may refuse to honor obligations in the event of an accident due to non-payment and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; and</p> <p>3. The County Government reviews and amends Clause 4 of the contract agreement to align it with Section 147 of the Public Procurement and Asset Disposal Act, 2015, which mandates strict adherence to agreed terms and conditions, including payment</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>schedules. The current clause, which ties payment to the availability of funds, is unfair to the insurer and poses a significant risk to the County Executive in the event of a claim. The amended contract must ensure that payment obligations are clearly defined and enforceable and provide a copy of the revised contract be provided to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>
<b>4. Irregularities in the Proposals</b>	<p>Anomalies noted:</p> <ul style="list-style-type: none"> <li>• Delayed completion</li> </ul>	<p>The management acknowledges the Auditor's observation on the above subject matter and responds as follows;</p>	<ul style="list-style-type: none"> <li>• The Committee observed that the</li> </ul>	<p>The Committee recommends that;</p> <p>4. The County Executive</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<p><b>ed Construction and Completion of Hospital Plaza</b></p>	<p>ion of the project</p> <ul style="list-style-type: none"> <li>Some of the outstanding works include; Epoxy floor finishes in some areas, Acoustic ceiling in some parts, Incomplete electrical/mechanical fittings, lift/generator installations and some external works</li> <li>The temporary stoppage was</li> </ul>	<p>The computation of work done by previous contractor amounting to 193,951,779 was done by a consultant, Frader consultants. However, the first contract was awarded to M/S Kalalu Building Contractors whose bid sum was Kshs. 294,916,196.00. The electrical works were evaluated separately and awarded to Mbale Town Electroworks Limited at a bid sum of KShs 27,960,814.00.</p> <p>Furthermore, the design and supervision of the project was being carried out by consultant, namely Design infinity Architects, who were contracted for a sum of KShs 13,000,000.00</p> <p>Therefore, the total cost of the project was coming to KShs 335,877,010.00 and not the Kshs. 250,000,000 stated.</p> <p>It is also noteworthy that over the ten-year period there has been an average inflation rate of over 6% annually resulting to a 60% drop in value of money from beginning of the period compared to the end).</p> <p>The contractor requested for an</p>	<p>request for extension was approved for 12 months ending May 2025.</p> <ul style="list-style-type: none"> <li>Only preliminaries are indicated as a 100% done.</li> <li>Percentage of work done in other areas including builders works not indicated.</li> <li>Variations as a result of retrofitting is</li> </ul>	<p>establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>attribute d to delayed payment to the contractor.</p> <ul style="list-style-type: none"> <li>Some of the works including retrofitting were not adequately quantified and valued.</li> </ul>	<p>extension of 12 months on 20<sup>th</sup> February 2024 which was granted by the CO Health on 16<sup>th</sup> May 2024. Minutes and the letters recommending the extension and giving the approval are available).</p> <p>There have been challenges with adequate budget which have hampered progress, but noteworthy is that the contractor has nonetheless carried out more work than what has been paid for and has committed to completing the remaining works within the scheduled period.</p> <p>Documents detailing the scope of work and cost are available.</p> <p>The County has challenges of inadequate development budget to cover all the flagship projects, however the County has allocated Kshs. 100,000,000 in the current budget and committed to budgeting for the outstanding balance in the subsequent budgets.</p>	<p>documented , however the preparer of the document and approver is not indicated.</p> <ul style="list-style-type: none"> <li>Outstanding works include electrical/mechanical fittings, external works.</li> <li>As at 14/3/2025, only 187 million out of Kshs.395 million had been paid.</li> <li>No evidence that</li> </ul>	<p>nt (County Government) Regulations , 2015 within 60 Days from the date of adoption of this report;</p> <p>5. The Office of the County Governor to prioritise completion of stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
			adequate budget has been provided in the current financial year to cater for the completion of the project.	this report; 6. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle; and
<b>5. Irregularity in Procurement of Non-Perishable Foodstuffs</b>	Supply of non-perishable foodstuffs tender was awarded at a cost of Kshs.2,033,10 7. Review of the supplier's file revealed that the Tender Evaluation Committee, professional opinion,	The procurement in question was for the Vihiga County Referral Hospital. The food items ran out of stock due to an unanticipated high rate of inpatient admissions during that month and there was an urgent need to procure them to alleviate patients suffering. In the process therefore the timeline stipulated in the PPAD Act were not adhered to.  The management regrets the error and commits to closely monitor its food item stock level so that the procurement is done in time. The management has since	<ul style="list-style-type: none"> <li>The Committee observed that the procurement process was irregular.</li> </ul>	The Committee recommends that; 1. the Directorate of Criminal Investigations (DCI) undertakes a thorough investigation into the actions of the responsible officer(s) with a view to cause prosecution for violation of Section 135 (3) and (7) of

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>notification of award, and notification of unsuccessful bids were all completed on the same day, 13 July, 2023. However, the Local Purchase Order (LPO) was issued on 17 July, 2023, less than four days later.</p> <ul style="list-style-type: none"> <li>The procurement law requires a 14-day period to elapse after the notification of award, allowing</li> </ul>	<p>embraced 3-year framework contract for such procurement.</p>		<p>the Public Procurement and Asset Disposal Act, No. 33 of 2015. The issuance of the Local Purchase Order (LPO) on 17<sup>th</sup> July 2023, merely four (4) days after the notification of award on 13<sup>th</sup> July 2023, constitutes a clear breach of the mandatory 14-day standstill period as per Section 135 (3), which is intended to allow unsuccessful bidders adequate time to file complaints and resolve disputes; and</p> <p>2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>g unsucce ssful bidders time to file complai nts and have any disputes resolved before proceed ing.</p> <p>Hence Management was in breach of the procurement law.</p>			<p>the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>
<b>Own Generated Revenue Automation</b>				
<b>a. Cost-Benefit Analysis of the Revenue</b>	Revenue Automation System was contracted at a cost of	The management acknowledges the finding; The Automated Revenue Collection and Management (ARCM) system was launched in August 2023. The system is	<ul style="list-style-type: none"> <li>The Committee observed that benefits highlighted by</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Executive of Vihiga ensures the full</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<b>Automation System</b>	<p>Kshs.58,777,600. Analysis of revenue generated revealed an incremental revenue of only Kshs.8,618,829 during the year.</p> <p>-The County did not take appropriate action to enhance revenue collection as a result of revenue automation and continues to pay 3% as service fee to the vendor</p> <p>-It might take several years for the County Government to</p>	<p>being implemented over a period of 2 years. The implementation of the system is over 80% complete with an anticipated closure date being 30<sup>th</sup> June 2025. Several benefits have so far been achieved over the last 20 months of operation and this include the following:</p> <ul style="list-style-type: none"> <li>(i.) Created a database of businesses and other tax payers in the county</li> <li>(ii.) Automated the billing and invoicing process</li> <li>(iii.) Achieved 100% cashless transactions as all payments are made through mobile money or direct credit into our bank accounts. This has greatly reduced the risk of handling cash</li> <li>(iv.) Accurate and timely reports for decision making</li> <li>(v.) Improvement in revenue collection</li> </ul> <p>The costs of the Revenue Collection and Management System are spread over two financial years. The cost-benefit analysis is best calculated over five years for software assets when the</p>	<p>management is not supported with any evidence.</p> <ul style="list-style-type: none"> <li>• Although it is indicated that the project is over 80% complete, but the same is not supported.</li> </ul>	<p>implementation of the Vihiga Revenue Automation System, with immediate measures taken to extend its coverage to all sub-counties and conduct a thorough mapping and registration of all revenue sources and enforce strict compliance measures to maximize revenue collection potential and provide a detailed status update on progress of system implementation to Office of the Auditor General within sixty (60) days from the adoption of this report; and</p> <p>2. The County Executive develops</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	recover the initial cost of investing in the System.	<p>implementation and utilization have reached maturity. It is important to note that such investments aim to provide long-term benefits and efficiencies in revenue management. As the system becomes fully operational and realizes the projected revenue management efficiency gains, it will have a huge positive impact and good returns on the investment.</p> <p>The reported incremental revenue of Kshs.8,618,829 reflects the first year of acquisition gains. However, the overall incremental revenue increased significantly from Kshs106 million in the previous year to Kshs161 million in the year under review, representing an increase of approximately Kshs55 million. We expect this figure to increase as the system is fully implemented.</p> <p>The service fee as covered in the contract signed between the vendor and the county will be reviewed according to the contract provision clauses once the final phase is achieved. No Service fee has been paid yet.</p>		and implement robust strategies to enhance own-source revenue collection, ensuring that the system delivers value for money and addresses the high wage bill gap.
<b>b.Pending Works by Vendor on</b>	Weaknesses noted:	The management response to the Auditor's observation on the above subject matter is as follows;	<ul style="list-style-type: none"> <li>• The responses are not</li> </ul>	The Committee recommends that the County Executive of

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<b>Revenue Automation System</b>	<ul style="list-style-type: none"> <li>• Incomplete System Implementation -</li> <li>• The revenue system has not been integrated with the county's existing systems, including the Hospital Management Information System, IFMIS, Human Resourc</li> </ul>	<ul style="list-style-type: none"> <li>• The contract of this project is still in force, and as such, the system will be handed over to the county upon the completion stage.</li> <li>• The project has a Terms of Reference, Project Charter and a contract in force that has defined deliverables. Our CIT and the vendor are on course according to the agreed project deliverable schedule. The required system integrations are also defined, and those out of scope will be covered in subsequent project phases.</li> <li>• The application of the 3% service fee, though captured in the contract signed between the vendor and the county, will be reviewed once the final phase is achieved. This has not been paid yet. We intend to implement measures to ensure that corresponding improvements in revenue collection and efficiency justify the service fee payments to the vendor.</li> <li>• The server configuration has been completed, and the firewall</li> </ul>	<p>supported with any evidence.</p>	<p>Vihiga immediately engages the system vendor to ensure the full implementation, completion, and integration of the Vihiga Revenue Automation System with the County Executive's existing systems; this includes expediting the handover process from the vendor to the County Executive to ensure full control and ownership of the system.</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>e Informa tion System (HRIS), GIS, G- PAY.</p> <ul style="list-style-type: none"> <li>• High Cost- An annual mainten ance fee of 3% of the revenue collecte d. How this was negotiat ed is not clear</li> <li>• Lack of backup and recover y procedu</li> </ul>	<p>has been installed. The system is now domiciled on our server at the county headquarters.</p> <ul style="list-style-type: none"> <li>• The system is installed on our server in the county and mirrored on our cloud server for backup and optimization. Additional offsite backup procedures will be put in place once the system is handed over.</li> </ul>		

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	res- The server is new and has not been put into use because the firewall has not been installed .			
<b>c. Unutilized Point of Sales (POS) Machines</b>	The following were noted: i. Nine (9) machines were faulty and returned to the vendor for repair on 15 July, 2024, as the	The management acknowledges the Auditor's observation on the above subject matter and responds as follows; <ul style="list-style-type: none"> <li>• Nine (9) machines broke down as they were in use from faults outside the warranty provisions and have been booked by the vendor for diagnosis and repair,</li> <li>• Three (3) machines are used for system bench tests and training under the supervision of the ICT Support Unit. Bench Tests include continuous testing of updates and enhancements on revenue collection modules and test of new integrations for</li> </ul>	<ul style="list-style-type: none"> <li>• The Committee observed that no evidence provided to support the response.</li> </ul>	The Committee recommends that the County Management expedites its engagement with the vendor to either repair or replace all faulty or non-functional gadgets to ensure the full operationalization of the revenue collection system. Additionally, the County must immediately deploy the twenty-nine (29) machines currently

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>warranty period is still active.</p> <p>ii. Three (3) machines are under the custody of ICT support.</p> <p>iii. Three (3) machines with the vendor could not pick up network signals.</p> <p>iv. Twenty-nine</p>	<p>emerging revenue streams. These tests are essential for ensuring that software updates and system configurations are compatible and stable before deployment to field teams. Their retention for technical purposes is a strategic operational requirement.</p> <ul style="list-style-type: none"> <li>• The said three (3) machines were returned to the vendor under the warranty provisions and will be repaired or replaced as the guarantee stipulates.</li> <li>• The Twenty-nine (29) machines are a backup measure for the deployed machines in the field. They are stored at the Revenue Headquarters, awaiting deployment. They are also used strategically when conducting compliance checks that require additional officers according to the revenue optimization schedule run by the directorate.</li> </ul>		<p>stored at the Revenue Headquarters and the three (3) machines under ICT Support Team to the relevant revenue collection points to maximize their utilization and provide a status report to the Office of the Auditor General within 60 days from the adoption of this report.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>(29) machine s remain in store at the Revenu e Headqu arters.</p> <ul style="list-style-type: none"> <li>• The underuti lization of machine s and the lack of action to repair faulty devices may lead to revenue collecti on inefficie ncies.</li> </ul>			
<b>6. High Pendin</b>	Unsatisfactory matters noted:	The management acknowledges the findings/observations of the Auditor-	○ The Committee	-The Committee recommends that;

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<p><b>g Bills Related to External Advocates and Legal Cost</b></p>	<p>i. The list of pending bills revealed a closing balance in the year of Kshs.230,628,051</p> <p>ii. The amount includes Kshs.71,450,943 demanded by external lawyers</p> <p>iii. The County has contested the claim of Kshs.58,000,000 as exaggerated</p> <p>iv. Kshs.106,000,000 decreed be paid as salary arrears to the health workers</p>	<p>General in <b>Part 2.0 of the audit survey for the FY2023/2024</b> under the subject <b>“High Pending Bills Related to External Advocates &amp; Legal Costs”</b>. The Office seeks to make the following clarification on the opening balance of Kshs. 260,318,487.76 shown as legal fees:</p> <p>1. The actual amounts demanded by external lawyers who represented the County Government in various court cases as per the fee notes we received after sending to them notification to state their claims is Kshs. 71,450, 943. Out of these amounts we have contested the claim of Kshs. 59,740,000 as exaggerated by one of the firms who represented the County Government in seven cases but which the Office of the Court Attorney has taken. We are negotiating with the advocate to scale down the amounts failing of which we shall seek the intervention of Court to tax the Bills. These claims relate to advocates engaged before the Office of the County Attorney</p>	<p>observed that the County Attorney letter to the law society of Kenya (LSK) disputing some of the legal fees (pending bills) amounting to Kshs.58,000,000.</p> <p>○ No response from LSK.</p> <p>○ Issue of Kshs.106,000,000 which the Employment and Labour Relations Court in Kakamega is not satisfactorily addressed.</p> <p>○ No evidence that these legal</p>	<p>4. Pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>5. The County Executive makes a provision in its budget for contingency liability in respect</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	employed in the year 2019.	<p>was operationalized in the year 2020. Thereafter we have not outsourced any legal services which in any case would not be lawful without the approval of the County Executive Committee as required by section 16(1) of the Office of the County Attorney Act.</p> <p>Attached is a copy of the communication to the Law Society of Kenya over the same. As regards the part settlement of Kshs. 31,430,437 in legal fees, this is a function of the County Treasury which is responsible but we had earlier brought to the attention of the department the need to consult the Office of the County Attorney before making payment.</p> <p>2. The rest of the amounts out of the Kshs. 260, 318,487.76 which is Kshs 188,867,538.76 represents decree sums arising out of judgments entered against the County Government inclusive of costs and interest. Of this there is a bulky amount of Kshs. 106,000,000.00 which the</p>	<p>matters are being addressed conclusively.</p>	<p>of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015; and</p> <p>6. The County Executive utilizes the Office of the County Attorney to provide legal advice and court representation. The county should provide evidence of compliance with the County Attorneys Act within 60 days of adoption of this report.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p>Employment and Labour Relations Court in Kakamega decreed be paid as salary arrears to the health workers employed in the year 2019. The Office of the County Attorney is pursuing appeal against the judgment and decree at the Court of Appeal.</p> <p>3. The management agrees with the finding of the Auditor General, which is supported by the findings of the courts in the judgments against the County Government that imprudent decisions by the management have largely contributed to increased litigations against the county government but equally delay in disbursement of funds by the National Treasury leading to delayed settlement of pending Bills has contributed particularly as regards overzealous creditors who run out of patience too fast and resort to court process at the first instance.</p> <p>4. The management agrees with the recommendations of the Auditor General of the unavoidable need for the accounting officers and</p>		

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p>departmental heads to work closely with the Office for legal opinion before committing the County Government. The Office of the County Attorney shall enforce this recommendation to the letter and in so doing also put pressure to the County Treasury to move along.</p> <p>Attached is a copy of the letter addressed to County Chief Officers on the demands from creditors which is in line with this recommendation.</p>		
<b>7. Non-Compliance to Climate Change Regulations</b>	<p>County Government of Vihiga has not fully implemented the laws, regulations and policies on climate change in respect to:</p> <p>i. Some departments do not adhere to the</p>	<p>The management acknowledges the Auditor's observation on the above subject matter and responds as follows;</p> <p>i) All the projects in the County Department of Environment, Water, Energy and Natural Resources, including those funded under the County climate change Fund Undertake ESIA before commencement.</p> <p>The county further notes that some departments did not</p>	<ul style="list-style-type: none"> <li>• No evidence to show that the work plan has been approved by the cabinet.</li> <li>• The Committee observed that all other matters included in the response are not supported,</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the County Executive should take immediate and comprehensive measures to ensure full compliance with climate change regulations, laws, and policies, as stipulated in Article 69(f) of the Constitution and</li> </ol>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>requirements of EIA for the projects undertaken apart from the department of water and environment.</p> <p>ii. Currently, the County is not reporting the Greenhouse Gas Emissions due to capacity limitations.</p> <p>iii. Delayed FLOCCA disbursement hampers timely realization of intended benefits of the allocated climate finances.</p>	<p>undertake EIA before commencement of projects, and this was largely due to lack of budgeting for the same. In order to enhance the implementation of Environmental and Social Impact assessment for other department towards enhanced safeguards, the County cabinet resolved that all EIA costs must be made incorporated in project costs for all projects in the county.</p> <p>ii) The County Government of Vihiga has instituted measures towards Greenhouse Gas inventory reporting as envisaged under section 15 of the (National) Climate Change Act, 2016. Towards this, the County has incorporated Greenhouse Gas Inventory reporting in its revised Climate Change Act, 2025. Section 35 of the new Act stated that “The County Directorate of Climate Change in consultation with National Climate Change</p>	<p>hence may not be relied on.</p>	<p>the Climate Change Amendment Act, 2023, which includes enforcing strict adherence to Environmental Impact Assessment (EIA) requirements for all projects, submitting timely and accurate reports on Greenhouse Gas Emissions, and expediting the disbursement of allocated climate change funds from the County Climate Change Fund and the Financing Locally Led Climate Action (FLLoCA) program, to ensure timely implementation of climate initiatives;</p> <p>2. the County Executive should enhance awareness</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p>Directorate shall lay framework for estimation of Greenhouse Gas Emission for compilation and reporting of activity data within the county as guided by relevant national policies.”</p> <p>Based on the above, the County Government of Vihiga shall establish the requisite framework and commence reporting on Greenhouse Gas Inventories in the subsequent financial years.</p> <p>iii) The County Government takes note of the observation that adequate resources are allocated for climate action both by the County Government being 2% of the County Budget as outlined in Section 4 of the Vihiga County Climate Fund Act, 2019. Further, the County receives funding from the National Treasury’s Financing Locally Led Climate Action (FLLoCA) Program. The funds are for</p>		<p>and capacity-building efforts to align departmental operations with the Long-Term Low Emissions Development Strategy (LT-LEDS) 2022-2050, particularly in renewable energy adoption, climate-smart agriculture, and solar street lighting; and</p> <p>3. the County Executive should document and incorporate stakeholder contributions from committees and forums into its climate action plans and submit a status update to the Office of the Auditor General and the Senate within sixty (60) days from the</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p>implementation of Community-prioritized Climate Resilience Investment Projects (CCRI) at ward level.</p> <p>The county notes that delayed disbursements of funds concerning both the FLLoCA Program grants and the County Contribution affect implementation of activities. For both cases, delays in exchequer releases led to delayed disbursement into the climate change Fund. Delayed exchequer releases are factors beyond the county's control.</p> <p>i. Towards the alignment to the Long Term Low Emission Development Strategy, the county has embraced use of renewable (solar) energy water supply, public lighting and climate smart agriculture as observed by the Audit. In Addition, the County is implementing reforestation programs, with Maragoli Hills and Kibiri Forests</p>		<p>adoption of this report.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		<p>being the main targeted ecosystems. So far, about 180 acres of Maragoli hills forest has been restored by the county government.</p> <p>The Section 38 of the Vihiga County Climate Change Act, 2025 requires public entities to perform duties towards climate change and this shall enhance more investment towards Low Emission Development across all the county departments.</p> <p>ii. As regards engagement of stakeholders in climate change initiatives, selection of climate change projects is done through community consultation forums in the wards as provided for in Section 23 of the Vihiga County Climate change Fund Act, 2019, thereafter, ward climate change planning committees are supported by the county directorate of climate change to develop proposals as outlined in section 24 of the Vihiga County Climate Change fund act which are reviewed by the County climate change planning committee and</p>		

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		approved by the county climate change steering committee as guided by section 15 of the Vihiga County Climate Change Fund Act, 2019.		
<b>8. Irregular Payment to Council of Governors</b>	Irregular payment of Kshs.3,000,000 to the Council of Governors. – as the CoG should be directly funded by the national government as provided under Section 37 of Intergovernmental Relations Act 2022.	The management response to the Auditor’s observation on the above subject matter is as follows; The payment towards the Intergovernmental relations and legal fees contributions of kshs. 2,000,000 and kshs. 1,000,000 respectively were as a result of the Council of Governor agreement in their meetings, hence the County Government of Vihiga had to honor the commitment. The correspondence of the same is available for your verification.	<ul style="list-style-type: none"> <li>• The Committee observed that payment is supported with letters and minutes from the council of governors.</li> <li>• No justification provided to show why National Government is unable to fund these expenses.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution; and</li> <li>2. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor.</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				This is in line with the Resolution of the Senate.
<b>9. Non-Compliance with the Persons with Disabilities Act, 2013</b>	<ul style="list-style-type: none"> <li>Section 13 of the Persons with Disabilities Act, 2013 provides that the Council shall endeavor to secure the reservation of five 5% of all casual, emergency and contractual position</li> </ul>	<p>While it is noted that the staff population of persons with disability in the County is below the 5% minimum expected under the Law, there are various factors contributing to the same, such as failure by affected staff to register for the Council for persons with Disabilities in order to attain legal recognition, failure on the part of potential employees to apply for vacancies falling within the County Public Service despite the encouragement by the County Public Service Board in their job advertisements that persons with disability should apply. It is noted that for purposes of enjoyment of tax benefits, only staff who present their KRA tax exemption certificates are captured on the payroll and thus reflect on the byproduct as the recognized employees with disability.</p> <p>However, the audit concern is noted and going forward the County Public Service Board will be encouraged to intensify affirmative action so as to attract more persons with disability into</p>	<ul style="list-style-type: none"> <li>The Committee observed that no evidence provided to show action taken by management to address the matter.</li> </ul>	<p>The Committee recommends that-</p> <p>7. the County Executives should work progressively towards attaining the requirement of the Section 13 of the Persons with Disabilities Act, 2013 which provides a reservation of five percent (5%) of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>s in employment in the public and private sectors for persons with disabilities.</p> <ul style="list-style-type: none"> <li>The County Government of Vihiga did not adhere to this requirement.</li> </ul>	<p>the Vihiga County Public Service. Nonetheless, the strive to fully comply with the Law on the subject matter is gradual.</p>		<p>8. The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with Section 13 of the Persons with Disabilities Act, 2013.</p>
<p><b>10. Regularity of Human Resource Manag</b></p>	<p>The County executive wage bill is at 42% instead of 35% as provided in law.</p>	<p>Management notes the auditor's observation that there is no documented limit set by management with regard to expenditure on staff salaries. However, this inadequacy on the part of management is informed by the fact that</p>	<ul style="list-style-type: none"> <li>The Committee observed that no evidence provided to support</li> </ul>	<p>The Committee recommends that-</p> <p>5) the management should strictly adhere to the provision of</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<p><b>ement Practic es</b></p>		<p>while section 25(1)(a) of the Regulations (County Government) under the Public Finance Management Act (PFM) obligates the responsible CEC-Member to set limits towards remuneration of staff, part (b) under the section makes it conditional that such ceiling so set shall not exceed 35% of the total County Revenue.</p> <p>The wage bill for the County Executive is currently at 42% of the County Revenue considering that staff remuneration is a priority item for charge on the County Revenue, no other ceiling may be set by the County in consistent with the legal threshold of 35%. In the spirit of the Law, the 35% limit is ordinarily meant to preserve most of the County revenue for development purpose. Hence, ordinarily any ceiling set by the CEC-Member is expected to be at the same level or lower than the legal threshold.</p>	<p>management assertions.</p>	<p>paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue;</p> <p>6) the county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap; and</p> <p>7) the management of the concerned entities should provide to the Auditor General a status report of measures put in</p>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>place to contain the high wage bill within sixty (60) days of the adoption of this report.</p> <p>8) Senate should consider reintroducing the fiscal responsibility index in revenue allocation to act as an incentive for counties that meet the PFM fiscal responsibility targets.</p>
<b>Basis for Conclusion</b>				
<b>1.Weak Controls over IFMIS Payments Module</b>	IFMIS payment details revealed that transaction of Kshs.1,823,193,355 were paid in cash as per item description.	The management response to the auditor's observation on the above subject matter is as follows; The item description of cash payment in the system is a system programmed description for transactions such as salary payment, transfer of funds to departments, Imprest processing and retention payments to contractors. Therefore, the management confirms	<ul style="list-style-type: none"> <li>The Committee observed that no supporting document provided</li> </ul>	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	Cash payment is susceptible to manipulation.	that there is no actual cash payment done by the County Government of Vihiga.		Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<p><b>2.Weaknesses in Management of Drugs and Medical Supplies</b>  KEMSA supplied of Kshs.72,857,500 to Vihiga County.</p> <p>The statement of receipts and payments reflects use of goods and services amounting to Kshs.788,304,840 out of which Kshs.108,718,626 relates to purchase of specialized material and supplies as indicated in Note 3 to the financial statements. Included in the amount is medical supplies and drugs by Kenya Medical Supplies Authority during the year, totalling Kshs.72,857,500. Additionally, the following internal controls weakness were noted: -</p>				
<b>2.1 Weaknesses in the Stores Management</b>	There were significant weaknesses in the management of drugs in hospital stores as evidenced by the audit of Vihiga County Level 4 Referral Hospital as a sample to	The medical supplies once physically delivered, they are keyed in the CHIS system as stock received. During dispensation, the system automatically detects whether the drug is available or not. The system keeps all records of drugs received and dispensed. Records can be retrieved from the CHIS system to support this. Copy of the records available.	<ul style="list-style-type: none"> <li>The Committee observed that only Kshs.2,948,066 out of Kshs.19,092,261 supported.</li> </ul>	The Committee recommends that; 1. Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to support the Kshs.19,092,261 wholly to the

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>evaluate the efficiency of drug management. KEMSA records show that the Hospital received supplies worth Kshs.19,092,261 during the audit year. The Hospital uses an Information Management System called CHIS to manage pharmacy records, including the receipt and dispatch of drugs, no annual reports generated from the CHIS system were provided to</p>			<p>auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. the County Management immediately address the weaknesses in the management of drugs at Vihiga County Level 4 Referral Hospital by ensuring the proper utilization of the CHIS system to generate accurate and comprehensive annual reports that verify the receipt,</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	verify the supplies received from KEMSA during the year.			<p>dispatch, and utilization of drugs, including the Kshs.19,092,261 worth of supplies received from KEMSA during the year;</p> <p>3. the County should implement strict inventory control measures, conduct regular reconciliations between physical stock and system records, and provide training to staff on effective store management practices to prevent discrepancies and ensure accountability and provide a detailed status report on the corrective actions taken, including evidence of improved store</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				management and compliance with inventory control protocols to the Office of the Auditor General within sixty (60) days from the adoption of this report.
2.2 Expired Medical Drugs	<ul style="list-style-type: none"> <li>Stores records revealed a high number of expired medical drugs.</li> <li>The records were maintained manually without indicating the costs,</li> </ul>	The management acknowledges the Auditor's observation on the above subject matter and response as follows; The CHIS system did not have all modules hence records of expired medical supplies is maintained manually. These records are available for verification.	<ul style="list-style-type: none"> <li>The Committee observed that Manual register maintained by management provided.</li> <li>No action taken to solve the problem.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>the Office of the County Governor urgently address the issue of expired medical drugs by implementing a comprehensive inventory management system that ensures real-time tracking of drug expiry dates, quantities, and costs through</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>making it impossible to determine the value of the expired drugs during the year.</p>			<p>the CHIS system, supplemented by accurate manual records. Further, immediate measures must be taken to dispose of expired drugs in compliance with regulatory guidelines and to establish a proactive monitoring mechanism to prevent future stock expiries; and</p> <p>2. the department of Health should conduct regular training for store management staff on best practices for inventory</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				control and ensure periodic reconciliations between physical stock and system records and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>3.Dormant Bank Account</b>	Audit revealed that the County had 9 bank accounts that were dormant and had no operations for more than one year. The existence of such bank accounts was not justified.	The management acknowledges the Auditor's observation on the above subject matter and responds as follows; The dormant bank accounts highlighted by the Auditor had comparative figures that had to be disclosed as required by the public sector accounting standard board (PSASB) reporting templates. The management has initiated the process of closing the dormant bank accounts which are not in operation.	<ul style="list-style-type: none"> <li>The Committee observed that no action taken to address the matter.</li> </ul>	The Committee recommends that the County Management takes immediate action to close the nine (9) dormant bank accounts that have had no operations for over one year, as identified during the review. All funds held in these dormant accounts must be transferred to the County Revenue Fund Account to ensure

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				proper utilization and accountability of public resources and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
<b>4.Weaknesses in IT Internal Controls System</b>	The County Government has not established an IT Continuity and Disaster Recovery Plans. Without the recovery plan, the County is exposed to loss of data and business disruptions. Management	The management acknowledges the Auditor's observation on the above subject matter and responds as follows; The management is fast tracking the approval of the IT and Disaster Recovery Plan by having it approved by the County Executive Committee.	<ul style="list-style-type: none"> <li>• The Committee observed that no evidence that action has been taken to Fasttrack the approval of the.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>3. the Accounting Officer puts in place an ICT, risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the Auditor General; and</li> <li>4. the Auditor General to closely monitor the development, documentation and communication of these policies</li> </ol>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				within the county entities in the subsequent audit cycles.
<b>5.Lack of Fully Operational Audit Committee</b>	<ul style="list-style-type: none"> <li>Audit Committee held meeting twice during the year instead of once quarterly contrary to Regulation 179(1) of the Public Finance Management Regulations which states</li> </ul>	<p>The management response to the Auditor's observation on the above subject matter is as follows;  The audit committee as appointed was new and had transition challenges in settling down especially adjusting their busy work schedule to the requirements of their roles as members of the committee. The committee has an approved charter, developed a work plan and are now holding quarterly meetings as is required.  The management regrets that the minutes presented for audit were not signed but have since been signed.</p>	<ul style="list-style-type: none"> <li>The Committee observed that Minutes of Committee meeting minutes and internal audit charter attached.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>3. the county entities should expedite establishment of audit committees to enhance oversight over public resources and provide a status report to the Auditor General within sixty (60) days from the adoption of this report; and</li> <li>4. The Committee further recommends that the SRC should review the compensation framework for Audit Committee members since the</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>that the Audit Committee shall meet at least once in every three (3) months.</p> <ul style="list-style-type: none"> <li>Audit Committee minutes provided for audit were not signed by the chairperson and the secretary and internal audit charter was not</li> </ul>			<p>low sitting allowances may not attract seasoned professionals to the county Audit Committees.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	approved casting doubt on their authenticity.			

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF WAJIR COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/24.**

**Basis of Qualified Opinion.**

SUMMARY OF UNRESOLVED ISSUES						
No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Timelines
REPORT ON FINANCIAL STATEMENTS						
1	Expenditure Relating to Other County Entities - Kshs.577,337,720 was spent on behalf of other entities, contrary to regulations.	Payment done on behalf of the entities and there is no operational independence	The County Assembly Building Block was initiated by the County Executive under the Department of Public Works and Housing in 2015/2016 but stalled for years, leading to costly office rentals; in 2023/2024, Kshs. 196,275,261 was allocated for its completion, and the project is now finalized. WAJWASCO relied on the County Treasury for supplier	The Committee observed that Section 25(1)(f) of the Public Finance Management (County Governments), Regulations, 2015 had been breached since the management paid the amount on behalf of other county entities.	The Committee recommends that the management to ensure that the County entities have full independence to their funds.	Within 60 days after the adoption of the report.

			payments, but it has since gained full financial independence			
<b>OTHER MATTERS</b>						
2	Failure to Achieve Performance Objectives - Out of 10 planned mega pans, only 4 were built (smaller than planned), and only 27% of targets were achieved, while 55% were not met. No explanation was provided for the deviations.	Performance target not met	The management responded that it commits to evaluating performance and tracking achievements against planned targets and priorities in the Annual Development Plan.	The Committee observed that the review of the County Executive's performance against predetermined objectives revealed significant deviations from the Annual Development Plan. Only four mega pans of 60,000M <sup>3</sup> were constructed instead of the planned ten of 100,000M <sup>3</sup> , and they were not reported in the performance statement. Out of 395 planned targets across	The Committee recommends that; 7) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days	Within 60 days after adoption of the report.

				nine departments, only 27% were achieved, 55% were not implemented, 14% were partially completed, and 5% had no status or remarks. No explanation was provided for these deviations, raising concerns about accountability and effective development planning.	from the date of adoption of this report;	
3	Unresolved Prior Year Matters - Several audit issues from the previous year's report remain unresolved. Management has not provided an explanation for failing to adhere to the Public Sector	No evidence was provided to confirm that the audit issues were fully resolved	The management responded that it has made progress in implementing key audit recommendations, including establishing an Audit Committee and a risk management framework. It has	The committee observed that issues from previous financial years had not been resolved.	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adoption of this report.	Within 60 days after adoption of the report

	Accounting Standards Board template.		prepared financial statements for all county entities and achieved full compliance with the PSASB Template.			
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>						
4	Employees Earning Less Than One Third of Basic Salaries - 158 employees received net salaries less than one-third of their basic salaries, contrary to Section 19(3) of the Employment Act, 2007.	There is noncompliance with Section 19(3)	The County Executive will enforce adherence to regulations in place regarding staff salary commitments by screening all loans applications and strict monitoring of the institution giving loans.	The Committee observed that some of the county staff were earning less than a third of their basic pay contrary to Section 19 (3) of the Employment Act 2007.	The Committee therefore recommends that - 5) The county entities should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and 6) The Auditor General should continue monitoring the issue in subsequent audit cycles.	Continuous
5	Irregular Engagement of Casual	the County engaged casual employees	The management stated that it is progressively	The Committee observed that Section 37(1)(a)	The Committee recommends that; -	Continuous

	<p>Employees - 482 casual employees worked beyond the legally allowed period of three months, performing duties meant for permanent staff.</p>	<p>beyond the legally allowed period without transitioning them to permanent or contractual terms against Section 37(1)(a) and (b) of the Employment Act, 2007</p>	<p>addressing casuals performing contractual and permanent employees' assignments including supply chain management and revenue collection by regularizing the affected staff.</p>	<p>and (b) of the Employment Act, 2007 had been breached.</p>	<p>9. The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;</p> <p>10. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of</p>	
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					casual employees, contracted workers, acting positions and a platform for management of county human resources; and 11. the Auditor General to monitor the matter in the subsequent audit cycle.	
6	Non-Compliance with Engagement of Persons with Disabilities Requirement - Only 2% of employees were Persons with Disabilities (PWDs), contrary to the 5% requirement.	The county failed to comply with Section 13 of the Persons with Disabilities Act, 2013.	The management responded that it will progressively address the requirements relating to Persons with Disabilities to bridge this gap	The Committee observed that Section 13 of the Persons with Disabilities Act, 2013	The Committee recommends that- 1. the County Executives should work progressively towards attaining the requirement of the Section 13 of the Persons with Disabilities Act, 2013 which provides a reservation of five percent (5%) of all casual, emergency and contractual positions in employment in the public and private	Continuous

					<p>sectors for persons with disabilities.</p> <p>2. The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with Section 13 of the Persons with Disabilities Act, 2013.</p>	
7	<p>Non-Compliance with Fiscal Responsibility Principle on Compensation of Employees - Employee compensation was 41% of total revenue, exceeding the 35% legal limit.</p>	<p>The County exceeded the 35% cap on employee compensation, leading to financial sustainability concerns.</p>	<p>The management stated that the Increase in wage bill is as a result of continued employment of staff in critical service delivery sectors, such as health, which have increased the overall wage bill.</p>	<p>The Committee observed that the County Executive's compensation of employees amounted to Kshs. 4,155,910,662, representing 41% of total receipts (Kshs. 10,166,128,101), exceeding the 35% legal limit by 6%. This violated Regulation 25(b) of the Public Finance Management</p>	<p>The Committee recommends that; -</p> <p>1. The County Executive strictly adhere to the provision of paragraph 25(1)(b) of the PFM Act (county government) regulations, 2015 which stipulate that the county wage bill should not exceed 35 percent of the county total revenue.</p> <p>2. The management develops and updates its staff establishment and ensures that all staff compensations are processed through the</p>	<p>Within 60 days after adoption of the report.</p>

				(County Governments) Regulations, 2015, indicating non-compliance with expenditure controls.	IPPD system for accountability 3. That the County Executive provide to the Auditor General the measures put in place to contain the county higher wage bill within sixty (60) days from the adoption of this report .	
8	Irregular Payments to the Council of Governors and Frontier Counties Development Council Limited - Kshs.6,500,000 was paid without justification or legal basis.	Non-compliance with the Intergovernmental Relations Act. The payments were made without documented justification or legal authority.	The management responded that the increase in wage bill is as a result of continued employment of staff in critical service delivery sectors, such as health, which have increased the overall wage bill.	The Committee noted that payments made to the Council of Governors from County Revenue Funds were irregular and unlawful since the Intergovernmental Relations Act specifies that funding for the COG shall be drawn from the Consolidated Fund.	The Committee recommends that the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by	Immediate

					the Governor. This is in line with the Resolution of the Senate.	
9	Fuel, Oil, and Lubricants - Payments amounting to Kshs.211,376,871 were made, but Electronic Tax Register (ETR) receipts were not provided.	Only Kshs. 27,391,007 supported by ETR. Balance of Kshs.183,985,864 not supported	The management stated that the suppliers were sensitized and they are currently using ETR Invoice.	The Committee noted that Regulation 104 (1) of the Public Finance Management (County Government) Regulations, 2015 had been breached.	The County should ensure that all fuel and lubricant purchases are supported by valid ETR receipts for accountability in accordance to Regulation 104 (1) of the Public Finance Management (County Government) Regulations, 2015	Within 60days after the adoption of the report.
10	Unserviceable Motor Vehicles and Equipment - 19 motor vehicles were grounded without a disposal or repair plan.	The County has not complied with asset disposal regulations.  There is no clear timeline for finalizing the disposal of vehicles.	The management responded that the 15 vehicles in questions were transferred from National Government Ministries and Agencies without Log Books. In the circumstances, it is not possible to dispose off the vehicles.	The Committee observed that the absence of a policy for disposing of or repairing unserviceable vehicles has led to poor asset management and non-compliance with Regulation 176(1) of the Public Procurement and	The Committee recommends that management should establish and implement a policy for the timely disposal or repair of unserviceable vehicles in compliance with Regulation 176(1) of the Public Procurement and Asset Disposal Regulations, 2020, to enhance asset management and	Within 60 days after the adoption of the report.

			Valuation report for the plants and motor vehicles was undertaken by IGRTC and is work in progress	Asset Disposal Regulations, 2020.	prevent resource wastage.	
11	Expenditure on National Government Functions - Kshs.25,939,260 was spent on classrooms and administration blocks, which fall under the National Government's mandate.	The facility remains unused despite significant public investment, raising concerns over value for money and asset management. The vandalism of infrastructure further threatens its viability.	The management responded there were urgent requests from schools facing significant infrastructural challenges (channeled through the County Education Board). In light of this, we took proactive steps to construct classrooms and administration blocks in both primary and secondary schools.	The Committee observed that the management spent Kshs. 25,939,260 on classrooms and administration blocks, which fall under the mandate of the National Government. This indicates non-compliance with the designated functions, leading to possible misallocation of resources.	The Committee recommends that; - 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The Committee recommends that the County Executive immediately formalizes partnership agreements with the	Within 60 days after the adoption of the report.

					<p>National Government, Ministry of Agriculture, and Ministry of Education for the three (3) partially completed projects, as required by Section 118 of the County Governments Act, 2012;</p> <p>3. The County Executive should focus on its mandates as outlined in Schedule Four of the Constitution and avoid undertaking projects that fall under the jurisdiction of the National Government, unless explicitly agreed upon through formal partnerships. The County Executive to provide a detailed status report on the corrective actions taken, including evidence of partnership agreements be submitted to the Office</p>	
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					of the Auditor General within sixty (60) days from the adoption of this report .	
12	Wajir County International Abattoir - The abattoir remains unused and vandalized despite being completed years ago.	The facility remains unused despite significant public investment, raising concerns over value for money and asset management. The vandalism of infrastructure further threatens its viability.	The management stated that a feasibility study was conducted jointly with other abattoirs, and the National Government invested Kshs. 100 million before devolution. The County Executive later invested Kshs. 150 million, inheriting the incomplete project. The abattoir's full potential will be realized upon completion and operationalization	The Committee observed that the management had a low absorption rate in project implementation hence there was no value for money.	The Committee recommends that; - the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.	Within 60 days after adoption of the report.
13	Farm Groups Projects - Kshs.11,670,632	only certificate of registration provided while	The management responded that the selection criteria	The Committee observed that the management	The Committee recommends that the management should	Within 60 days after adoption

	<p>was allocated, but eligibility criteria and monitoring reports were missing.</p>	<p>document to support criteria for selection or eligibility, monitoring reports on the outcomes and impact of the project not provided.</p>	<p>prioritized pastoralist dropouts, Farmers Association members, peri-urban small-scale farmers, and women household heads. Supporting documents are available for audit review.</p>	<p>spent Kshs. 227,223,337 on the rehabilitation of civil works, including Kshs. 11,670,632 for solarization, water reticulation, and the installation of elevated plastic tanks for various farm groups. However, documentation supporting the selection criteria, eligibility of the groups, registration records, and monitoring reports on project outcomes and impact were not provided for audit. As a result, the fairness and transparency of the allocation process could not be confirmed.</p>	<p>develop and implement clear selection criteria for farm group projects and maintain proper documentation, including eligibility records, registration details, and project monitoring reports. This will enhance transparency, accountability, and the effective allocation of resources.</p>	<p>of the report.</p>
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14	<p>Accumulation of Pending Accounts Payable - Kshs.999,082,032 in pending bills, with some dating back to 2014/2015.</p> <p>Pending accounts payables amounting to Kshs.9,847,454 were ineligible</p>	<p>Pending bills not being paid as first charge.</p> <p>No evidence that Ineligible pending bills has been removed from the list to ensure accurate financial reporting and accountability.</p>	<p>The management stated that the accumulation of pending Accounts payable is a challenge to the County due to outstanding pending bills from the FYs 2014/2015 to 2022/2023. Management commits to settle the pending bills through annual work plans, projections and cash flow provisions.<sup>7</sup></p>	<p>The Committee observed that the county entities had pending bills that had been outstanding for several years. Further, the entities continued to incur further bills without prioritizing payment of verified pending bills as a first charge in the subsequent financial year as required by law.</p>	<p>The Committee therefore recommends that:</p> <p>10)the County entities should prioritize payment of all verified pending bills as a first charge in the subsequent financial year;</p> <p>11)the National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate so as to enable county entities settle their obligations on time; and</p> <p>12)the county executives put</p>	<p>Within 60 days after the adoption of the report</p>
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					<p>in place measures to enhance own generated revenue in order to meet its revenue target and address revenue shortfalls that contribute to the challenge of pending bills.</p> <p>13) Pending bills deemed ineligible should be forwarded to the Directorate of Criminal Investigation (DCI) to investigate and take proper legal action against those filing false claims.</p> <p>14) County Executive to make a</p>	
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					<p>provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</p> <p>15)The National Treasury takes lead in a multi-agency approach to come up with legislative and procedural measures to deal with accumulation of pending bills in counties within 90 days of adoption of this Report.</p> <p>16)County Governments</p>	
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					<p>to take note of judgement in a Kitale High Court Constitutional Petition E003 of 2023 that declared formation of pending bills verification committees unconstitutional and engage Office of the OAG and strengthen the internal audit functions.</p> <p>17)All valid pending bills that have been reviewed by the OAG be paid and a payment plan be submitted to the county assemblies for approval and progress report on</p>	
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					<p>implementation sent to the Senate and the Office of the Controller of Budget.</p> <p>18)The Committee will seek to reintroduce the Prompt Payment Bill with amendments aimed at ring-fencing a certain percentage of the equitable shareable revenue for pending bills and retain money at source to pay pending bills.</p>	
15	Payments Outside the Disclosed List of Pending Bills - Kshs.19,886,011 was paid for projects that were	There was no evidence to confirm that the payments were part of previously	the payments in question relate to legitimate obligations arising from projects	The Committee observed that the county entities had pending bills that had been outstanding for	<p>The Committee therefore recommends that:</p> <p>1) the County entities should prioritize</p>	Within 60 days after the adoption of the report

	not previously disclosed in financial statements	incurred obligations.	undertaken in previous financial years. The omission from the disclosed list of pending bills was not intentional but due to reconciliation errors and incomplete documentation at the time of financial reporting.	several years. Further, the entities continued to incur further bills without prioritizing payment of verified pending bills as a first charge in the subsequent financial year as required by law.	<p>payment of all verified pending bills as a first charge in the subsequent financial year;</p> <p>2) the National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate so as to enable county entities settle their obligations on time; and</p> <p>3) the county executives put in place measures to enhance own generated revenue in order to meet</p>	
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					<p>its revenue target and address revenue shortfalls that contribute to the challenge of pending bills.</p> <p>4) Pending bills deemed ineligible should be forwarded to the Directorate of Criminal Investigation (DCI) to investigate and take proper legal action against those filing false claims.</p> <p>5) County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to</p>	
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					<p>regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</p> <p>6) The National Treasury takes lead in a multi-agency approach to come up with legislative and procedural measures to deal with accumulation of pending bills in counties within 90 days of adoption of this Report.</p> <p>7) County Governments to take note of judgement in a Kitale High Court Constitutional Petition E003</p>	
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					<p>of 2023 that declared formation of pending bills verification committees unconstitutional and engage Office of the OAG and strengthen the internal audit functions.</p> <p>8) All valid pending bills that have been reviewed by the OAG be paid and a payment plan be submitted to the county assemblies for approval and progress report on implementation sent to the Senate and the Office of the Controller of Budget.</p>	
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					9) The Committee will seek to reintroduce the Prompt Payment Bill with amendments aimed at ring-fencing a certain percentage of the equitable shareable revenue for pending bills and retain money at source to pay pending bills.	
16	Failure to Implement E-Procurement - Procurement was done manually despite a directive requiring e-procurement.	Only purchase orders captured through and other Modules not in use	County Executive confirms that the County Executive was using e-procurement module for processing of purchase orders and no procurement was done outside the			

			procure to pay module.			
17	Lack of Project Implementation Status Report - No implementation reports were prepared for 11 major projects.	Implementation status reports not prepared	the six ongoing projects, two are still in progress: the Accident and Emergency Construction, which is expected to be completed in June and is set to become an iconic project for Wajir County, and the County Industrial Aggregation Industrial Park (CAIP), which is partly funded by the National Government. We kindly request that the Auditor to conduct an inspection in the upcoming financial year to assess the progress of these projects.		The Committee recommends that; - 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;	

					<p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
18	Failure to Implement Audit Recommendations - Prior year audit recommendations were not addressed.	No evidence provided to confirm implementation of the recommendations	County has implemented part of the recommendations issued by the Auditor and the County Public Accounts and	The committee observed that issues from previous financial years had not been resolved.	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor	Within 60 days after the adoption of the report

			Investment Committee of the Senate.		General and submits a report to the Auditor General within 60 days of the adopting this report.	
19	Lack of Project Specifications in the Budget - The County Budget lacked specific project allocations, making it difficult to verify alignment with the Annual Development Plan.	The absence of specific project allocations in the budget makes it difficult to track expenditure against planned projects, leading to a lack of transparency and accountability.	The management responded that Regulation 40 of the Public Finance Management (County Governments) Regulations, 2015 requires Each county government's budget estimates shall be prepared, accounted for and reported in accordance with the Government of Kenya budget classification and standard chart of accounts issued by the National Treasury.	The Committee observed that the management had a low absorption rate in project implementation hence there was no value for money.	The Committee recommends that; 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015	Within 60 days after adoption of the report

					<p>within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
20	Payment of Salary Through Manual Payroll - 1,114 employees were	The County still maintains manual payroll and there is payroll	The processing of personal numbers for new staff necessary for	The Committee noted that some Counties Executive were	<p>The Committee recommends that;</p> <p>1) County Entities</p>	Within 60 days after adoption

	paid Kshs.23,792,180 through manual payroll, raising concerns about transparency.	transparency, accuracy, and financial compliance.	IPPD payroll takes time to be created by the Department of Public Service Management (DPSM). It is in this period that these employees are paid through the manual payroll and immediately their personal numbers are received their details are transferred into the IPPD payroll. County will comply with the audit recommendation	making payments of salaries for some of its employees outside the Integrated Personnel and Payroll Database (IPPD) System.	should engage the State Department of Public Service to fast-track the issuance of personal numbers to enable Counties onboard all employees on the Integrated Personnel and Payroll Database (IPPD) System; and 2) the Auditor General to monitor the matter in subsequent audit cycle.	of the report.
21	Weaknesses in Management of Non-Current Assets - Non-current asset registers, policies, and procedures were not provided, and	Asset registers, policies, and procedures not provided, and assets not tagged.	With the adoption of Accrual Accounting, we confirm that there is an ongoing initiative to develop and implement an asset management framework	The Committee observed that the County Executive: - 1) had not updated their Fixed Assets Register; 2) had not adopted the report	The Committee recommends that; - 9. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed	Within 60 days after the adoption of the report.

	assets were not tagged.			of the Inter-Governmental Relations Technical Committee on assets and liabilities inherited from the defunct local authorities. This has affected the correct statement of the assets and liabilities.	by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report; 10. County should adopt and implement the report of the Inter-Governmental Relations Technical Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and	
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					11. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.	
22	Lack of Inventory Management System for Drugs and Medical Supplies - Inventory records were manually maintained, increasing the risk of inefficiencies and errors.	No inventory management system in place	The County Executive to implement best practices in establishing an inventory management system to effectively manage the stock of drugs and medical supplies. These records will be organized by item code number, arranged in chronological order, and categorized by fiscal year to ensure efficient tracking and accountability.	The Committee observed that the County Executive: - 1) had not updated their Fixed Assets Register; 2) had not adopted the report of the Inter-Governmental Relations Technical Committee on assets and liabilities inherited from the defunct local authorities. This has affected the correct statement of the assets and liabilities.	The Committee recommends that; - 12. County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report; 13. County should adopt and	Within 60 days after the adoption of the report.

					<p>implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>14. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
23	Effectiveness of the Internal Audit Unit and Audit Committee - the unit only carried out audit of the financial	Without the internal audit reports and without audit committee discussing reports hinders	The County internal audit has an annual audit work plan.	The Committee observed that in a number of the entities considered, management had not established	The Committee recommends that the county entities should expedite establishment of audit committees to enhance oversight over public resources	Within 60 days after adoption of the report.

	<p>operations of Wajir Water and Sewerage Company Limited the County Executive stores. Other major areas of the County Executive operations were not covered during the year. Reasons cited for the limited coverage included staff shortage and lack of adequate budgetary allocation.</p>	<p>effectiveness of the Internal Audit Unit and Audit Committee</p>		<p>audit committees to provide oversight on the financial and other operations of their financial affairs as required under Section 167(1) of Public Finance Management (County Governments) Regulation, 2015.</p>	<p>and provide a status report to the Auditor General within sixty (60) days from the adoption of this report. The Committee further recommends that the SRC should review the compensation framework for Audit Committee members since the low sitting allowances may not attract seasoned professionals to the county Audit Committees.</p>	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF WEST POKOT COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/2024**

**Qualified Opinion**

AUDIT QUERY/AUDIT FINDINGS	Management Response	Committee Observation	Committee Recommendation	Timeline
<b>REPORT ON THE FINANCIAL STATEMENTS</b>				
<p><b>1.Inaccuracies in Exchequer Releases:</b> A variance of Kshs. 2,162,181 between the reported Exchequer releases and the actual transfers to the County Revenue Fund was not reconciled.</p>	<p>The variance of Kshs. 2,162,181 was attributed to a misclassification of funds transferred from the FLOCA SPA CBK account. Management acknowledged the error but argued that it did not affect the overall accuracy of the total receipts.</p>	<p>While the misclassification is a procedural error, the management's explanation that it does not impact the total receipts is plausible. However, the misclassification indicates a need for better financial reporting practices to avoid such errors in the future.</p>	<p>In line with <b>Paragraph 1.3 of IPSAS (cash basis)</b> which paragraph requires that financial statements prepared under the cash basis must <b>fairly present</b> the entity's cash receipts, payments, and balances, The County Executive should ensure accurate classification and reconciliation of all financial transactions, including Exchequer releases, in accordance with the <b>Public Finance Management Act, 2012</b>. A robust financial reporting</p>	<p>Immediately</p>

			system should be implemented to avoid misclassifications and ensure transparency.	
<p><b>2.Inaccuracies in Transfers to Other Government Entities:</b> Transfers amounting to Kshs. 777,775,955 did not include returns to the County Revenue Fund (CRF) of Kshs. 46,884,886.</p>	<p>The returns to the County Revenue Fund (CRF) were reflected as an adjustment to the fund balance brought forward, not as transfers.</p>	<p>This explanation clarifies the discrepancy, but it highlights a need for clearer financial reporting to ensure that all transactions are accurately categorized and disclosed.</p>	<p>The County should ensure that all transfers, including returns to the County Revenue Fund (CRF), are accurately recorded and disclosed in the financial statements as required by <b>Paragraph 1.3 of IPSAS (cash basis)</b>. Regular reconciliations should be conducted to avoid discrepancies.</p>	<p>Immediately</p>
<p><b>3.Inaccuracies in Own Source Revenue:</b> The County Executive had not fully automated its revenue streams, and there was no updated valuation roll, raising concerns about the accuracy of the reported</p>	<p>The county has deployed a fully automated revenue collection system and is awaiting the valuation and transfer of land parcels to update the valuation roll.</p>	<p>The deployment of an automated system is a positive step, but the delay in updating the valuation roll (which expired in 2016) is concerning. This delay could impact revenue</p>	<p>The County should expedite the preparation and approval of an updated valuation roll as mandated by section 13 of <b>Valuation for Rating Act, 1984</b>.</p>	<p>Six months from the adoption of this report</p>

own source revenue of Kshs. 185,477,320.		collection efficiency and accuracy.	Additionally, the County should fully automate its revenue collection systems to enhance accuracy and completeness of own-source revenue reporting.	
<b>4.Budgetary Control and Performance:</b> The County Executive experienced underfunding of Kshs. 911,685,958 (13% of the budget) and under-absorption of funds of Kshs. 964,644,497 (14% of the budget), affecting service delivery.	Late exchequer releases slowed down absorption rates, and unabsorbed funds were rolled over to the next fiscal year.	This is a common issue in many counties, but it underscores the need for better budget planning and coordination with the national treasury to ensure timely disbursement of funds.	The County should improve budget planning and execution to avoid underfunding and under-absorption of funds. This includes timely procurement processes and better coordination with the National Treasury to ensure timely Exchequer releases, as per <b>Section 17 of the Public Finance Management Act (PFMA), 2012 which provides that funds must be disbursed to county governments no later than the 15th day of each</b>	Immediately

			<b>month</b> unless exceptional circumstances arise.	
<b>5.Pending Accounts Payables:</b> Unsettled bills amounting to Kshs. 321,655,764, including Kshs. 170,428,094 for construction works, distorted the financial statements.	Late exchequer releases caused delays in settling bills, but the bills have since been paid.	The management's explanation is reasonable, but the delay in settling bills could have affected service delivery and financial planning. The county should work on improving cash flow management.	The Committee recommends that: 3. all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and 4. that pursuant to the provisions of	

			<p>Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>5. The Controller of Budget takes into consideration the efforts made by a county government to</p>	
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			<p>clear inherited pending bills when approving exchequer releases;</p> <p>6. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>7. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p>	
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			<p>8. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>9. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>	
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>				

<p><b>6.Completed but Unutilized Projects:</b> Ten completed projects (health facilities and roads) costing Kshs. 23,532,775 were not in use due to lack of handover or equipment.</p>		<p>The response indicates that the county is taking steps to address the issue, but the delay in utilizing completed projects is a significant concern. The county should ensure that projects are not only completed but also operationalized promptly to deliver value for money.</p>	<p>The County should ensure that completed projects are promptly handed over, equipped, and operationalized to deliver value for money, as required by the <b>Public Finance Management Act, 2012</b>. A monitoring mechanism should be established to track project utilization.</p>	<p>Immediately</p>
<p><b>7.Stalled Projects:</b> Several projects were stalled, including: <b>Male Ward at Kacheliba Sub-County Hospital:</b> 70% complete, but stalled with Kshs. 7,298,186 paid. <b>Pkopocho Tourist Hotel and Hospitality Development Centre:</b> Stalled at the first floor, with Kshs. 84,740,392 paid. <b>Ladies Hostel at Chesta Teachers Training</b></p>	<ul style="list-style-type: none"> <li>• <b>Delays and Terminations:</b> Projects were delayed due to administrative assessments, contract terminations, and rate changes.</li> <li>• <b>Phased Implementation:</b> Projects are being implemented in phases due to resource constraints.</li> </ul>	<p>The management has provided detailed explanations for the delays, including contract terminations and budget issues. However, the fact that many projects stalled for extended periods raises questions about project management and oversight. Physical inspection of the project</p>	<p>The County should conduct regular project monitoring and evaluation to avoid delays and ensure timely completion of projects. Contractors should be held accountable for delays, and contracts should be terminated or extended in accordance with the <b>Public</b></p>	<p>Immediately</p>

<p><b>College:</b> Stalled with incomplete works, including a septic tank and rainwater disposal.</p> <p><b>Education Administration Office Block in Kapenguria:</b> Delayed and incomplete, with Kshs. 35,842,107 paid.</p> <p><b>Governor's Office Complex:</b> Stalled after design changes, with no documentation for the changes.</p>	<ul style="list-style-type: none"> <li>• <b>Contractor Challenges:</b> Contractors faced logistical and environmental challenges, leading to extensions.</li> <li>• <b>Completion and Handover:</b> The Ladies Hostel project has been completed and handed over, with proper documentation and approvals.</li> </ul>	<p>conducted on 14 March 2025:</p> <p><b>Pkopoch Tourist Hotel and Hospitality Development Centre</b> – the project is incomplete. No contractor on site.</p> <p><b>Ladies Hostel at Chesta Teachers Training College-Education Administration Office Block in Kapenguria-</b> the project is ongoing. Contractor is on site.</p> <p><b>Governor's Office Complex-</b> the project remains incomplete. No contractor on site.</p>	<p><b>Procurement and Asset Disposal Act, 2015.</b></p>	
<p><b>8.Partial Implementation of e-Procurement System:</b></p> <p>The e-procurement system was not fully utilized, contrary to regulations.</p>	<p>The county is transitioning to a fully functional e-procurement system, with the National Treasury piloting Electronic Government Procurement.</p>	<p>The partial implementation of the e-procurement system is a significant compliance issue. While the county is working towards full</p>	<p>The County should fully implement the e-procurement system in compliance with <b>Regulation 49(2) of the Public Procurement and</b></p>	<p>Immediately</p>

		implementation, the delay in adopting the system has likely led to inefficiencies and potential breaches of procurement regulations.  <b>Issue not addressed</b>	<b>Assets Disposal Regulations, 2020.</b> The National Treasury should provide the necessary support to ensure full integration with the State Portal.	
<b>9.Non-Compliance with Fiscal Responsibility on Wage Bill:</b> The wage bill exceeded 35% of total revenue, breaching the Public Finance Management Regulations.	The high wage bill is attributed to inherited staff from the national government and defunct local authorities, as well as the need to employ additional staff for new infrastructure. The county is taking steps to reduce the wage bill through staff rationalization and other measures.	The high wage bill is a common challenge for many counties, but it is a serious issue that affects the county's ability to fund other critical services. The county's plan to reduce the wage bill is commendable, but it will require sustained effort and political will to achieve the statutory ceiling of 35%.  <b>Issue not addressed</b>	The County should take immediate steps to reduce the wage bill to the statutory ceiling of 35% of total revenue, as required by <b>Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.</b> This may include staff rationalization, redeployment, and reducing new employments.	Immediately
<b>10.Non-Compliance with One-Third Basic Rule Policy:</b> Some employees received net	The county uses the Integrated Personnel and Payroll Database (IPPD), which ensures compliance	The management's explanation is reasonable, but the introduction of new	The County should ensure that employees' net salaries comply with	Immediately

salaries less than one-third of their basic salaries, violating the Employment Act.	with the one-third basic rule, except in cases of overpayment recoveries or court attachments.	taxes (e.g., housing levy) has affected some employees' net earnings. The county should monitor payroll deductions to ensure compliance with the one-third rule.	the <b>Employment Act, 2007</b> and the <b>Human Resource Policies and Procedures Manual for the Public Service, 2016</b> . Deductions should not exceed two-thirds of basic salaries, and any exceptions should be properly documented and justified.	
<b>11.Failure to Publish Tenders and Contracts:</b> Awarded contracts were not published on the Public Procurement Information Portal, breaching the Public Procurement and Asset Disposal Act.	The county published 439 contracts, but some departmental officers faced technical challenges with the procurement portal. These issues have since been resolved.	The failure to publish tenders and contracts is a serious compliance issue, but the county's response indicates that steps have been taken to address the problem. The county should ensure that all procurement activities are transparent and comply with legal requirements.	The County should ensure that all awarded contracts are promptly published on the Public Procurement Information Portal (PPIP) and the County's website, as required by <b>Section 138 of the Public Procurement and Asset Disposal Act, 2015</b> and <b>Executive Order No. 2 of 2018</b> .	Immediately

<p><b>12.Irregular Commitment of Funds:</b> Funds were committed after the statutory deadline without written approvals.</p>	<p>Funds were committed late due to delays in supplementary budget approval, but the funds were rolled over to the next fiscal year.</p>	<p>The late commitment of funds is a breach of regulations, but the county's explanation is plausible given the delays in budget approval. The county should work on improving its budget approval processes to avoid similar issues in the future.</p> <p><b>Issue not addressed</b></p>	<p>The County should ensure that all commitments for goods and services are made before the statutory deadline of 31 May each year, as per <b>Regulation 50(1) of the Public Finance Management (County Governments) Regulations, 2015</b>. Any late commitments should be approved in writing by the Accounting Officer.</p>	<p>Immediately</p>
<p><b>13.Non-Compliance with Staff Ethnic Composition:</b> 90% of new recruits and 85% of total staff were from the dominant ethnic community, violating the County Government Act and National Cohesion and Integration Act.</p>	<p>The county faces challenges in attracting staff from other regions due to its status as a hardship area and insecurity perceptions.</p>	<p>While the county's challenges are understandable, it is still obligated to comply with the law on staff ethnic composition. The county should explore innovative strategies to attract a more diverse workforce, such as offering incentives</p>	<p>The County should take proactive measures to ensure compliance with <b>Section 65(e) of the County Government Act, 2012</b> and <b>Section 7(1) and (2) of the National Cohesion and Integration Act, 2008</b>. This includes targeted</p>	<p>Immediately</p>

		or improving security perceptions.	recruitment campaigns to attract candidates from underrepresented communities and addressing perceptions of insecurity.	
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT &amp; GOVERNANCE</b>				
<b>14.Lack of Valuation Roll:</b> The County did not have an updated valuation roll, affecting property rate collection.	The county is awaiting the valuation and transfer of land parcels to update the valuation roll.	The delay in updating the valuation roll is a significant issue that affects revenue collection. The county should expedite the process to ensure accurate and fair property rate assessments.	The County should expedite the preparation of an updated valuation roll in compliance with the section 13 of <b>Valuation for Rating Act, 1984</b> . This will enhance revenue collection and ensure accurate property rate assessments.	
<b>15.Internal and External Performance Appraisal on Internal Audit:</b> No performance appraisal or external assessment of the internal audit function was conducted, raising	The internal audit and audit committee conducted self-assessments, and gaps were identified and documented. The management plans to address these gaps.	The lack of regular performance appraisals for the internal audit function is a concern, but the county's plan to address the gaps is a positive step. The	The County should conduct regular internal and external performance appraisals of the internal audit function to evaluate its effectiveness, as required by <b>ISSAI</b>	Immediately



concerns about its effectiveness.		county should ensure that these plans are implemented promptly.	<b>3000 and 4000.</b> The Audit Committee should provide recommendations for improving the internal audit's independence and competency.	
<b>16.Lack of Enforcement of Internal Audit Recommendations:</b> Management did not effectively monitor the implementation of internal audit recommendations, contrary to regulations.	The management has established a policy framework for enforcing internal audit recommendation	The establishment of a policy framework is a positive step, but the county must ensure that the framework is effectively implemented to improve internal controls and governance.	The County should establish a robust system for monitoring and enforcing the implementation of internal audit recommendations, as required by <b>Regulations 165(1) and 165(2) of the Public Finance Management (County Government) Regulation, 2015.</b> An action plan should be developed to address audit findings.	Immediately



**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF KITUI COUNTY EXECUTIVE FOR THE  
FINANCIAL YEAR 2023/2024.**

**Basis for Qualified Opinion**

<b>Audit Query</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>
<b>1. Unconfirmed Revenue</b>	<ul style="list-style-type: none"> <li>Receipts totalling Kshs.3,980,755 included in F.S figure of Kshs.3,111,155,760 were recorded in the cash book but did not reflect in the bank statements(or reconcilliation)</li> <li>Further, the cashier analysis indicated Kshs.3,794,256.</li> </ul>	<ul style="list-style-type: none"> <li>The receipts totaling Kshs 3,980,755 is a reconciling item in the bank reconciliation statement. it is summation of Kshs.3,794,256 which was unbanked as of 30<sup>th</sup> June 2024 and Kshs. 186,499 banked on 1<sup>st</sup> and 2nd July 2024 as highlighted in the July 2024 Bank statement.</li> <li>The recovery of the Kshs. 3,794,256 unbanked revenue is ongoing with Kshs 1,218,173.00 recovered from revenue collectors' salaries from July 2024 to February 2025.</li> </ul>	<ul style="list-style-type: none"> <li>Receipts totalling Kshs.3,980,755 included in F.S figure of Kshs.3,111,155,760 were recorded in the cash book but did not reflect in the bank statements(or reconcilliation).</li> <li>The cashier analysis indicated Kshs.3,794,256.</li> <li>County's electronic revenue collection system records for land rates (LAIFOMS) indicated uncollected revenue arrears of Kshs.1,098,129,827.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</li> <li>County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<ul style="list-style-type: none"> <li>In addition, County's electronic revenue collection system records for land rates (LAIFOMS) indicated uncollected revenue arrears of Kshs.1,098,129,827.</li> </ul>	<ul style="list-style-type: none"> <li>The County's electronic revenue collection system records for land rates (LAIFOMS) revealed that an outstanding property rates totalling Kshs.1,098,129,827 owed to the County at the year end.</li> </ul>		<p>Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and</p> <p>3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>
<p><b>2. Pending Accounts Payables</b></p>	<ul style="list-style-type: none"> <li>Financial statements reflect total Kshs.861,319,545 being accounts payables not settled as at 30 June, 2024. Management explained</li> </ul>	<ul style="list-style-type: none"> <li>The County Government of Kitui has since received the undisbursed funds for June 2024 and prepared a supplementary budget to revote the funds for pending bills which were not paid as of June 30, 2024, in the 2024/2025 financial</li> </ul>	<ul style="list-style-type: none"> <li>Financial statements reflect total Kshs.861,319,545 being accounts payables not settled as at 30 June, 2024.</li> <li>Management has submitted a payment plan for pending accounts payables (January-June 2025) but there is no supporting budget, and has not provided evidence to</li> </ul>	<p>The Committee recommends that;</p> <p>1. Pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>that pending bills resulted from failure to get june disbursement Kshs.866 million, but no evidence was provided to confirm that the bills were settled as a first charge in the subsequent year.</p>	<p>year budget. This supplementary budget I for 2024/2025 was approved by the County Assembly of Kitui on 11th December 2024 each disbursement for January to June to settle pending bills.</p>	<p>confirm whether repayment of about Kshs.306 million for period between January and February 2025(as per payment plan) has been made in relation to pending bills.</p>	<p>Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <ol style="list-style-type: none"> <li>2. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</li> <li>3. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</li> <li>4. Supplementary budgets for county governments</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
				<p>are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p> <p>5. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>6. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
<b>3. Unresolved Prior Year Matters</b>	<ul style="list-style-type: none"> <li>Management has not resolved all the prior year matters as prescribed by the Public Sector Accounting Standards Board, though they have been appearing in the Senate Committee on Public Accounts to respond and resolve issues raised. Further, Management did not provide any measures put in place to</li> </ul>	<ul style="list-style-type: none"> <li>The County Management appeared before the County Public Accounts to respond on issues raised by the Office of the Auditor General on the financial statements for the period 2020/21, 2021/22, and 2022/23. However, various issues still remain unresolved and we are working with various state bodies e.h OAG and NT to resolve the issues as well as matters raised by the Senate Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Management has not resolved all the prior year matters as prescribed by the Public Sector Accounting Standards Board.</li> <li>Management did not provide any measures put in place to resolve the issues.</li> </ul>	<p>The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by acting on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	resolve the issues.			
<b>4. Non-Compliance with One Third Rule of Basic Salary Rule</b>	<ul style="list-style-type: none"> <li>Review of the IPPD payroll data revealed that one thousand nine hundred and nine (1,909) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section 19 (3) of the Employment Act, 17 of 2007.</li> </ul>	<p>Anomaly was occasioned by:</p> <ul style="list-style-type: none"> <li>National Government's transition from the non-contributory pension Scheme for national government employees and devolved staff to the Public Service Superannuation Scheme (PSSS) which is contributory.</li> <li>The introduction of the Housing Levy, revision of NSSF and SHA contribution rates further reduced employees' disposable incomes.</li> </ul>	<ul style="list-style-type: none"> <li>Review of the IPPD payroll data revealed that one thousand nine hundred and nine (1,909) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section 19 (3) of the Employment Act, 17 of 2007.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>7) The county entities should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</li> <li>8) Auditor General should continue monitoring the issue in subsequent audit cycles.</li> </ol>
<b>5. Non-Compliance with Law on Ethnic Diversity</b>	<ul style="list-style-type: none"> <li>County's master roll and other staff records indicated that out of 5,568</li> </ul>	<ul style="list-style-type: none"> <li>To ensure compliance with Section 65 (1) (e) of the County Governments Act, 2012, the Kitui County Public</li> </ul>	<ul style="list-style-type: none"> <li>County's master roll and other staff records indicated that out of 5,568 employees of the County Government, 5,061 or approximately 91 % of the</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>7) The County Executives should work progressively towards attaining the</li> </ol>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>employees of the County Government, 5,061 or approximately 91 % of the total number were from the dominant ethnic community in the County contrary to Section 65(1)(e) of the County Governments Act, 2012.</p> <ul style="list-style-type: none"> <li>• Management indicated that majority of the County employees were from the National Government and those inherited</li> </ul>	<p>Service Board has undertaken the following measure to encourage non dominant communities to apply.</p> <ul style="list-style-type: none"> <li>• All advertisement for vacant positions clearly states that the County Government of Kitui is an equal opportunity employer and does not charge commission for its recruitment service.</li> </ul>	<p>total number were from the dominant ethnic community in the County contrary to Section 65(1)(e) of the County Governments Act, 2012.</p>	<p>requirement of the provisions of Section 65(1)(e) of County Government Act on ethnic inclusivity.</p> <p>8) The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>from the defunct Local Authority who were mainly from the dominant ethnic community, no effort has been taken to address the issue.</p>			
<p><b>6. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill</b></p>	<ul style="list-style-type: none"> <li>Financial statements reflect compensation of employees' amount of Kshs.5,002,692,126 which represents 38% of the total receipts of Kshs.13,074,283,745.cont</li> </ul>	<ul style="list-style-type: none"> <li>The County Executive is progressively implementing the recommendations of the Kitui County Human Resource Audit and Rationalization Committee to achieve the requirement of the regulation, and has made a raft of Recommendations geared towards</li> </ul>	<ul style="list-style-type: none"> <li>Kshs.5,002,692,126 which represents 38% of the total receipts of Kshs.13,074,283,745. contrary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.</li> <li>Management formed a taskforce which presented their findings and recommendations in February 2023, as at time</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue;</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>rary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments ) Regulations, 2015.</p> <ul style="list-style-type: none"> <li>Although Management formed a taskforce which presented their findings and recommendations in February 2023, as at time of the audit in November</li> </ul>	<p>trimming workforce and increasing revenue.</p> <ul style="list-style-type: none"> <li>The county government is implementing revenue automation to improve revenue collection and hence reduce the proportion of wage bill to the total revenue.</li> </ul>	<p>of the audit in November 2024 the recommendations had not been implemented.</p>	<ol style="list-style-type: none"> <li>The county executive puts in place measures to enhance its own source revenue collection to address the high wage bill gap; and</li> <li>The management should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	2024 the recommendations had not been implemented			
7. Stalled Projects- Health	<b>i)Storeyed Maternity Ward at Kitui County Referral Hospital</b> <ul style="list-style-type: none"> <li>Project initiated in year 2016/2017 at a contract sum of Kshs.242,787,625 and target completion date of 18 May, 2019.</li> <li>Project terminated on 18 December, 2018 and contractor</li> </ul>	<ul style="list-style-type: none"> <li>At the time of settling this matter (18th June 2024) the county had already submitted its budget for the year 2024/2025 to the county assembly for approval and could not include its completion estimate in the budget.</li> <li>For proper planning the Ministry of Health and sanitation wrote to the County Department for Public Works via letter Ref:</li> <li>CGKTI/MOH/PROC/3(078) dated 13th November 2024 to do a valuation of the project to quantify the</li> </ul>	<ul style="list-style-type: none"> <li>Project initiated in year 2016/2017 at a contract sum of Kshs.242,787,625 and target completion date of 18 May, 2019.</li> <li>Project verification revealed that it is still stalled.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>had received Kshs.51,964,035, but high court civil case No. 2 of 2019 ordered Kitui County to pay the contractor an amount of Kshs.254,238,639.</p> <ul style="list-style-type: none"> <li>• But out of court consent/agreement with the contractor on 18/6/2024 settled at Kshs.53,017,765 an amount paid to the contractor on 24/6/2024.</li> <li>• Project verification</li> </ul>	<p>cost of completing the project. The valuation report will guide the ministry in budgeting for the completion of the maternity ward at Kitui County Referral Hospital in subsequent years.</p>		<ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</li> <li>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	revealed that it is still stalled.			
9	<b>ii)Proposed Completion of X-ray Building at Kauwi Hospital</b> <ul style="list-style-type: none"> <li>Project for construction of x-ray building was awarded on 2 February 2024 at a contract sum of Kshs.2,208,686 for a contract period of 120 days,but project was completed as planned but not put tp use.</li> </ul>	<p>The County Government of Kitui in the financial year 2017- 2018 in the month of March 2018 procured ten (10) no. X- ray machines at cost of Kshs 70 million. Kauwi Hospital X-ray machine was among the ten. However, the procurement process has been under investigation by the Ethics and Anti-Corruption Commission (EACC) due to alleged irregularities. The Ministry of Health and Sanitation wrote a letter (Ref: CGKTI/MOH/PROC/3/1(22 4)) dated 25th September 2024 to the EACC, regarding the intended installation and commissioning of the X-ray machine in light of the on-going investigations relating</p>	<ul style="list-style-type: none"> <li>Project for construction of x-ray building was awarded on 2 February 2024 at a contract sum of Kshs.2,208,686 for a contract period of 120 days,but project was completed as planned but not put tp use.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</li> <li>The Office of the County Governor to</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<ul style="list-style-type: none"> <li>This is despite, the Hospital having an un-installed x-ray machine, one of ten(10) procured back in 2017-2018 at approximately 70 million.</li> </ul>	to this supply. A copy of the request letter to the EACC is attached for reference.		<p>prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
9	<p><b>iii)Oxygen Plant Machine - Kitui County Referral Hospital</b></p> <ul style="list-style-type: none"> <li>Oxygen Plant machine procured in 2016/2017, by County Government at</li> </ul>	<ul style="list-style-type: none"> <li>The contract for the supply, installation, and commissioning of an oxygen plant at Kitui Referral Hospital was awarded in the FY 2016/2017 at Kshs.14.5 million, and contractor was required to supply install and commission the plant</li> </ul>		<p>The Committee recommends that;</p> <p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>Kshs.14,500,000 for use by Kitui Referral Hospital.</p> <ul style="list-style-type: none"> <li>• However, physical verification of the project carried out on 11 September, 2024 revealed that the plant was yet to be and it is stored in an unsecured storage space outside, exposing it to risk of physical deterioration due to adverse weather conditions.</li> </ul>	<p>within 6 months, However, the vendor delayed the delivery, and the plant was not supplied until 17th December 2019 in the FY 2019/2020, 24 months outside the contract period.</p> <ul style="list-style-type: none"> <li>• As a result, the County Government did not take possession of the supply consequently, installation and commissioning of the plant were never done.</li> <li>• In the year 2021, the vendor filed a lawsuit against the County Government of Kitui citing breach of contract and specifically non-payment. In this court case, the position of the County</li> </ul>		<p>money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</li> <li>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</li> </ol>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<ul style="list-style-type: none"> <li>• Management attributed the delay in installation and commissioning to disputes between the County and the supplier.</li> <li>• Management also noted that no payments have been made for the plant machine.</li> </ul>	<p>Government is that there was no contractual relationship with the vendor when the supply was made since the contract had been terminated by expiry of time.</p>		
<b>8. Kabati Slaughterhouse</b>	<ul style="list-style-type: none"> <li>• Project for construction of slaughterhouse awarded on 19 June 2008 at a cost of Kshs.4,427,8</li> </ul>	<ul style="list-style-type: none"> <li>• The contractor/ the decree holder (Power Pump Technical Company Ltd) is yet to hand over the slaughterhouse owing to the pending court case. The County Government has been</li> </ul>	<ul style="list-style-type: none"> <li>• Project for construction of slaughterhouse awarded on 19 June 2008 at a cost of Kshs.4,427,863.80, but Contractor completed the project but declined to hand it over as contract sum had not been paid in full.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>63.80, but Contractor completed the project but declined to hand it over as contract sum had not been paid in full.</p> <ul style="list-style-type: none"> <li>The County Executive inherited the project when the County was formed and the amount owed to the contractor has escalated to a tune of Kshs.6,197,755.</li> <li>Contractor, went to court and Court made a ruling</li> </ul>	<p>engaging the contractor in negotiations with a view to settle this matter.</p> <ul style="list-style-type: none"> <li>The Parties were last in court on the 11th of March 2025 where the Court directed that the parties do a joint reconciliation of the outstanding claim in respect of interest since the County Government has paid the principal claim. It is important to note that the interest imposed by the court has stopped running since the principal amounts have been paid.</li> <li>On the 12th of May 2025 when the court case will be mentioned, The County Government</li> </ul>		<p>timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <ol style="list-style-type: none"> <li>The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</li> <li>The OAG to keep the matter in view and provide a status update</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>for the County to pay the principal sum of Kshs.6,197,755.96, which was paid vide payment voucher number 48413 dated 26 September, 2023 awaiting further determination of the matter.</p> <ul style="list-style-type: none"> <li>• However, despite payment of the amount, the County farmers are unable to access</li> </ul>	<p>will be making an application to court to have the Contractor release the slaughterhouse for commissioning, so that it becomes available for use by County farmers.</p>		<p>to the Committee in the subsequent audit cycle.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	slaughterhouse.			
<b>9. Unsatisfactory Implementation of Projects</b>	<b>i) Construction of Livestock</b> <ul style="list-style-type: none"> <li>The County Government awarded a contract for proposed completion works for livestock office at a contract sum of Kshs.2,497,959 on 19 April, 2024.</li> <li>Project was completed and Contract paid Kshs.2,130,156 as at 30 June, 2024.</li> <li>However, audit inspection</li> </ul>	<ul style="list-style-type: none"> <li>A site inspection was carried out on 12th November 2024 where there were several defects identified as per attached site instruction report.</li> <li>The contractor was notified through letter dated 12th November 2024 (attached) from head of public works through the chief officer roads and public works, the contractor committed to make good defects via a letter dated 27th November 2024.</li> <li>The contractor has undertaken most of the works as per the site inspection minute dated 11th March 2025 (replaced all the</li> </ul>	<ul style="list-style-type: none"> <li>Audit inspection conducted in September 2024 revealed various defects which required to be attended, implying that project had not been implemented to scope.</li> <li>Management indicated defects had been rectified, but there was no additional inspection report provided to confirm the status.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</li> <li>The Office of the County Governor to prioritize completion of existing and stalled</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>conducted in September 2024 revealed various defects which required to be attended, implying that project had not been implemented to scope.</p> <ul style="list-style-type: none"> <li>• Mangement indicated defects had been rectified, but there was no additional inspection report provided to confirm the status.</li> </ul>	<p>internal door with thick solid core flush doors and mahogany veneer applied on both side, repaired cracked internal wall plaster finish and painted) the remaining works (hacking of the screed floor and redoing it as per the specification in the BoQ and allowing curing with adequate water ) to be completed by 10th <i>April 2025</i>.</p>		<p>projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p><b>ii)Construction of a Snake Pit at Mutomo Reptile Park</b></p> <ul style="list-style-type: none"> <li>The County Government awarded a contract to construct a snake pit at Mutomo Reptile Park at a contract sum of Kshs.3,217,312 on 16 December, 2023 and was paid vide payment voucher No. 52443 dated 30 May, 2024. However, audit inspection conducted on</li> </ul>	<ul style="list-style-type: none"> <li>The contractor who implemented the contract for the snake pit was instructed to rectify the defects identified via letter dated 18th October 2024, before requesting for the retention payment. The contractor agreed to repair all the defects listed through a letter dated 24th October 2024.</li> <li>All repairs have been undertaken as per attached joint inspection report.</li> </ul>	<ul style="list-style-type: none"> <li>Audit inspection conducted on September 2024 revealed various defects.which required to be rectified.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</li> <li>The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	September 2024 revealed various defects which required to be rectified.			<p>completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>
<b>10. Tyaa Sumpwell and Civil Works at Tyaa River</b>	<ul style="list-style-type: none"> <li>The County Government awarded a contract for construction of Tyaa Sump-well and other Civil works at Tyaa river in Mwingi with scope of works being; intake works (construction of sump-well), solar</li> </ul>	<ul style="list-style-type: none"> <li>The siting of the solar pumping station is based on the technical design viability of the project including the efficacy of the system in power transmission and the targeted water volumes abstraction. Location of the pumping system was based on a careful assessment of the river flow which indicated that the siting of the solar system was viable</li> </ul>	<ul style="list-style-type: none"> <li>Security arrangements for the solar pumping station installations valued at Kshs.4,618,032 was not considered, security arrangements for the solar pumping station installations valued at Kshs.4,618,032 was not considered, and were at risk of vandalization.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>pumping assembly, guardhouse and toilet, water transmission line (rising main) and masonry storage water tank at Mwingi Town with a contract sum of Kshs.15,957,431 as per contract agreement signed on 23 February, 2024.</p> <ul style="list-style-type: none"> <li>• Upon completion of project, contractor was paid Kshs.13,607,</li> </ul>	<p>both in terms of technical and commercial parameters for implementation.</p> <ul style="list-style-type: none"> <li>• The contractor was instructed to repair the damages. The valves and chambers have been repaired and are now in good condition.</li> <li>• The project cost did not include the fencing of the solar installations in its bill of quantities. However, the management has budgeted to fence the site in the current financial year 2024/2025.</li> </ul>		<p>Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</li> <li>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</li> </ol>



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>837 on 21 June, 2024.</p> <ul style="list-style-type: none"> <li>However, security arrangements for the solar pumping station installations valued at Kshs.4,618,032 was not considered, and were at risk of vandalization .</li> </ul>			
<b>13 Non-Compliance with Deductions and Remittance of Statutory Dues</b>	<ul style="list-style-type: none"> <li>Review of payroll records revealed that the County did not deduct, and remit Pay As You Earn (PAYE) amounting to</li> </ul>	<ul style="list-style-type: none"> <li>The County Government of Kitui has been working with the Kenya Revenue Authority to reconcile its tax liability arising from Pay As You Earn (PAYE), withheld Value Added Tax (VAT) and</li> </ul>	<ul style="list-style-type: none"> <li>Review of payroll records revealed that the County did not deduct, and remit Pay As You Earn (PAYE) amounting to Kshs.6,673,380 to Kenya Revenue Authority (KRA) with some of the arrears dating back to the year 2021.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The County Executive adheres to Section 22(2)(a) of the Public Finance Management (County Government) Regulations, 2015, which provides that the accounting officer complies with any tax,</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>Kshs.6,673,380 to Kenya Revenue Authority (KRA) with some of the arrears dating back to the year 2021. The delay in deduction and remittance to KRA is contrary to Section 37(1) of the Income Tax Act that requires an employer who pays emoluments to an employee to deduct and account for</p>	<p>withholding Income Tax. This PAYE of Kshs.6,673,380 in question relates to assessment for the period January 2021 to December 2022.</p> <ul style="list-style-type: none"> <li>The County Government and KRA have been directed by the TAT to reconcile the matter and return to court in May 2025 for direction.</li> </ul>	<ul style="list-style-type: none"> <li>The delay in deduction and remittance to KRA is contrary to Section 37(1) of the Income Tax Act.</li> </ul>	<p>levy, duty, pension, commitments and audit commitments as may be provided by legislation.</p> <ol style="list-style-type: none"> <li>The County Executives engage the relevant entities to formulate a payment agreement to settle the outstanding statutory deductions and provide a detailed status report on the same to the Office of the Auditor-General for subsequent reporting within 60 days from the adoption of this report.</li> <li>The Management adheres to Section 19 (4) of the Employment Act, 2007 in regards to remittance of employee remuneration deductions in accordance with the period specified by the relevant bodies.</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	tax thereon, to such extent and in such manner as may be prescribed.			
<b>14.Lack of County Attorney</b>	<ul style="list-style-type: none"> <li>During tear under review, County Government lacked a County Attorney contrary to Section 4(1 and 2) of the County Attorney Act, 2020 that requires County Governments to establish an office of the County Attorney which will</li> </ul>	<ul style="list-style-type: none"> <li>In the year under review, 2023/2024 the office did not have a substantive holder. During this period the functions of the County Attorney were discharged by the County Solicitor who is the principal assistant of the County Attorney in the execution of the functions of the County Attorney as provided for under section 17(3) of the Office of the County Attorney Act,2020.</li> <li>The County Government of Kitui</li> </ul>	<ul style="list-style-type: none"> <li>During tear under review, County Government lacked a County Attorney contrary to Section 4(1 and 2) of the County Attorney Act, 2020.</li> <li>Evidence has been provided that County had hired County Attorneys before.</li> <li>Management also explained that it is process of recruiting a County attorney.</li> <li>Management is in breach of the law, and has not confirmed arrangements in place to appoint a County Attorney.</li> </ul>	The Committee recommends that Manangement should confirm the arrangements in place to appoint a County Attorney.

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>consist of County Attorney, County Solicitor and such other number of legal counsels.</p>	<p>is in the process of recruiting a substantive County Attorney which is expected to be concluded by the close of FY 2024/2025.</p>		
<p><b>15. Late Submission of Climate Change Financial Statements</b></p>	<ul style="list-style-type: none"> <li>During the year under review, Management submitted the financial statements for climate change to the Auditor-General on 15 November, 2024 instead of the statutory deadline of 30</li> </ul>	<ul style="list-style-type: none"> <li>The management had initially prepared the financial statements for the previous years for the climate change funds as part of the county executive report. However, with the advice of the auditors, the project funds will now be budgeted as transfers to ensure accounts preparation is clear.</li> <li>The report has since been prepared and submitted to the</li> </ul>	<ul style="list-style-type: none"> <li>Management submitted the financial statements for climate change to the Auditor-General on 15 November, 2024 instead of the statutory deadline of 30 September, 2024.</li> <li>This is contrary to Section 29. (1) of Climate Change Act, 2016.</li> </ul>	<p>The Committee recommends that the County Chief Executive Officer (CEO) undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report. Where such failure has led to a Disclaimer opinion, the Committee recommends the</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>September, 2024. This is contrary to Section 29. (1) of Climate Change Act, 2016 which stipulates that the Council shall cause to be kept all proper books and records of account of the income, expenditure and assets of the Council and shall cause the accounts of the Council to be audited within a period of three months</p>	<p>Office of the Auditor General.</p>		<p>sanctions outlined in Section 62(2) of the Public Audit Act, 2015.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	after the end of each financial year.			
<b>1. Failure to Submit Financial Statements for Kitui Municipality</b>	<ul style="list-style-type: none"> <li>Review of the County records revealed that the County Government of Kitui established Kitui Municipality through a charter dated and approved on 29 June, 2018. However, the Municipality failed to submit financial statements for 2019/2020, 2020/2021,</li> </ul>	<p><i>Kitui Municipality not autonomous and therefore its income, expenditure, assets and liabilities are included in the County Executive financial statements.</i></p> <p><i>The County Government of Kitui is in the process of setting up the structures necessary to grant autonomy to the municipality to enable it to prepare its financial statements.</i></p>	<ul style="list-style-type: none"> <li>The Municipality failed to submit financial statements for 2019/2020, 2020/2021, 2021/2022, 2022/2023 and 2023/2024 financial years for audit contrary to provisions of Sections 46(1) and (2) of the Urban Areas and Cities (amendment) Act, 2019.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>The County Chief Executive Officer (CEO) undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report. Where such failure has led to a Disclaimer opinion, the Committee recommends the sanctions outlined in Section 62(2) of the Public Audit Act, 2015; and</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>2021/2022, 2022/2023 and 2023/2024 financial years for audit contrary to provisions of Sections 46(1) and (2) of the Urban Areas and Cities (amendment) Act, 2019.</p>			<p>2. To enhance the effectiveness of Municipalities in Kitui County in executing their mandates, the Committee directs the Governor of Kitui County to ensure that their operational independence is fully operationalized in line with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act.</p>
<p><b>17. Irregular Funding of National Government Functions</b></p>	<ul style="list-style-type: none"> <li>The Office of the Governor spent an amount of Kshs.84,068, 141 for the award of bursaries to student beneficiaries in secondary schools,</li> </ul>	<ul style="list-style-type: none"> <li>The Pro-Poor Fees Support Program was conceived in line with Article 43 (1)(f) of the Constitution of Kenya, 2010, which guarantees the right to education as a fundamental economic and social right for every person. The program aims to</li> </ul>	<ul style="list-style-type: none"> <li>The County Management was in breach of Fourth(4th) Schedule of the Constitution of Kenya, 2010, and further no MOU was signed between the County and National Government in the referred areas.</li> </ul>	<p>The Committee recommends that the County Executive to adhere to the provisions of Article 187(2) of the Constitution of Kenya.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>universities, tertiary schools and special education institutions.</p> <ul style="list-style-type: none"> <li>• Further, the County, through the Ministry of Culture, Gender, Youth, ICT, Sports and Social Services, under the programme, funded sports related projects valued at Kshs.23,044,851 in various in primary and secondary schools.</li> </ul>	<p>improve school retention rates and ultimately enhance education outcomes within the County and The selection of beneficiaries under the Pro-Poor Fee Support initiative was conducted transparently through public participation, in strict adherence to the guidelines outlined in the gazetted Pro-Poor Implementation Framework</p> <ul style="list-style-type: none"> <li>• Further, Sports is shared function between the National and the County Governments. Under clause 17 of part I of the fourth schedule to the Constitution of Kenya 2010, assigns to the National</li> </ul>		



Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
		Government the function of promoting sports and sports education.		
<b>18. Irregular Payments to Council of Governors</b>	<ul style="list-style-type: none"> <li>As previously reported, the statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.1,047,235,986 under transfers to other government entities. Included in the amount is Kshs.3,220,000 irregularly</li> </ul>	<ul style="list-style-type: none"> <li>The Department paid the amount in question (Kshs. 3,000,000) to the Council of Governors based on the resolution made on 31st July 2023 that each County Government remits Kshs. 2,000,000 being Intergovernmental contribution to the Council of Governors and Kshs. 1,000,000 being support towards legal fees for the Financial Year 2023/2024 as per the attached copy of letter Reference No. COG/6/12 Vol.12 (23) from the Chief</li> </ul>	<ul style="list-style-type: none"> <li>Kshs.3,220,000 irregularly paid to Council of Governors.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>1. The irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution.</li> <li>2. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	paid to Council of Governors.	Executive Officer, Council of Governors.		
<b>19. Internal Audit and Audit Committee</b>	<ul style="list-style-type: none"> <li>The County did not have an Audit Committee for the three quarters under review, hence audit work plans could not be approved and head of internal audit reported functionally and administratively directly to the Accounting Officer.</li> <li>Further, review of human</li> </ul>	<ul style="list-style-type: none"> <li>The County Government of Kitui complied with the section 167(1) and 168 (a) of Public Finance Management (County Governments) Regulations, 2015 on establishment of an Audit Committee in 2018. The Audit Committee members were reappointed in March 2022.</li> <li>However, the committee members resigned from the assignment citing personal reason in September 2023.</li> <li>The County Government of Kitui filled the positions via</li> </ul>	<ul style="list-style-type: none"> <li>The County did not have an Audit Committee for the three quarters under review.</li> </ul>	The Committee recommends that Management should have a properly constituted Audit committee, and properly staffed internal audit to ensure that internal controls are established and reviewed and are working as intended and provide a status report to the Auditor General within sixty (60) days from the adoption of this report.

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>resource records revealed that the Audit Committee was not properly constituted as appointment letters provided for audit review showed that two members (alternate) representing the Governor and County Treasury had not been appointed as at the time of audit in November, 2024.</p> <ul style="list-style-type: none"> <li>• Further, internal audit</li> </ul>	<p>an advertisement on Daily Nation dated 19th October 2023 as per attached newspaper extract. The committee was appointed in April 2024 as per attached appointment letters. The County Government is the process of finalising appointing the additional two alternate members.</p> <ul style="list-style-type: none"> <li>• The County Government of Kitui has frozen recruitments due to non-compliance with the law on fiscal responsibility – wage bill. However, staff rationalization process will be carried out to ensure department or unit understaffed are</li> </ul>		

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	unit was not properly staffed.	adequately staffed with well skilled trained officers.		
<b>20. Management of Assets</b>	<ul style="list-style-type: none"> <li>County's Non-current asset (as per register) amounted to Kshs.27,117,024,014. However, review of the balances and physical verification of sampled assets revealed the following anomalies;</li> <li>Three (3) motor vehicles at the parking yard, which were new vehicles</li> </ul>	<p>Livestock trucks: The vehicles at the Agricultural Mechanization Services were trucks which were procured for transport of livestock programme by Ministry of Trade, Cooperatives and Investments which never kicked off. The vandalization incident was reported to the police.</p> <p>However, the police investigations are still ongoing, and a conclusion is yet to be reached (See the attached Police Abstract). To ensure the effective utilization of the trucks, the County Executive Committee (CEC) held a meeting on Wednesday, 20th March 2024 and deliberated</p>	<ul style="list-style-type: none"> <li>inventory indicated that various vehicles had no ownership documents like logbooks, but it was explained that such assets were inherited from the defunct Kitui Municipal Council.</li> <li>Assets were not tagged for ease of tracking.</li> <li>there was lack of formal guidelines on asset management from the County Treasury.</li> </ul>	<p>The Committee recommends that;</p> <ol style="list-style-type: none"> <li>County executive should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;</li> <li>County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor</li> </ol>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>(lorries) had been vandalized, and are currently grounded.</p> <ul style="list-style-type: none"> <li>Other vehicles inspected were explained to be in good serviceable condition but were lying idle (not in use) and exposed to risk of being vandalized.</li> <li>inventory indicated that various vehicles had no ownership documents like logbooks, but</li> </ul>	<p>on the optimal use of the five trucks. The CEC resolved the trucks to be used as follows:</p> <p>Two trucks would be transferred to the Ministry of Water and Irrigation for conversion into water bowsers;</p> <p>One truck would be allocated to the Ministry of Agriculture and Livestock for agricultural activities such as seed distribution;</p> <p>One truck would be assigned to the Ministry of Trade, Industry, MSMEs, Innovation, and Cooperatives to serve as exhausters for public toilet maintenance in market areas; and</p> <p>One truck would be allocated to the Ministry of Roads, Public Works, and Transport for use in road construction activities.</p>		<p>General within 60 days of adoption of this Report; and</p> <p>3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>

Audit Query	Audit Finding	Management Response	Committee Observations	Committee Recommendations
	<p>it was explained that such assets were inherited from the defunct Kitui Municipal Council.</p> <ul style="list-style-type: none"><li>• Assets were not tagged for ease of tracking.</li><li>• there was lack of formal guidelines on asset management from the County Treasury.</li></ul>			

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR  
GENERAL ON AUDITED FINANCIAL STATEMENTS OF MANDERA COUNTY EXECUTIVE FOR THE  
FINANCIAL YEAR 2023/2024**

**Basis for Qualified Opinion**

<b>No</b>	<b>Audit Query</b>	<b>Concern</b>	<b>Management Response</b>	<b>Committee Observation</b>	<b>Committee Recommendation</b>
1	Unsupported Direct Bank Deductions by Kenya Revenue Authority	Kshs. 39,522,351 was paid directly to the Kenya Revenue Authority (KRA) under an Agency Notice for non-remitted taxes. However, the payment lacked supporting details and was not processed through IFMIS, making its proper classification unverifiable.	The Kenya Revenue Authority (KRA) deducted PAYE from the county's CBK account due to delayed payment for October 2023, caused by late fund disbursement from the National Treasury.	Specific details of taxes being paid for have not been provided. .	The County should adhere to Regulation 104(1) of the Public Finance Management (County Government) Regulations  The County should document all tax payments and process them through IFMIS for accountability and audit tracking. , 2015
2	Unsupported Payments on Pharmaceutical and Non-Pharmaceutical Supplies	Kshs.148,365,078 was spent on medical supplies from KEMSA. However, due to a lack of supporting documentation, the accuracy and occurrence of this	All required supporting documents for health facility supplies were properly maintained and have been provided for audit review.	Supporting documents provided but not directly linked to payments.	The County should adhere to Regulation 104(1) of the Public Finance Management (County Government) Regulations, 2015.  Management should ensure all medical supplies are well

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
		expenditure could not be verified.			supported and linked to facilities.
4					
4.2	Unsupported Provision of Legal Services	The County incurred Kshs.45,500,000 on legal services without written approval from the County Executive Committee or a formal request from the respective departments, violating Section 16 of the Office of the County Attorney Act, 2020. Consequently, the validity and proper charge of this expenditure could not be confirmed.	Section 16(1) of the Office of the County Attorney Act centralizes legal services under the County Attorney to ensure consistency and avoid duplicative costs. While county departments cannot engage external legal consultants without approval, this restriction does not apply to the County Attorney, who can procure legal services on behalf of the county, provided procurement laws are followed. Audit records confirm compliance with procurement regulations.	Section 16 of the Office of the County Attorney Act, 2020 was breached	EACC to investigate the expenditure of Kshs. 45,500, 000 on legal fee and should culpability be established responsible officers be prosecuted.



No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
1	Budgetary Control and Performance	The County's final approved receipts budget was Kshs. 11.99 billion, while actual receipts were Kshs. 10.75 billion, resulting in a 10% underfunding (Kshs. 1.24 billion).	The county's under-expenditure was due to delayed fund releases, revenue shortfalls, and IFMIS issues. Efforts are underway to enhance budget utilization and ensure timely funding.	Section 104(1) of the Public Finance Management Act, 2012	<p>The County to improve collection of own source revenues and</p> <p>The National Treasury should ensure timely disbursement of funds as per the cash disbursement schedule approved by the Senate</p>
1	Unresolved Prior Year Matters	The previous year's audit raised issues on financial statements and the use of public resources, which remained unresolved as of June 30, 2024, without satisfactory reasons. Additionally, Management failed to submit a report on addressing audit recommendations, violating Section 31(1)(a) of the Public Audit Act, 2015, resulting in non-	The previous year issues have been addressed with the auditors but is awaiting resolution by the senate public accounts Committee.	The County Executive should adhere to Section 31(1)(a) of the Public Audit Act, 2015	The County Executive should adhere to Section 31(1)(a) of the Public Audit Act, 2015 recommendations

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
		compliance with the law.			
2.	Late Disbursement of Exchequer Issues	The County received total actual receipts of Kshs. 10.75 billion, including Kshs. 10.70 billion from the Exchequer. However, Kshs. 2.46 billion was disbursed late in June, and Kshs. 930.66 million of the allocated equitable share remained undisbursed, violating Section 17(6) of the Public Finance Management Act, 2012.	The county faces persistent challenges due to delayed fund releases, affecting service delivery and budget execution. Efforts are ongoing to engage stakeholders and advocate for timely disbursements.	The National Treasury violated Section 17(6) of the Public Finance.	The National Treasury should ensure timely disbursement of funds as per the cash disbursement schedule approved by the Senate
1	Non-Compliance with Budgetary Limits and Reporting Requirements	The County Government's approved revenue budget for the year under review was Kshs. 13 billion, with Kshs. 1.013 billion allocated to the County Assembly, exceeding the 7% fiscal limit set by regulations by	The increased budget allocation to the County Assembly is due to funding for a critical development project. While the recurrent expenditure was kept within the Senate-approved ceiling, the development budget remained unchanged as the project is a priority.		The County should allocate funds to the County Assembly in accordance to Regulation 25(1)(f) of the Public Finance Management (County Governments), Regulations, 2015.

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
		reaching 7.8%. Additionally, the County Executive Committee Member for Finance failed to submit a required responsibility statement to explain the deviation and outline corrective measures.			
2	Non-Compliance with Law on Ethnic Composition	A review of payroll data revealed that out of 3,761 County Executive staff as of June 30, 2024, 1,918 (51%) belonged to a single dominant ethnic community. This exceeded the one-third limit set by Section 7(2) of the National Cohesion and Integration Act, 2008.	The National Cohesion and Integration Act, 2008 predates county governments, but the County Governments Act, 2012 now governs public service appointments. Section 65(1)(e) requires at least 30% of entry-level positions to go to non-dominant ethnic groups to promote diversity. Mandera County complies with this requirement, ensuring inclusivity in its recruitment practices.	The County is still violating Section 7(2) of the National Cohesion and Integration Act, 2008.	The County to adopt a policy to help with complying with Section 7(2) of the National Cohesion and Integration Act, 2008
3	Non-Compliance with Law on Fiscal	The county government spent Kshs. 4.11 billion (38% of total revenue) on	The Public Finance Management (County Government) Regulations cap wage and benefits	The expenditure on employee compensation is still over 35%.	The County Executive should adhere to Regulation 25(1)(a) and (b) of the Public

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
	Responsibility Principle on Wage Bill	employee compensation, exceeding the 35% legal limit under the Public Finance Management Regulations, 2015.	expenditure at 35% of total projected revenue. For FY 2023/24, Mandera County's projected revenue is Ksh 13 billion, with Ksh 4.11 billion allocated to wages, representing 31.6%. This remains within the legal threshold, ensuring fiscal compliance and efficient resource allocation.		Finance Management (County Governments) Regulations, 2015
4.1	Irregular Subscriptions to Council of Governors and Frontier Development Council-Regional Block	The county government spent Kshs. 625.41 million on operating expenses, including unlawful payments of Kshs. 2 million to the Council of Governors and Kshs. 1 million to the Frontier Development Council. These payments violated Section 37(b) of the Intergovernmental Relations Act, 2012, as the Council of Governors' expenses should be covered by	The payments were made per a Council of Governors directive following a resolution on July 31, 2023, to pool funds for intergovernmental and legal fees. This funding supports legal expenses related to county affairs and safeguards devolution.	The subscription fee violates Section 37(b) of the Intergovernmental Relations Act, 2012,	1) the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as The Office of the County Governor, who continues to make the irregular contribution. 2) The EACC should oversee the recovery of all the public funds

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
		the National Government.			irregularly transferred to the Council of Governors (COG) by the Governor within 60 days of the adoption of this report. This is in line with the Resolution of the Senate. public entity.
5.1	Unutilized Regional Livestock Market	The county government spent Kshs. 368.4 million on building construction, including Kshs. 22 million for a pending bill on the Mandera East Regional Livestock Market project. Although the project was completed, an inspection on September 17, 2024, revealed it was not in use, raising concerns about whether the investment provided value for money.	Traders are concerned about security at the new market due to its proximity to the Somalia border and the absence of a police post.	The market is still unutilized. Issue not addressed . Section 48 of the Public Procurement and Asset Disposal Act, 2015	The County should take the necessary steps to ensure that the livestock market is utilized within 60 days

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
5.3	Expenditure on National Government Functions	The county government spent Kshs. 74.36 million on projects under the National Government's mandate, including infrastructure for schools, medical and technical colleges, and the Kenya Defense Forces.	The County Executive consulted the National Government and the public before implementing development projects. Institutions like Kenya Medical Training College and Mandera Teachers Training College are now operational. Despite historical marginalization and security challenges, the county government is committed to infrastructure development and improving residents' quality of life.	The expenditures related to National Government functions.	The County executive should always obtain agreements before implementing projects under the National government purview. Article 186. (1) of the Constitution
6	Accumulation of Pending Accounts Payable	The county reported Kshs. 2.23 billion in pending bills, but key details and supporting documents were missing. Kshs. 1.14 billion remained unpaid for over two years, violating financial regulations and raising accountability concerns, exposing the	The County Treasury verified pending bills, allocating Kshs. 325 million in the 2024-25 budget to settle eligible claims while ensuring transparency and compliance.	Pending bills still remain unpaid. Section 153 of the Public Finance Management Act, 2012(1)	1. all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
		county to potential losses.			<p>2. Pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>3. the Controller of Budget takes into consideration the efforts made by a county government</p>

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
					<p>to clear inherited pending bills when approving exchequer releases;</p> <p>4. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>5. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimate</p>



No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
					<p>6. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>7. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
7	Failure to Operationalize Emergency Fund	The county spent Kshs. 453.35 million on emergency relief and Kshs. 224 million on drought contingency but failed to allocate funds to the Mandera County Emergency Fund as required by law.	The county government established an emergency fund under the Mandera County Emergency Fund Act, 2020, and is in the process of operationalizing it.	Emergency fund yet to be operationalized.	The County should adhere to Section 110(1) of the Public Finance Management Act, 2012
8	Failure to Operationalize Climate Change Fund	The county transferred Kshs. 325.05 million to the Climate Change Fund and spent Kshs. 45.22 million under FLLoCA. However, the fund was managed by the Chief Officer for Environment and Climate instead of the designated Fund Administrator, violating the Mandera County Climate Change Fund Act, 2021.	The Executive Committee Member for Finance appointed a fund administrator for the Climate Change Fund as required by the Mandera County Climate Change Fund Act, 2021.	Fund administrator appointed no evidence of bank account and fund manager operating the fund.	The County to operationalize the fund as stipulated by Section 10 of the Mandera County Climate Change Fund Act, 2021.
1	Payment of Salaries	The county spent Kshs. 2.35 billion on goods and services, including	The county government maintains a manual payroll due to regional security	County still maintains manual payroll.	The County to process all salaries through IPPD. And adhere to

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
	outside the IPPD	Kshs. 188.99 million paid to 552 employees through a manual payroll, which is prone to errors and manipulation. This raised concerns about the effectiveness of payroll control mechanisms.	challenges and delays in processing Unique Personal Numbers (UPNs) through the national electronic system. This ensures timely payment, especially for Kenya Police Reservists and casual workers in a high-turnover environment.		Regulation 109(1) of the Public Finance Management (County Government) Regulations, 2015
2	Failure to Publish Finance Manual	The County Treasury failed to publish financial manuals as required by Section 91(1) of the Public Finance Management Regulations, 2015, risking non-compliance with financial regulations.	The county government has developed a draft financial manual awaiting approval and publishing. Management acknowledges that the absence of a financial manual poses risks and inefficiencies.	The County does not have an approved	The management should have an approved Finance Manual as required by Section 91(1) of the Public Finance Management Regulations, 2015
4	Weaknesses in Management of Fixed Assets	The county reported assets worth Kshs. 42.72 billion but lacked proper asset management policies and regular inspections. Additionally, it failed to maintain a	The updated fixed asset register has been provided for audit review. Most land is still under the National Government, pending handover. The valuation was not submitted by the Intergovernmental Relations Technical Committee.	Fixed assets register provided but not complete.	The County to have a register for all its land within six months as required by Regulation 136(1), (2), (3), (4), (5) of the Public Finance Management (County Government) Regulations, 2015.

No	Audit Query	Concern	Management Response	Committee Observation	Committee Recommendation
		comprehensive land and building register, violating Public Finance Management Regulations, 2015, raising concerns over asset security.			
5	Lack of Risk Management Policy	The county lacked a Risk Management Policy, Fraud Prevention Mechanism, and Disaster Recovery Plan, violating Public Finance Management Regulations, 2015.	The County has formulated a draft risk management policy to address operational, financial, and compliance risks.	County does not have a Risk Management Policy. <b>Issue Not addressed</b>	The Management should have an approved Risk Management Policy within 90 days

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF KISII COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/2024**

**Basis for Qualified Opinion**

**SUMMARY OF UNRESOLVED AUDIT ISSUES**

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Timelines
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1	<b>Unexplained Voided Transactions</b>	Review of the Integrated Financial Management Information System (IFMIS) system payments indicated that six hundred and four (604) transactions amounting to Kshs.232,358,841 were voided during the year 2023/2024. Information provided indicate that the Controller of Budget (CoB) had approved payment of the voided transactions. Management did not provide explanations as to why the payments were voided after approval.	The management scrutinized the voided transactions and has since given the reasons for voiding as follows: <b>Consolidated</b> - the management had processed two transactions of Kshs 722,327.50 for the same payee. The two transactions were later reversed and a single consolidated transaction prepared of <b>Kshs 1,444,655</b> <b>Unrequested Funds at Year-End-</b> Transactions of <b>Kshs 156,797,781.25</b> were processed and forwarded to	Transactions amounting to Kshs.232,358,841 were voided in the 2023/2024 financial year despite prior approval by the Controller of Budget. Management did not provide an explanation for the voided payments.	<ol style="list-style-type: none"> <li>1. The Controller of Budget to liaise with the Auditor General to confirm whether the payments were canceled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days of adoption of this report.</li> <li>2. The Office of the County Governor undertakes administrative action against the accounting officers, particularly</li> </ol>	60 days from the date of adoption of this report

			<p>internet banking whose corresponding fund requisitions never materialized at the end of financial year's closure. These were subsequently voided to prevent overstatement of expenditures at end of financial year. <b>Unapproved Withdrawals- Kshs 41,028,415</b> of funds presented to the Controller of Budget were not approved for withdrawal; these transactions were voided to avoid distortion of cash and cash equivalents at end of financial year. <b>Pending Tax Obligation-</b> A payment batch included transactions of</p>		<p>approvers 1 and 2 and the then County Chief Officer in charge of Finance for voiding payments without approval and diverting funds</p> <p>3. Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved.</p>	
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			<p><b>Kshs 27,733,231</b> with unresolved tax obligations, voiding was necessary to avoid overstatement of expenditures.</p> <p><b>Wrong amounts invoiced</b> - Two transactions totaling to <b>Kshs 5,354,758</b> were processed with wrong amounts. When this was noted, the transactions were voided. Attached find: Schedule of voided transactions giving reasons for voiding was attached.</p>		<p>4. the EACC should expedite investigations on the matter in line with the Controller of Budget Act.</p>	
2	<b>Non-Adherence to Year End Cut-Off Procedures</b>	Included in the total payments is an amount of Kshs.574,699,9545 recorded in the Integrated Financial Management	The payments made in the stated period relates to all exchequer requisitions that were queued at the OCOB offices as		<p>1. The Accounting Officer implements stricter end-of-year cut-off procedures to</p>	60 days from the date of adoption of this report

		<p>Information System (IFMIS) as having been made between 1 July, 2024 and 15 July, 2024. Although Management explained that the payments were made to clear commitments made prior to 30 June, 2024 and were authorized by the National Treasury, the financial statements have been prepared on cash basis of accounting under which, as disclosed in significant accounting policy (d), expenses are recognized when the event occurs and the related cash has been paid out.</p>	<p>at 28<sup>th</sup> June 2024 as per the OCOB end of financial year procedure memo attached. In regard to inclusion of the transactions to financial statements, the Management affirms that the</p>		<p>ensure all transactions are accurately recorded within the correct accounting period, this should include a detailed review and reconciliation of cashbooks, bank statements, and supporting schedules prior to finalizing financial statements.</p> <p>2. The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity building and</p>	
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					training in conjunction with the National Treasury within 60 days of adoption of this report	
3	<b>Unsupported Legal Expenses</b>	Included in the cost of goods and services are other operating expenses amount of Kshs.100,054,122 out of which, Kshs.29,135,024 was spent on legal fees for various court cases filed against the County Executive. Included in the latter amount are two payments amounting to Kshs.15,000,000 made to a construction company. Review of the supporting documents revealed that the payment was as result of a	The matter was first initiated in court at Kisii HCCC NO.67 OF 2007 wherein the claimant, Masosa Construction Company Limited was claiming as against the defunct Gusii Municipal Council for the sum of Kshs.15,556,986.70 arising from the two contracts for widening, grading, graveling and cultivating of various selected roads within the municipality. Justice A.O. Machelule in his	<ol style="list-style-type: none"> <li>1. Kshs.29,135,024 was spent on legal fees, including Kshs.15,000,000 paid to a construction company following a Supreme Court judgment on a 2007 case against the defunct Kisii Municipal Council.,</li> <li>2. Supporting documents, including payments to law firms, County</li> </ol>	<ol style="list-style-type: none"> <li>1. The Office of the County Governor (CEO) undertakes administrative action(s) against the officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act 2012 and provide a status report to the Office of</li> </ol>	60 days from the date of adoption of this report

		<p>case filed against Kisii Municipal Council in 2007 for non-payment of contract of principal amount of Kshs.7,173,473 which was appealed up to the Supreme Court and the final judgment was made on 16 July, 2021 against the County Executive. The contractor was awarded the principal amount of Kshs.7,173,473 plus the interest accrued over the years amounting Kshs. 31,007,434. The documents supporting all the payments to external law firms that were defending the defunct Municipal Council of Kisii and subsequently the County Executive,</p>	<p>judgment dated 23rd March, 2010 rules in favour of the claimant awarding him the said amount, interest and costs.</p> <p>The County Government appealed this decision to the Court of Appeal through Appeal No.283 of 2011. The same was dismissed with costs by a judgement delivered by Justice D.K. Maraga and A.k. Murgor on the 25th day of November 2015.</p> <p>The Claimant then filed JR.No.14 of 2013 to compel the County Government to Honor the Court's</p>	<p>Attorney advisories, and the original contract, were not provided for audit.</p>	<p>the Auditor General within sixty (60) days from the adoption of this report.</p> <ol style="list-style-type: none"> <li>2. The County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</li> <li>3. The EACC initiates an investigation with the view of causing prosecution of the accounting officer for the</li> </ol>	
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		<p>including the case file pertaining to the case, County Attorney advisory before the cases were appealed to the supreme court and the original contract between the company and defunct Kisii Municipal Council were not provided for audit.</p>	<p>Judgement. It consequently filed Misc. App No. 72 of 2015 to cite H.E the Governor for non-payment of the decretal sums. Through the ruling of Justice J.R. Karanja the application was allowed.</p> <p>The County Government was dissatisfied and appealed to the Supreme Court vide Petition No.5 of 2020 which was dismissed for want of jurisdiction on 16th July 2021.</p> <p>That as at 5th August 2022 this matter had costs, interests on the Principal Sum (decretal sum)</p>		<p>possible loss of Kshs.595,075, 247 whose expenditure was incurred as legal fees without proper documentation and approvals.</p>	
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			<p>amounting to Kshs.31,810,908.73 within the party and party costs as outlined below:</p> <p>a) Kisii HCC Misc. App No.14 of 2013 JR - Kshs.378,400/=</p> <p>b) Kisumu Court of Appeal No. 383 of 2011- Kshs.271,236/=</p> <p>c) Kisumu Court of Appeal No.39 of 2016 - Kshs.348,867/=</p> <p>d) Kisii HCC Misc. Appl. No. 678 of 2007 - Kshs. 630,000/=</p> <p>That the said sums continued accruing interest as at 20th February, 2024 the County Government Kisii partially offset the said claim. A further balance of</p>			
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			a sum Kshs,9,913,072.45 has been made against the claim as the matter is still pending conclusion by mediation process which court has ordered.			
<b>OTHER MATTER</b>						
4	<b>Budgetary Control and Performance</b>	The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis amount of Kshs.11,872,739,91 0 and Kshs.8,284,558,775 respectively, resulting in an underfunding of Kshs.3,588,181,135, or 30% of the budget	Management concurs with auditor's observation on Budgetary Control and Performance	The County was underfunded by Kshs.3,588,181,135 (30% of the budget), impacting planned projects and services.	<ol style="list-style-type: none"> <li>1. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</li> <li>2. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and</li> </ol>	Continuo us

					address revenue shortfalls.	
5	<b>Pending Accounts Payable</b>	Note 1 to the financial statements on pending accounts payable, under other important disclosures, reflects balance brought forward as at 1 July, 2023 of Kshs.1,190,913,975, addition for the year of Kshs.1,030,891,518, paid during the year of Kshs.43,638,305 and balance carried forward as at 30 June, 2024 of Kshs.2,178,167,188. However, schedule supporting these balances were not provided for audit. Further, Management failed to settle the pending bills of Kshs.2,178,167,188. This was contrary to Regulation 41(2) of	In regards to settlement of the pending bills as a first charge, Management on assumption to office, subjected the stated pending bills to a verification task-force whose report established that Kshs. 231,443,172 were eligible bills and Kshs. 1,071,435,638 as ineligible bills as at the end of FY 2022/2023. Bills worth Kshs.875,287,378 represents additional ongoing projects bills for FY 2023/2024. As regards to eligible bills, the County Government has settled up to	The verification of Kshs.1,071,435,638 as ineligible bills was still ongoing.	<ol style="list-style-type: none"> <li>1. All county Governments pay verified pending bills amounting to less than Kshs. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2025/2026; and</li> <li>2. That- <ol style="list-style-type: none"> <li>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and</li> </ol> </li> </ol>	60 days from the date of adoption of this report

		<p>the Public Finance Management (County Governments) Regulations, 2015, which provides that debt service payments shall be a first charge on the County Revenue Fund and the accounting officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations.</p>	<p>Ksh.376,834,754 up to date and progressively continues settling these bills through FY 2024/2025 budget estimates.</p>		<p>submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done.</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases.</p>	
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					<p>iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations.</p> <p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p>	
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					<p>v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects.</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not</p>	
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					approve the supplementary budgets.	
6	<b>Unresolved Prior Year Matters</b>	In the audit report for the previous year, several issues were raised under the Report on Financial Statements, report on Lawfulness and Effectiveness in Use of Public Resources and report of Effectiveness of Internal Controls, Risk Management and Governance. However, management had not resolved the issues as at 30 June, 2024, and did not provide satisfactory reasons for failure to resolve the prior year audit matters.	Management is not prepared for previous financial year (2022/2023) since the Public Accounts Committee has invited the County Government on the current year review (2023/2024). However, the management is ready for the previous audit report once invited.	The management has not resolved the issues nor given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular.	The County Executive complies with Section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General for review	60 days from the date of adoption of this report
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>						
7	<b>Irregular expenditure on Emergency</b>	During the financial year under review, the County Executive through	The management concurred with the auditors' observations that	Kshs.2,171,180 was spent on a pending bill for COVID-19 emergency items	The EACC cause an investigation with a view of prosecution of responsible	60 days from the date of adoption

	<b>Items for COVID-19 Pandemic</b>	the Finance and Accounting Services department incurred an expenditure of Kshs.2,171,180 in relation to a pending bill for emergency Covid-19 items for the Kisii County Emergency Fund. This was despite the County Executive having an Emergency Fund created to cover such expenditure. No explanation was given by Management for the non-compliance	an expenditure of Kshs 2,171,180 was incurred in relation to a pending bill for emergency COVID-19 items under the Kisii County Emergency Fund. It is also important to note that the COVID-19 pandemic, which necessitated this expenditure.	under the Kisii County Emergency Fund.	officer(s) on the possible loss of public funds amounting to Kshs. 2,171,180.	of this report
8	<b>Non-Compliance with Fiscal Responsibility Principles on Development Expenditure</b>	The statement of comparison of budget and actual amounts (recurrent and development combined) reflects total actual expenditure of Kshs.8,439,680,442, while the statement of comparison of	The management takes note the auditor's observation on the subject matter. However, the management strives to achieve its obligations in the subsequent years.	The County Executive's development expenditure was 19%, below the required 30%.	The Committee recommends compliance with Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015, by ensuring development expenditure meets the	Continuo us

		<p>budget and actual amounts: development indicates total actual expenditure of Kshs.1,598,955,980 representing 19% of the total expenditure. This is contrary to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that the county government actual expenditure on development shall be at least thirty percent in conformity with the requirement under section 107(2)(a) of the Act.</p>			30% requirement under Section 107(2)(a) of the Act.	
9	<b>Wage Bill</b>	The statements of receipts and payments reflects compensation of	The management acknowledges the auditor's observation on	Employee compensation was 60% of total revenue, exceeding	1) the management should strictly adhere to the provision of	Continuous

		<p>employees' amount of Kshs.5,647,519,423, representing 60% of the County Executive total revenue for the year of Kshs.8,284,558,775. This was contrary to Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which provide that the county government's expenditure on wages and benefits shall not exceed 35% of the county government's total revenue.</p>	<p>wage bill. However, efforts are being made to lower the wage bill by boosting revenue collection and freezing employment.</p>	<p>the 35% limit set by Public Finance Management Regulations, 2015.</p>	<p>paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 percent of the county's total revenue</p> <p>2) the county executive puts in place measures to enhance its own source revenue collection to address high wage bill gap</p>	
10	<b>Under-Payment of Staff</b>	<p>Review of the Executive's payroll for the month of July, 2023 revealed that nine hundred and one (904)</p>	<p>The officers in question are ECDE officers 714 of the number who are below 50 years in age the</p>	<p>904 employees earned less than the minimum wage of Kshs.14,025, violating the Regulation of</p>	<p>The management should comply with the Regulation of Wages General Amendment Order, 2022, by ensuring all</p>	<p>Continuo us</p>

		employees were earning a monthly pay of less than Kshs.14,025 which was the minimum monthly wage set in the Regulation of Wages General Amendment Order of May, 2022 for employees working in the County Government of Kisii.	terms of service have been translated to permanent and pensionable terms and for those above 50 years were placed on contractual terms of service (166) and have been enhanced hence attracting Gratuity. See attached list for reference.	Wages General Amendment Order of May 2022.	employees earn at least the minimum wage of Kshs.14,025.	
11	<b>Non-Compliance with the Law on Ethnicity Diversity in Staffing</b>	Review of the personnel records provided for audit revealed that as at 30 June, 2024, the County Executive had a total of 5,570 employees in its payroll from various ethnic communities. Out of these, 94% were from one dominant community, while the remaining 6% were from other	Whereas the County has recognized the concerns raised by the audit report with regard to compliance with ethnic diversity, the County Executive has strived to comply with the existing legislation. Management has ensured that;	the County Executive had a total of 5,770 employees out of which 5,393 or 94% were from the local dominant community.	<p>3) the County Executives should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of County Government Act on ethnic inclusivity.</p> <p>4) The Standing Committee on</p>	Continuous

		<p>ethnic communities. This was contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008</p>	<p>a) Vacancies are advertised in the local dailies and the website for wide circulation, however low turnout is registered from non-dominant communities contributing to the above.</p> <p>b) All the applicants who meet the minimum requirements as per the advert specifications are considered for shortlisting and if successful appointed without any discrimination as regards ethnicity.</p> <p>c) During the selection of candidates those from non-dominant communities are</p>		<p>NCEORI to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.</p>	
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			<p>given preference provided they qualify.</p> <p>d)For instance, in our February, 2024 advertisement, the CPSB successfully managed to recruit and successfully appointed four (4) officers from minority community i.e one post of Chief Officer- Revenue Management, one post of Director Supply Chain Management one post of Superintendent Quantity Surveyor and one post for Deputy County Attorney.</p> <p>Attached find:</p>			
12	<b>Non-Compliance with One-</b>	An analysis of the Executive's monthly payrolls revealed that twenty-eight	The Management notes the issue raised about the officers earning	28 employees had net salaries below one-third of their basic pay, violating	1. The County Executive should provide to the Auditor	60 days from the date of adoption



	<p><b>Third Basic Salary Rule</b></p>	<p>(28) employees had net pays that were below a third of their respective basic salaries, contrary to Section 19(3) of the Employment Act, 2007 which states that the total amount of deductions from the wages of an employee shall not exceed two thirds (2/3) of such wages</p>	<p>below the minimum wage thus resulting in pecuniary embarrassment. The County wishes to state as follows; Government introduced new levies that have contributed to officers earning below minimum wages include the implementation of the new NSSF Act, 2013 deduction, new housing tax and other statutory deductions, and pension funds such as Lapfund, and County Pension Fund (CPF). There are officers who took loans following tax relief by the Kenya Revenue</p>	<p>Section 19(3) of the Employment Act, 2007.</p>	<p>General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate the issue of non-compliance with the two-third basic salary rule as well as comply with the requirements of law.</p> <ol style="list-style-type: none"> <li>2. The county should configure its IPPD system such that it can lock out commitments beyond the accepted thresholds; and</li> <li>3. The Auditor General</li> </ol>	<p>of this report</p>
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			<p>Authority (KRA) during the period of covid-19 thus exposing them to earning 1/3 on the expiry of the tax relief period. Similarly, other officers had committed their salaries to loans before the Higher Education Loan Board (HELB) commences recovering their loans.</p> <p><input type="checkbox"/> That some of the officers affected had committed their pay slips by securing loans from various financial institutions without regard to the requirement of not attaching loans not more than 15% salary. The Government however will put</p>		<p>should continue monitoring the issue in subsequent financial years.</p>	
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			<p>in place a program to educate staff on the minimum wage regulations. Some officers who were under interdiction or suspension received less than 1/3 of their salary. The transfer of officers from the County headquarters to sub-counties and vice versa affects their allowances such as Market rate of house allowances and Extraneous allowances hence contributing to their salaries going below the 1/3 rule. Through regular review of salary net levels, the anomaly is continuously addressed by</p>			
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			rescheduling third-party obligations (bank, insurance), etc. We can therefore confirm that we have restructured the officer's loan repayments by extending the recovery period to give more space for the 1/3 rule.			
13	<b>Irregular Earnings of Salary by the County Attorney</b>	Review of the records of the County Executive revealed that the Governor appointed an officer as the County Attorney vide a Gazette Notice No. 14717 on 30 November, 2022 and a letter of appointment issued on 1 December, 2022. However, a private citizen proceeded to the Employment and Labour Relations Court at Kisumu to	The audit review included three months expenditure that ought not have been included in the review as follows: The judgement from the Employment and Labour Court at Kisumu was delivered on 24th January 2024 and the officer earned salary for the month while in office. This month	The matter is currently under a Notice of Appeal against the Employment and Labour Court at Kisumu.	The management should await the outcome of the appeal while ensuring compliance with legal and procedural requirements in future employment decisions.	

		<p>contest the employment of the County Attorney and filed a petition under Petition. On 24 January, 2024, the Employment and Labour Relations Court at Kisumu quashed the appointment of the officer through a judgement delivered virtually. However, as at the time of audit, in September, 2024, the officer continued being in the payroll and had received salary of</p>	<p>ought to have been excluded from the review period. Further, the months of August and September 2024 ought to have been excluded from the review period since the financial year 2023/2024 under review ended on 30th June 2024. Nonetheless, the net salary remitted to the officer's salary account for the period February 2024 to June 2024 was Kshs 955,000 and, the figure reached a maximum of Kshs 1,343,340.95. for seven months inclusive of August and September 2024. Despite receiving the above sum of</p>			
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			<p>Kshs 1,343,340.95 into his account as salary for the months of February to August 2024, the officer never utilized the money but returned the same to the county government and only requested for a refund after the court of appeal set aside the decision of the Employment and Labour Court at Kisumu effectively reinstating him to the office. The officer was not removed from the payroll as the County Government filed an appeal to the Court of Appeal immediately after delivery of the labour court</p>			
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			judgement, and it would be improper to remove the officer from the payroll before exhausting the remedy of appeal.			
14	<b>Irregular Recruitment of Staff</b>	Review of personnel records revealed that in February, 2024, the Public Service Board advertised various vacant positions and among them was the position of a Quantity Surveyor which had four (4) vacancies. The advert attracted twenty-four (24) applicants out of which, fourteen (14) applicants were shortlisted for the interview. During the audit, it was noted that only two applicants out of the 14 shortlisted were absorbed for the	Indeed, the County Public Service Board had advertised various vacant positions from different user departments' requests and the position of the quantity surveyor which required four (4) officers. The County Public Service Board did the recruitment and selection process in a transparent, fair, and merit manner. However, we have noted the disparity in the audit report and	The recruitment for Quantity Surveyor positions lacked transparency. Despite advertising four vacancies, only two candidates were hired without justification for excluding higher-scoring applicants. No evidence was provided that top-performing candidates declined the positions, raising concerns about fairness in the hiring process.	The management should ensure adherence to recruitment guidelines, provide justifications for selection decisions, and document all hiring processes to enhance transparency and accountability.	Continuous

		<p>position, the second best performing with 88.98% and the seventh best at 68.97%.</p> <p>Explanations on why the best performing candidate with 89.3% and the third applicant were not offered the position and why the board preferred the seventh candidate were not provided. Further, there is no evidence that the candidates were offered employment and declined. In addition, no explanation on why the Public Service Board absorbed only two people while it advertised for four was provided for audit. This was contrary to Section 25 (1) and</p>	<p>we state as follows: -</p> <p>The Board absorbed three (3) candidates for the position of Quantity surveyor</p> <p>Namely;</p> <p>i. QS. Nelson Onkundi ID/o. 30504202 score marks 88.98%,</p> <p>ii. QS. Albert Anyona ID/No. 32369166 score marks 79.33% and;</p> <p>iii. QS. Isaac Kiage Makone ID/No. 25083527 72.67%.</p> <p>One of the Officers, QS. Albert Anyona ID/No. 32369166 had delayed to pick his letter due to miscommunication as a result of details submitted</p>			
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		<p>(2) of the County Service Act, 2017, which stipulates that the Board shall formulate and disseminate to officers of the Service, schemes of service setting out the terms and conditions for the appointment of the officers and other staff of the Service which shall provide for the appointment and confirmation in appointment of officers and other staff and The Secretary shall be responsible for the administration of the schemes of service for the staff of the Service.</p>	<p>during registration however, he reported in the month of July 2024 and was subsequently deployed. The seventh candidate by the name of QS. Jackson Mwendwa Kaki Mbao ID/No. 26366644 with a score of 68% as noted was not successful.</p> <p>During the selection of candidates those from non-dominant communities were given preference provided they qualified.</p>			
15	<b>Long Outstanding Disciplinary Cases</b>	Perusal of staff files revealed that five (5) staff had pending disciplinary cases for more than	All the mentioned disciplinary cases were discussed by the Departmental Human Resource	Five staff members had pending disciplinary cases for over six months, contrary to the Kisii	The management should expedite the resolution of disciplinary cases within the stipulated	60 days from the date of adoption

		<p>the stipulated period of six months. This is contrary to the Kisii Human Resource Manual. The staff were either on suspension and on half pay or had salary stoppages during this period. No explanation for this anomaly was provided</p>	<p>Management Advisory Committee (DHRMAC) and forwarded to the County Human Resource Management Advisory Committee (CHRMAC) for further deliberations which did not materialize due to reasons that we could not control. The cases were further forwarded to the County Public Service Board (CPSB) which is handling them to finality. Find the Departmental Human Resource Management Advisory Committee (DHRMAC) Minutes for the</p>	<p>Human Resource Manual.</p>	<p>timelines to ensure fairness and compliance with the Kisii Human Resource Manual.</p>	<p>of this report</p>
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			mentioned disciplinary cases			
16	<b>Advance Payment for Fuel</b>	<p>The statement of receipts and payments reflects use of goods and services balance of Kshs.726,415,634 which, as disclosed in Note 3 to the financial statements, which includes an amount of Kshs.55,539,905 in respect of fuel, oil and lubricants. Included in this amount is Kshs.30,000,000 used to purchase fuel which was paid to three suppliers, with each receiving Kshs.10,000,000. The fuel had not been drawn by the vehicle, plant and machinery. In addition, the prepaid fuel to the third supplier of Kshs.10,000,000</p>	<p>The delay in consuming the prepaid fuel was occasioned by disruption of services which delayed the plans of constructing roads which were put on hold as the machines which were to be fueled were damaged. Therefore, we would not consume the fuel. The machines have since been replaced and plans are in the final stages to commence construction works. Once the plans are complete, consumption of fuel will commence immediately</p>	<p>An amount of Kshs.30,000,000 was prepaid for fuel to three suppliers, with each receiving Kshs.10,000,000. As of 23 October 2024, Kshs.10,000,000 worth of fuel remained unutilized.</p>	<p>The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct</p>	<p>60 days from the date of adoption of this report</p>

		was yet to be consumed as at the date of audit on 23 October, 2024, four months after the prepayment was made. A prepayment of the goods is contrary to Section 146 of the Public Procurement and Asset Disposal Act, 2015, which provides that, contracts for works, goods or services may only be paid for after they are executed and approved by the Accounting Officer.	We are in concurrence to the auditor's observation. The oil companies had declined to supply the County on credit, citing reasons for historical delayed payments. Since the transport operations were paralyzed due to lack of fuel, we resolved to pay the companies for			
17	<b>Unutilized Market Facilities</b>	Review of the records in the Department of Trade Development and Regulations revealed that payments amounting to Kshs.6,202,806 were made to various contractors	Management agrees with the auditors' observations and wish to undertake that in our forward budgeting provision will be made to address the gap to	Payments totaling Kshs.6,202,806 were made for completed market infrastructure projects, including pit latrines and market sheds. However, a physical inspection revealed that the facilities	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualizat	60 days from the date of adoption of this report

		<p>for the completion of pit latrine at Kionyo market, ventilated toilet at Nyamaiya Market, Ochodororo markets shed and Mama Mboga shed. However, physical inspection of these projects revealed that despite all having been completed, they were not being utilized by the community, the pit latrines at Kinonyo and Nyamaiya markets had poor ventilation and lacked water for usage and the market shed at Ochodororo was inaccessible from three sides out of the four sides due to height, with no stairs to facilitate the access.</p>	<p>operationalize the facilities.</p>	<p>were not in use due to poor design and lack of essential amenities such as water and proper access.</p>	<p>ion, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled</p>	
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					<p>projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
18	<b>Irregular Payment of Retention Money</b>	Review of payment details from the Department of Trade Development and Regulations revealed that a contractor was paid retention money of Kshs.5,771,846 in respect of the construction of	Management regrets the non-provision of the contract agreement, payment certificates, and inspection reports for the audit process. We have however provided	The management did not provide documents to the OAG for verification.	The Office of the County Governor (CEO) undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of	60 days from the date of adoption of this report

		<p>Suneka Market. However, the followings anomalies were observed:  The original contract agreement between the County Executive and the contractor in which the retention clause is stated was not provided for audit review. The contract was entered into in the year 2014.  The Kshs.5,771,846 retention money was based on the total amount certified to date of Kshs.57,718,453 as outlined in certificates No.1, 2, 3, 4 and 5, which were, however, not provided for audit.</p> <p>A letter dated 5 June, 2023 from the County Attorney to the County</p>	<p>complete project file for perusal, scrutiny and audit in accordance with legal and procedural requirements. The history of the project dates back to FY 2013/2014, during which a contractual dispute arose between the County management and the contractor. The matter was referred to arbitration as an alternative dispute resolution (ADR) mechanism. Unfortunately, the County lost the arbitration, and the contractor was awarded a sum ksh. 23,770,660.00 by the arbitrator, which was later</p>		<p>the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
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		<p>Executive Committee Member of Finance and Economic Planning states that after a court case, the arbitrator awarded the Company Kshs.23,770,660 and that the executive had agreed to settle this claim at Kshs.12,573,735, thereby instructing the County Executive Committee Member to pay the company an initial part settlement amount of Kshs.5,000,000. However, the arbitrary proceedings and legal files of this case were not provided for audit.</p> <p>Inspection and acceptance certificate and</p>	<p>sanctioned by the court. This ruling included the payment of a simple interest of 11.99% per annum if it was not paid within 21 days from the date of the court ruling was made.</p> <p>To comply with the court's decision, an amicable agreement was reached between the contractor and the County management, resulting in a payment plan to settle the obligation incrementally. It is under this arrangement that an amount of Kshs. 5,771,846.00 was paid, as per the advice of the</p>			
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		<p>certificate of completion to warrant payment of the retention money were not provided for audit</p> <p>Audit inspection conducted on 1 August, 2024 revealed that the project was incomplete and the contract for its completion had been re-awarded to other contractor as construction of Suneka Markets Phase III.</p>	<p>County Attorney referenced in the letter cited in the audit query. Regarding the project's current status, a physical verification conducted on 1st August 2024 confirmed that Phase III was ongoing, awarded to a different contractor. This initiative was undertaken to ensure the project's delivery despite earlier challenges. The County has prioritized fast-tracking the realization of value for money and ensuring effective service delivery to Kisii residents. To date, Phase III is complete, only</p>			
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			that the contractor is attending to the snags under defects liability period			
19	<b>Incomplete Projects - Department of Roads and Public Works</b>	<p>Review of the records in the Department of Trade Development and Regulations revealed the following unsatisfactory matters:</p> <p>The County Executive awarded a contract valued at Kshs.26,641,662 to a Company for construction, repair and maintenance of Lot 2 roads in Bonchari Sub-County, on 7 December, 2023. The contract was to run for 24 weeks. The Department awarded a contract at a sum of Kshs.62,415,692 for</p>	<p><b>Repair and Maintenance of Ebate – Bwongoro – Omogeta Road</b> The road was terminated due to the contractor’s failure to adhere to the contractual obligations.</p> <p><b>Repair and Maintenance of Onyangongo – Obore – Mesigi Road</b> The road was terminated due to the contractor’s failure to adhere to the contractual obligations.</p> <p><b>Construction of Omatundura – Riombaso – Nyameroka – Moseni Road</b></p>	Management indicated that 10 road contracts were terminated, except for one	1. The Management establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance	60 days from the date of adoption of this report

		<p>construction, repair and maintenance of Lot 2 roads in Bobasi Sub-County. Audit inspection revealed that a of Kshs.1,149,003.20 was paid for repair and maintenance of Riamiyungo-Nyakegara-Nyachenge Junction Road before proper completion of the Project. A section of the road covering a distance of 1.7km was graded but not graveled. In addition, a number of projects were not completed within the project period and the contractors did not request for approval of variation of contract period as per the table below: The County Executive awarded a contract valued at</p>	<p>The road was terminated due to the contractor's failure to adhere to the contractual obligations <b>Repair and Maintenance of Riotanchi – Tumaini Road</b> The road was terminated due to the contractor's failure to adhere to the contractual obligations. <b>Construction of Rianyangera – Riomambia Road</b> The road was terminated due to the contractor's failure to adhere to the contractual obligations <b>Repair and Maintenance of Riakiriago – Rioneno-Kiebeneni – Mosasa – Etanke Road.</b></p>		<p>Management (County Government) Regulations, 2015.</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report</li> <li>3. The Office of the Auditor General should progressively review and report on the matter in the</li> </ol>	
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		<p>Kshs.26,641,662 to a Company for construction, repair and maintenance of Lot 2 roads in Bonchari Sub-County, on 7 December, 2023. The contract</p>	<p>The road was terminated due to the contractor's failure to adhere to the contractual obligations</p> <p><b>Construction of Riomache Box Culvert</b></p> <p>The road was terminated due to the contractor's failure to adhere to the contractual obligations</p> <p><b>Repair and Maintenance of Nyanchabo – Riokerio – Riamasegege – Bomachoge Road</b></p> <p>The road was terminated due to the contractor's failure to adhere to the contractual obligations</p> <p><b>Construction of Riamachuka box Culvert</b></p>		<p>subsequent Financial Years.</p>	
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			<p>The road was terminated due to the contractor's failure to adhere to the contractual obligations.</p> <p><b>Repair and Maintenance of Matongo – Riamagige- Nyamagundo – Bomariba Primary School – Nyabieyo Road</b>  The road was terminated due to the contractor's failure to adhere to the contractual obligations</p> <p><b>Repair and Maintenance of Misisita – Nyamegukuna Road</b>  -Completed</p>			
20	<b>Irregular Procurement of Insurance Services</b>	The County Executive entered into a contract for Provision of Medical Insurance	It is true that as a procuring entity, we could not and did not ascertain with precision	Management did not verify the financial submissions of the winning and dismissed	The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the	60 days from the date of adoption

		<p>Services to the Staff and their Qualified Dependents for the FY 2023-2024, at a contract sum of Kshs.202,421,473. An amount of Kshs.150,000,000 was paid to the contractor on 13 December, 2023. A debit note for the balance of Kshs.52,421,473 was raised on 6 February, 2024 but evidence of payment of this amount was not provided for audit. However, the following anomalies were noted:</p> <p>Review of the Insurance Regulatory Authority's Insurance Industry Report for the period January to September, 2023 revealed that the</p>	<p>whether the company that won and the other company that was dismissed at the financial evaluation stage did submit financial statements to the authority during the quarter ended 30th September, 2023 and previous three quarters. This is so, because we were guided by PPRA vide Circular No. PPRA CIRCULAR No. 03/2023. REF: PPRA/6/5 VOL. II (142) Dated 18th May, 2023 titled PROCUREMENT OF INSURANCE SERVICES – TENDER REQUIREMENT S. In paragraphs 4 and 5 of the</p>	<p>companies for the quarter ending 30th September 2023. It also failed to validate reports from hospitals that M/S Trident Insurance Company Limited was not settling claims.</p>	<p>responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct</p>	<p>of this report</p>
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		<p>company that won and the other company that was dismissed at the financial evaluation stage did not submit financial statements to the Authority during the quarter ended 30 September, 2023 and previous three quarters. The due diligence done by the evaluation committee did not flag the above anomaly as the committee did not seek to find out whether the winning bidder was in good standing with the regulator before award of the tender; The company that was dismissed during the technical stage appeal on 22 November, 2023 through regret letter dated 14 November,</p>	<p>documents cited, PPRA had raised concern from insurance industry players and prospective bidders on restrictive criteria set by procuring entities as part of tender evaluation criteria, financial probity being one of them. In paragraph 6 of the same circular, PPRA indicated that they sought guidance from the regulator, IRA who guided that since they are the ones who issued licenses to insurers, they did so based on fulfillment of stipulated registration requirements, which in itself was adequate to</p>			
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		2023 articulated the classes of insurance the company was licensed to operate in but the County never sought clarification from the regulator; Correspondences between various hospitals and the Company that won the tender revealed that the Service Provider was not settling insurance claims to the hospitals as required and as a result, some of the contracted hospitals suspended offering medical services to clients insured by the Service Provider	confirm conformity. The			
21	<b>Funding of Idle Projects Department of Medical Services, Public Health</b>	Review of the documentation provided under Department of Medical Services, Public Health and Sanitation revealed	During the physical verification of the Nyandiba and Kiabusura dispensary sites, the facilities were	The facilities were non-operational due to inadequate equipment. Additionally, the management has yet to obtain the	1. The Management establishes a project management and monitoring	60 days from the date of adoption of this report



	<p><b>and Sanitation</b></p> <p>that, Management spent of Kshs.3,283,440 which includes expenditure on proposed completion of Nyandiba dispensary of Kshs.1,283,700 and expenditure on proposed completion of OPD to Kiabusura dispensary of Kshs.1,999,740. However, the following was noted: Physical inspection of the projects in September, 2024, revealed that the projects were completed as per Bill of Quantities but they were not in use.</p> <p>Access road to Nyandiba dispensary passes</p>	<p>not operational. This is due to lack of, or inadequate equipment to operationalize the facilities. However, we wish to state that the provisions for the supply of the required equipment have been made, as evidenced by the attached budget documentation. As regards access road to Nyandiba dispensary, the community had granted the right of access through the public participation which was conducted before the construction of the dispensary. Management is in the process of obtaining the requisite</p>	<p>requisite ownership documents.</p>	<p>Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled</p>	
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		<p>through a private land.</p> <p>Ownership of parcels of land for the two dispensary projects implemented, could not be verified since title deeds were not provided for audit.</p> <p>Management spent Kshs.1,873,950 towards proposed completion of Nyabworoba Health Centre. It was noted that the project was for the financial year 2022/2023 that was paid in the year under review as pending bill. However, the year under review budget revealed no budget allocation for the project. The project is incomplete with substantial works which are still</p>	<p>ownership documents.</p> <p>For payment of Kshs. 1,873,950.00 for Nyabworoba dispensary, the management has made a budgetary provision in the 20</p>		<p>projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</p> <p>3. The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
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		pending such as interior and exterior works, flooring, windows pains, verandah, painting and electrical works.				
22	<b>Payment for Works not Done</b>	The Department of Medical Services, Public Health and Sanitation awarded a contract for the proposed continuation of Riotachi Dispensary at a contract sum of Kshs.998,050 which was paid in full on 25 June, 2024. Physical verification of the project on 4 September, 2024 revealed that the works on proposed continuation of Riotachi Dispensary was done. However, electrical works worth Kshs.370,000 were not done despite minutes for site meeting on 18	We acknowledge the auditor's observation that the electrical works in the Riotachi Dispensary project was not executed. The amount claimed to have been spent on electrical works as a provisional sum is Kshs. 70,000.00 only, and not Kshs. 370,000.00 as stated. To clarify further, the Kshs. 370,000.00 was the total figure captured in the provisional sums column of the Bill of Quantities (BQ),	The Riotachi Dispensary project was paid in full, but electrical works worth Kshs.370,000 were not completed despite official records indicating the project was completed and ready for handover.	1. The Management establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and	60 days from the date of adoption of this report

		<p>October, 2021 stating the contractor had completed the project as per the specification given and that the project was complete and ready for handing over</p>	<p>which was allocated as follows:</p> <p>a) Ksh. 70,000.00 for electrical works.</p> <p>b) Ksh. 100,000.00 for contingency.</p> <p>c) Ksh. 200,000.00 for project management expenses.</p> <p>Due to evolving project requirements, the technical project management team issued instructions to omit the electrical works and reallocate the funds (Ksh. 70,000.00) along with the contingency amount (Ksh. 100,000.00), totaling Ksh. 170,000.00, to cover additional</p>		<p>the Public Finance Management (County Government) Regulations, 2015.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report</p> <p>3. The Office of the Auditor General should progressively review and</p>	
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			roofing expenses. This adjustment was necessitated by the realization that the square meter quantities for the roofing works exceeded those initially captured in the BQs. Payments for these roofing works were processed on a quantum meruit basis. The Kshs. 200,000.00 allocated for project management expenses was utilized by the contract implementation team as running allowances during the contract period.		report on the matter in the subsequent Financial Years.	
23	<b>Proposed Levelling of Marani Stadium</b>	The County Executive entered into a contract for the levelling works	While contract specifications are fundamental, it is also normal for		1. The Management establishes a project	60 days from the date of adoption

		<p>to Marani Stadium Phase I at a contract sum of Kshs.2,837,795 on 31 May, 2023. Physical verification conducted on 3 September, 2024 revealed that the contractor deviated from the specifications in the bill of quantities as follows</p> <p>In addition, no variation orders were provided to support the deviation from the required specifications.</p>	<p>instructions to be issued during the contract period to address site-specific conditions and ensure the quality of the final deliverable. Below is a detailed response to the issues raised.</p> <p>1. Backfilling and Compaction with Murram. Backfilling and compaction with murram was necessary in areas identified as unstable, particularly in made-up sections. These works were conducted to stabilize the ground and ensure a solid foundation. Subsequently, red soil topping was applied as recommended,</p>		<p>management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015.</p> <p>2. The Office of the County Governor to prioritise</p>	<p>of this report</p>
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			<p>enabling proper grass planting and establishment.</p> <p>Red soil is particularly suitable for sports fields as it minimizes the risk of injury, unlike murram, which contains pebbles and small stones.</p> <p>This approach was approved to ensure the safety and usability of the pitch.</p>		<p>completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report</p> <p>3. The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years</p>	
24	<p>. <b>Procurement</b></p>	<p>The County Executive invited potential investors through an open international tender, to inspect the</p>	<p>The county government called for expression of interest (EOI) vide an advertisement on the daily</p>	<p>The management did not provide the due diligent report</p>	<p>1. The Office of the County Governor undertakes administrative actions against</p>	

		<p>Banana Processing Plant for expression of interest on March, 2021. The eligibility criteria set out in the EOI was that the investor is undertaking or has undertaken a similar assignment for at least 5 years, and is already in the business of marketing processed food products, demonstrate access to market, has access to adequate capital and demonstrate ability to work with farmer organizations in production, aggregation, value addition and marketing. According to staff interviewed during the audit, the advertisement on the expression of</p>	<p>Nation of March 16th, 2021. A few people made telephone inquiries, but only Boka Eats Limited, formerly expressed interest to operationalize the plant under terms and conditions specified to enable the county meet its intended objects of strengthening the Kisii Banana Value Chain for social economic development of the targeted community. The department concerned in consultation with the Technical Team of European Union (EU) who co-funded the construction and equipping the</p>		<p>the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</p> <p>2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of</p>	
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		<p>interest was not responded.</p> <p>However, on 1 March, 2022, a private investor, did a due diligence report to the County with elaborate terms of reference. It was not clear how this investor came in as they were not subjected to the terms of the EOI. The investor company was incorporated on 30 November, 2021 and did not meet the eligibility criteria. There was no evidence of the private investor demonstrating market access or capital adequacy nor ability to work with farmers for this particular value chain. On 3, June, 2022, the County</p>	<p>banana processing plant elaborately assessed and interrogated the bid by Boka Eats Ltd. In their submission they recommended that the county consider engaging Boka Eats Ltd for the purpose of operating the plant. The due diligence was done by a team involving representatives from the EA/IDEAS county programe unit (Secretariat), The EU Technical support team from Nairobi (Technical and Financial flow analysis). In their expert area, the team assessed various issues highlighted in the report before</p>		<p>the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>	
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		Executive signed a Memorandum of Understanding with the Investor to run the operate the banana processing plant.	drawing conclusions and recommendations to inform the decision to engage Boka Eats			
25	<b>Operations</b>	On 27, May 2022, the County coordinator EU-IDEAS project gave instructions to the County Property Valuer to access the plant and equipment and come up with a market appropriate rental rate. On 1 June, 2022 a valuation report was conducted by the County Valuer who recommended a rental rate of Kshs.150,000 Kshs.120,000 for rent of premises and Kshs.30,000 for land rate for the three acres. From the unregistered	Management did a demand letter for the recovery of rent arrears from the investor. Recovery of Kshs 200,000 was paid after agreeing with the management on how the balance of Kshs 1,960,000 was to be cleared The rent being paid by the investor was informed by the contract drawn between the investor and the County Government. Attached find:	The County Government entered into an unregistered 30-year lease without justification or public participation. The rent was reduced without explanation, and no payments have been made. There is no evidence of monitoring or support for local farmers.		

		<p>lease agreement, the lease was set out for a period of thirty (30) years but after the 6-month grace period, the rent payable was un-procedurally reduced to Kshs.90,000.</p> <p>The private investor, has never paid any rent to date. It is not clear how the 30-year period of the lease was arrived at as there is no public participation or justification of the same. The County Government did not provide for audit monitoring and evaluation reports to confirm that the private investor is supporting local farmers and</p>	Annex 23a - Demand invoice.			
26	<b>Unutilized but Completed</b>	Review of records and IFMIS payment details revealed that the County	Management successfully executed the construction of the	The management confirmed that schools could not operationalize the	1) The Management establishes a project	60 days from the date of date of

	<b>ECDE Classrooms</b>	<p>Executive through the Department of Education paid Kshs.596,448 and Kshs.212,760 towards completion of classrooms at Otamba and Masongo ECDE primary schools respectively. However, field verification conducted during the audit on August 30, 2024, revealed that the projects were complete but yet to be utilized</p>	<p>classrooms and handed them over to the respective schools. However, the schools were unable to operationalize them due to the need for additional supportive facilities and equipment. Specifically, the schools requested items such as furniture for the pupils and nearby pit latrines, as detailed in the annexed letters. Unfortunately, there was no budget allocation for these items in the current financial year. Nonetheless, it remains a priority for management to ensure the full utilization of these</p>	<p>facilities due to a lack of necessary supportive facilities and equipment.</p>	<p>management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015.</p> <p>2) The Office of the County Governor to prioritise</p>	<p>this report</p>
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			classrooms. We are committed to supporting the schools in acquiring the necessary items at the earliest opportunity.		completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report 3) The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years	
27	<b>Project Implementation Status - Department of Education</b>	Review of records and IFMIS payment details revealed that the Department of Education, Technical Training,	The contractors for these projects were notified to resume works and address any snags during the Defects	The projects were incomplete.	1) The Management establishes a project management and	

	<p>Innovations, and Manpower Development engaged various contractors to undertake development projects at a total contract amount of Kshs.5,678,445. However, physical verification during the audit on August 30, 2024, revealed poor workmanship and several anomalies in the implementation of the projects, as outlined below:-</p> <p>Review of records and IFMIS payment details revealed that the Department of Lands, Physical Planning, and Urban Development engaged various contractors to undertake road rehabilitation and</p>	<p>Liability Period (DLP). Unfortunately, they failed to comply with this directive.As a mitigation measure, management will invoke the utilization of retention money to repair and make good the defects, as required. We deeply regret the frustrations caused by the contractors' inaction and acknowledge that no option remains but to take corrective measures to ensure the integrity and quality of the projects.Managem ent is committed to resolving this matter and ensuring better</p>		<p>monitoring Committee to help in proper project conceptualizat ion, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015.</p> <p>2) The Office of the County Governor to prioritise completion of existing and</p>	
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	<p>Project Implementati on Status - Culture, Sports and Social Services</p>	<p>maintenance projects, with a total contract amount of Kshs.7,795,328. However, physical verification conducted during the audit on August 30, 2024, revealed poor workmanship and several anomalies in the implementation of the projects</p> <p>Review of records and IFMIS payment details revealed that the Department of Culture, Sports and Social Services engaged various contractors to undertake development projects at a total contract amount of Kshs.19,133,627. However, physical verification during the audit on 1</p>	<p>outcomes in future project implementations. <b><i>Mokorogoinwa Primary School ECDE class Construction phase I at Ksh. 886,820.00</i></b> The first phase of the project was successfully completed to the roof level. An amount of Ksh. 1,033,349.00 has been factored into the current budget to facilitate its completion. The observed falling bricks and any other defects will be rectified under the scope of the second phase. These defects resulted from the prolonged delay in commencing phase two. Measures have</p>		<p>stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report</p> <p>3) The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years</p>	
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		September, 2024, revealed poor workmanship and several anomalies in the implementation of the projects, as outlined in the table below;	now been put in place to ensure the project is completed and			
27	<b>Construction of County Aggregation and Industrial Park</b>	<p>Examination of Trade Department and Regulations projects records revealed that the Kisii County Government awarded a contract for construction of County Aggregation and Industrial Park at a contract sum of Ksh.477,941,470. However, the following issues were noted:</p> <p>An advance payment of Kshs.95,588,294 was made to the contractor upon winning the</p>	<p>The management takes note of the audit finding; However, Advance Payment of Kshs. 95,588,294 was paid on exceptional circumstances</p> <p>Memorandum of Understanding between the National Government and the Counties, The National Government handled much of the preliminaries even putting up the advert of the</p>	The management did not provide relevant documents to OAG for verification	The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.	60 days from the date of adoption of this report



		<p>tender. However, Management did not provide evidence of exceptional circumstances that warranted the advance payment immediately after signing contract with a contractor that was evaluated as financially sound. The Memorandum of Understanding between the National Government and the County Government on co-sharing of the project was not provided for audit. No evidence was provided that land on which construction was going on belonged to the County Government. Feasibility study for the project, National Environment</p>	<p>project as witnessed in the project file.</p> <p>Land ownership documents</p> <p>Feasibility study, NEMA , signed Programme of Works</p> <p>On Sign post; the Contractor erected the sign post, evidence attached. Poor Access Road to the project site, the road was not part of the scope. The project is located in a swampy area possibly a wet land.</p>			
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		<p>Management Authority (NEMA) approvals, signed programme of works were not provided for audit review.</p> <p>In addition, physical inspection done on 3 September, 2024 revealed that the sign post (publicity board) was not erected at the site of construction, poor access road to the projects site and the project site is located in a swampy area possibly a wet land.</p>				
28	<b>Failure to Perform Project Handover and Acceptance after Completion</b>	Review of records and IFMIS payment details revealed that the Department of Education, Technical Training, Innovations, and Manpower Development	Management regrets the delay in handing over of the completed ECDE classrooms by the contractor as noted during the audit period. Management has	The management did not provide relevant documents to OAG for verification.	The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in	60 days from the date of adoption of this report

		engaged various contractors to undertake development projects with a total contract amount of Kshs.6,172,615. However, management did not provide handover and acceptance minutes, as well as completion reports from the contractors for audit verification as detailed below	so far handed over the projects to the users. Find attached:		accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.	
29	<b>House Renovation at Lower Milimani Estate</b>	Review of records and IFMIS payment details revealed that the Department of Land, Physical Planning and Urban Development paid an amount of Kshs.1,931,878 towards renovation of a house at Lower Milimani Kisii. The contract was scheduled to commence on 1 April, 2024, with an	At the time of audit, the project was fully complete and handed over to the client. The project was not in use since there was no water and power connection which was not in the contract. Currently, the house is in use after the management fixed	The management did not provide relevant documents to OAG for verification.	The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60	60 days from the date of adoption of this report

		<p>expected completion date of 1 June, 2024. However, field verification conducted during the audit on 3 September, 2024, revealed that the renovation works were complete but the house remained unused. Management did not provide handover and acceptance minutes and reports of the project by contractor after completion of the renovation work for audit verification</p>	the missing amenities.		days from the adoption of this report.	
30	<b>Irregular Implementation of a Project - Construction of New County Headquarters</b>	Review of the documents provided for audit revealed that the County Executive Office of the Governor and a contractor entered into a contract for construction of Kisii County	In response to the auditors' observations regarding the payment of a 20% advance to the contractor awarded the contract at a cost of Kshs.	No evidence was provided that advance payment was specified in the tender document, contrary to Section 146 of the PPDA Act, 2015. Approvals from NEMA and NCA for	1) The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to	60 days from the date of adoption of this report

		<p>Headquarters at a contract sum of Kshs.499,995,565. However, an advance payment of Kshs.99,999,113 was made to the company upon winning the tender. Management did not provide evidence of exceptional circumstances that warranted the advance payment immediately after signing contract with a Company that was evaluated as financially sound. Further, approvals from NEMA, NCA giving clearance for the construction were not provided for audit</p>	<p>499,995,565.00, we wish to provide a comprehensive explanation. This advance payment was made in accordance with Sections 146 and 147 of the Public Procurement and Disposal of Assets (PPDA) Act 2015. Justification for Advance Payment</p> <p>1. Exceptional Circumstances: The decision to provide an advance payment was based on exceptional circumstances that required prompt action to ensure project kickstart and continuity. These circumstances included the following inter alia:</p>	<p>construction clearance were not provided.</p>	<p>the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</p> <p>2) The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537</p>	
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			<p>Urgent Project Timelines: The project had critical timelines that necessitated immediate mobilization</p> <p>In response to the auditors' observations regarding the payment of a 20% advance to the contractor awarded the contract at a cost of Ksh. 499,995,565.00, we wish to provide a comprehensive explanation. This advance payment was made in accordance with Sections 146 and 147 of the Public Procurement and Disposal of Assets (PPDA) Act 2015.</p> <p>Justification for Advance Payment</p>		<p>for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>	
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			<p>1. Exceptional Circumstances: The decision to provide an advance payment was based on exceptional circumstances that required prompt action to ensure project kickstart and continuity. These circumstances included the following inter alia: Urgent Project Timelines: The project had critical timelines that necessitated immediate mobilization of resources. Delaying the advance payment would have significantly impacted the project schedule considering its</p>			
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			<p>nature, complexity and magnitude objectively aimed at decongesting the town and improved service delivery to Kisii residents.</p> <p>Bid Document specifications:</p> <p>The bid document that was used including the contract engagement signed by both parties under 14:2 advance payment</p> <p>“-The employer shall make an advance payment as an interest free loan for mobilization and cashflow support, when the contractor submits a guarantee in accordance with this clause. The total advance payment, the</p>			
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			<p>number and timing of instalments (if more than one) and applicable currencies and proportions, shall be stated in the special conditions of the contract”</p> <p>The special conditions of contract did specify the maximum percentage of advance payment to be effected in case the entity decided to honour and the percentage of amortization repayment (30%)</p> <p>2. Risk</p> <p>Mitigation:</p> <p>Providing an advance payment, accompanied by a bank guarantee, was a strategic decision aimed at mitigating risks</p>			
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			<p>associated with project delays. The bank guarantee served as a financial security measure, ensuring that the contractor remained accountable for the project's successful completion. The Public Procurement and asset Disposal Regulations Reg. 136 (2) the procurement function ensured that the bank guarantee was authenticated by the issuing bank in writing to the accounting officer, the bank guarantee is on demand, one among other provisions were adhered to</p>			
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			<p>accordingly. The management ensured that the contract included clear terms regarding the advance payment, specifying conditions for repayment and performance guarantees.</p> <p>Conclusion</p> <p>The advance payment to the contractor was made after thorough assessment and was fully justified due to the exceptional circumstances surrounding the project. The contractor's robust financial position further supported this decision, along with the urgency of meeting project</p>			
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			<p>timelines. It is important to note that management strictly adhered to the guidelines outlined in the PPDA Act, ensuring project success while maintaining a strong sense of oversight and accountability through the bank guarantee. Rest assured; this approach will undoubtedly lead to a successful outcome.</p> <p>Attached see the progress report as 8th October 2024 and attached valuation of works executed on site for your assessment and review. Take note that the project commenced on 9th of July 2024. 9</p>			
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			(12 weeks elapsed)			
31	<b>Delayed Alteration and Renovations to Governor's Office at Old Municipal Building</b>	<p>Review of the documents provided for audit indicated that a contract was signed for alteration and renovations to County Executive offices old Municipal Building was at a cost of Kshs.24,921,817. The contract was for 24 weeks ending 20 December, 2023. At the time of audit in September, 2024, works were still in progress. No explanation was provided for delayed works. Further, explanation as why this Office was being renovated to the standards of housing a Governor and at the same time the County Headquarters building which</p>	<p>Management agrees with the auditor's findings that the project was delayed during the physical inspection conducted in September 2024, in accordance with the original contract duration. However, the contractor requested and was granted two-time extensions. The first extension expired on April 20, 2024, while the second one expired on September 30, 2024. As of today, the project is practically complete, occupied, and operational.</p>	<p>The management reported the project as complete and operational, but no completion certificate or handover documents were provided</p>	<p>The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</p>	<p>60 days from the date of adoption of this report</p>

		included Offices for the Governor too was in progress were not provided.	Please refer to the practical completion certificate, penultimate inspection minutes, and snag list for the contractor's attention during the six-month defects' liability period. The final release of the remaining payment is pending			
32	<b>Delayed Installation of Metro Optical Cable at Governor's Office</b>	Review of the records provided for audit revealed that a contract for Installation of Metro optical cable to Governor's Office at the Kisii Municipality Premises and SD-WAN Connectivity to Sub Counties at a contract sum of Kshs.8,998,713.	Management take note on the auditor's observation and regrets the delayed installation of metro optical cable at governor's office. The delay was occasioned by change of scope in	A Kshs.8,998,713 contract for Metro optical cable and SD-WAN connectivity, set to start on 26 July 2022, had not commenced by September 2024 due to ongoing renovations. Despite this, Kshs.4,126,029 was paid with no explanation.	1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely	60 days from the date of adoption of this report

		<p>The contract was to start on 26 July, 2022 for a period of 4 months. However, as at the time of audit in September, 2024, work was yet to commence. The Municipality building on which the installation was to be done was under renovations. No explanation was provided for scheduling works on a building that was to be ready two years later. During the year under audit, Kshs.4,126,029 of the contract sum was paid</p>	<p>the renovation and cabling</p>		<p>completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2) The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for</p>	
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					<p>their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
33	<b>Unsupported Procurement of Fuel</b>	Review of records provided for audit and IFMIS payment details revealed that the Department of Lands, Physical Planning, and Urban Development directly procured the supply and delivery of fuel from a services station at a cost of Kshs.1,749,804.	The management takes note of the matter raised by the auditor. There was framework arrangement for procuring the said fuel	The management did not provide evidence of a framework arrangement or justify the use of direct procurement.	<p>1. The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the</p>	60 days from the date of adoption of this report



		<p>However, management did not provide justification for using the direct procurement method, given that the procurement did not meet the conditions set in Section 103(2) of the Public Procurement and Asset Disposal Act, 2015. Additionally, a duly signed contract agreement, acceptance, evidence of appointment of an adhoc evaluation committee, and other related procurement documents in support of the procurement were not provided for audit review.</p>			<p>Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</p> <p>2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their</p>	
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					professional duties which constitutes a professional misconduct.	
34	<b>Funding of Idle Road</b>	The Department of Water, Energy, Environment and Natural Resources initiated a number of water projects in collaboration with communities and institutions across the County at a total cost of Kshs.22,699,014. However, there was no evidence that the intended beneficiaries were involved through the public participation to enhance leadership, ownership, social accountability and sustainability of the projects to avoid rejection of the projects by the local residents. Further,	The department of Water, Energy, Environment and Natural Resources initiated a number of water projects for the financial year 2023/2024 on which it collaborated with the concerned communities and institutions within the county. Public participation and forums were fully conducted which aimed at enhancing leadership, ownership, social accountability as well as sustainability. The concerned communities and institutions and	Physical verification on 5 September 2024 revealed that gabion boxes and mattresses were not installed, only 100 meters of road was done instead of 450 meters, and the road was overgrown, blocked, and unusable.	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance	60 days from the date of adoption of this report

		<p>no documents transferring these parcels of lands to the projects was provided. The water projects may, therefore, be faced with uncertain situations of ownership and operations of such projects.</p>	<p>their respective leadership, (Members of County Assembly (MCAs) held various meetings where they unanimously agreed and confirmed on suitable points to erect the water projects which were to serve the respective communities centrally. On the earmarked points, institutions were consulted before the public participation exercise kicked off after which the same was confirmed through conducting public participation. By the time audit team went to the various areas to verify the projects</p>		<p>Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</li> <li>3. The OAG to keep the matter in view and provide a</li> </ol>	
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			<p>the evidence documents for public participation were available and the same were presented to them for confirmation. Find attached relevant documents (minutes, programmes, attendance registers and photos) for confirmation. The parcels of land where the projects were earmarked and erected, the respective communities, institutions and leadership were consulted and were in agreement which therefore necessitated for the formation of various</p>		<p>status update to the Committee in the subsequent audit cycle.</p>	
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			committees to manage the projects. All the water projects which have been done by the county government in the previous years, no formal agreements have been entered by the communities. In future, the department shall ensure that formal agreement is entered between the government and the communities where public projects are erected.			
35	<b>Failure to Remit Retirement Contributions</b>	Review of the documents provided for audit revealed that the County Executive owes Local Authorities Provident Fund (LAPFUND) a total	Management concurs with auditor's observations on the outstanding debts owed to LAPFUND and CPF. The	The County Executive owes LAPFUND Kshs.1,605,562,651, including Kshs.23,852,200 in principal and Kshs.1,581,710,452	1. The County Executive should prioritize payment of the unremitted retirement contributions	60 days from the date of adoption of this report

		<p>of Kshs.1,605,562,651. This amount includes an outstanding principal of Kshs.23,852,200 and accrued interest of Kshs.1,581,710,452. Further, there is a debt of Kshs.1,791,934,325 owed by the defunct local authorities, which has not been disclosed as a pending bill, despite the County Governments taking over assets and liabilities of defunct Local Authorities. In addition, demand letter from CPF Financial Services, dated 18 June, 2024, indicated that the County Executive owed the body Kshs.137,530,132. This includes</p>	<p>principal amounts of Kshs. 23,852,200 and Kshs. 3,172,635 for LAPFUND and CPF respectively resulting from a previous reconciliation by both parties have been planned for settlement and included in the current pending accounts payables report. In regard to accrued interest and debts owed by defunct local authorities, the management has taken an initiative in reconciling these amounts with respective entities with a view of amicably resolving the matter as per IGTRC</p>	<p>in interest. A Kshs.1,791,934,325 debt from defunct local authorities remains undisclosed as a pending bill. A demand letter from CPF Financial Services dated 18 June 2024 shows an additional debt of Kshs.137,530,132. The County Executive has not provided a payment plan.</p>	<p>to Local Authorities Provident Fund (LAPFUND) Local Authorities Pensions Trust (LAPTRUST) and County Pensions Fund (CPF) and provide a status update to the Auditor General within sixty days of the adoption of this report.</p> <p>2. The EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing the offences</p>	
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		<p>outstanding principal contribution arrears of Kshs.3,172,635, accrued interest of Kshs.128,087,175, and an actuarial deficit of Kshs.6,270,322. However, the County Executive has neither provided an explanation or a budget for the unremitted funds nor offered a payment plan to settle the outstanding staff pension contributions</p>	<p>resolutions. Further, the National Treasury has set up a committee that is currently reviewing these debts.</p>		<p>stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B; and</p> <p>3. Surcharge of the officer(s) who deducted pensions money from the staff and failed to remit it to the relevant pensions fund.</p>	
36	<b>Adjustments in Supplementary Budget</b>	<p>Review of the original approved estimates against the first and final supplementary budget for the year 2023/2024 revealed that some funds which were originally appropriated for</p>	<p>Management concurs with auditor's observations on the outstanding debts owed to LAPFUND and CPF. The Principal amounts of Kshs. 23,852,200 and</p>	<p>The management did not provide evidence of compliance with reallocation and adjustments in the supplementary budget.</p>	<p>The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the</p>	<p>60 days from the date of adoption of this report</p>

		<p>capital development projects were reallocated during the supplementary budgeting process, where 700 projects whose total budget amounted to Kshs.1,879,905,409, were completely reallocated, hence no funding or implementation was carried out. This was contrary to Section 43(1)(b) of the Public Finance Management Act, 2012</p>	<p>Kshs. 3,172,635 for LAPFUND and CPF respectively resulting from a previous reconciliation by both parties have been planned for settlement and included in the current pending accounts payables report.</p> <p>In regard to accrued interest and debts owed by defunct local authorities, the management has taken an initiative in reconciling these amounts with respective entities with a view of amicably resolving the matter as per IGTRC resolutions. Further, the National Treasury</p>		<p>Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</p>	
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			<p>has set up a committee that is currently reviewing these debts.</p> <p>Annex 33a - Extract of Pending Bills Report Annex 33b - Extract of Pending Bills Payment plan Annex 33c- Invite for Reconciliation Annex 33d- National treasury circular The preparation of the Revised Budget estimates for FY 2023/2024 was guided by Section 135 (1) of the Public Finance Management 2012 that allows the County government to spend money that has not been appropriated for</p>			
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			<p>any purpose or need has arisen for expenditure for a purpose for which no money has been appropriated. Its preparation was also informed by the County Government Additional Allocation Act which aligned some programmes earlier budgeted for.</p> <p>It is worth noting that this supplementary Budget was prepared after the first one had been revoked. Therefore, the first supplementary budget was not implemented at all. This supplementary budget was based</p>			
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			<p>on the original budget and therefore the Kshs 813,327,390 was the only amount reallocated and realigned in line with the Act. Attached is the County Additional Allocation Act 2023 for your reference.</p> <p>Annex 34 - The county Governments additional allocations Act, 2024</p>			
37	<b>Regularity of Legal Expenses</b>	<p>Review of the records provided for audit revealed that during the year under review the County Executive spent Kshs.29,135,024 in respect to legal fees for various court cases filed against the County Executive.</p>	<p>No management responses provided</p>	<p>The County Executive spent Kshs.29,135,024 on legal fees, but records show 354 pending cases, some dating back to 2002. Key documents, including case files, court records, and contract agreements for</p>	<p>The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and</p>	<p>60 days from the date of adoption of this report</p>

		<p>However, the schedule of the litigation cases against the County Government and their status provided for audit revealed that the county had 354 pending cases in various courts some dating as far back as 2002. Further, the case files, court records to show that the County Executive have been taken to court to defend itself in cases levelled against it such as summon to enter appearance, initial fee note, evidence of court attendance were not provided for audit review. In addition, contract agreement for engagements amounting to Kshs.25,240,000 entered between the</p>		<p>Kshs.25,240,000, were not provided.</p>	<p>provides a status report to the Committee within 60 days from the adoption of this report.</p>	
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		County Executive and the various law firms, negotiation minutes if any, were not provided for audit.				
38	<b>Unsupported Bank Loan</b>	<p>Review of the documents provided for audit revealed that total of Kshs.751,850,064 was obtained by the County Executive as a loan from a bank to pay staff salaries. This included Kshs.77,696,792 borrowed on behalf of County Assembly of Kisii for payment of salaries. However, there was no evidence this loan was approved by the County Assembly and were guaranteed by the National Treasury. Further, it was not explained why County Assembly of Kisii had to obtain</p>	<p>The management has provided a Cabinet memorandum that sought approval for a credit facility to pay staff salaries. This memorandum was subsequently approved by the County Assembly. Additionally, the signed contract between the County Government of Kisii and Family Bank Limited has since been submitted for audit review. The terms and conditions of the loan, including interest rates,</p>	<p>The management did not provide relevant documents to the OAG for verification.</p>	<p>The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</p>	<p>60 days from the date of adoption of this report</p>

		its loan through the County Executive. In addition, terms and conditions of the loan, including interest and other charges payable and the terms of repayment were not provided and there was no evidence that the loans were wholly spent on salaries.	charges, and repayment schedules, were documented and agreed upon at the time of the loan arrangement. Furthermore, a bank statement and a letter from Family Bank confirming that the loan proceeds were utilized to pay staff salaries have also been provided for audit verification.			
39	<b>Sustainability of Climate Change Initiatives</b>	Review of documents reveals that County Executive was awarded a contract for rehabilitation of Keboye and Emborogo forests through tree planting at a contract sum of Kshs.1,854,000 for the projects of Climate Change	When trees were planted the department took the following measures to ensure sustainability of the project: planting the trees during the rainy period, conducting awareness creation in the surrounding	There were no proper measures to protect the planted trees, leading to destruction by animals and the community. Additionally, the actual number of trees planted could not be verified.		

		<p>under Department of Water, Energy, Environment and Natural Resources. Records scrutiny show that 10,000 and 8,000 trees were planted in Keboye and Emborogo forest respectively. However, physical verification done on 4 September, 2024 to Keboye forest revealed that there were no proper measures taken to ensure the trees planted are well taken care of as a number of trees were destroyed by animals, the already grown trees are being cut down by the surrounding community, while some have dried up. It was also not possible to authenticate</p>	<p>community on the benefits of rehabilitating the forests and sensitizing the existing community committee which is managing the forests. In addition, the department has provided a budget for fencing of government forests to ensure that the trees are not tampered with in future. Similarly, the county government has a long-term plan to ensure that its forests are well maintained.</p>			
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		whether 10,000 trees were planted.				
40	<b>Irregularities in Imprest Management</b>	<p>The statement of receipts and payments reflects use of goods and services amount of Kshs.726,415,634 as disclosed in Note 3 to the financial statements. Included in the amount is domestic travel and subsistence expenditure of Kshs.96,872,664. Further, the statement of assets and liabilities reflects Nil balance in respect of outstanding imprests. Management indicated that the payments of 96,872,664 were made through reimbursement system whereby, officers travelling on duty outside the</p>	<p>The management regrets the anomaly in imprest management occasioned by time lag in accessing domestic travel funding.</p>	<p>The committee observed that Kshs.96,872,664 for domestic travel and subsistence was expensed without following the imprest system, contrary to Regulation 91(2) of the PFM Regulations, 2015. The reimbursement claims lacked supporting documents.</p>	<ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</li> <li>2. The management should comply with Regulation 91(2) of the</li> </ol>	<p>60 days from the date of adoption of this report</p>



		<p>duty station, using their own funding and claimed for reimbursement upon return to duty station. However, the claim was unsupported as, analysis of the IFMIS payment details for of the County Executive confirmed that payments for domestic travel and subsistence were directly expensed. This was contrary to Regulation 91(2) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that the officer authorized to hold and operate an imprest shall make formal application for the imprest</p>			<p>Public Finance Management (County Governments) Regulations, 2015, by ensuring all travel and subsistence expenses are processed through the imprest system with proper documentation .</p>	
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		through an imprest warrant.				
41	<b>Non-Preparation of Financial Statements for Municipalities</b>	Information provided for audit review revealed that the County Government has never prepared and submitted for audit financial statements for Ogembo Municipality. This was contrary to Section 180 of the Public Finance Management Act, 2012 which requires that, at the end of each financial year, the accounting officer of the City or municipality established by Urban Areas and Cities Act, No.13 of 2011 shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting	The management took note on auditor's observation in regard to F Non-Submission of Financial Statements for Ogembo Municipality	The County Executive did not submit the financial statements for municipalities to the OAG.	The management should comply with the Public Sector Accounting Standards Board (PSASB) regulations by ensuring timely submission of financial statements for all Sub-County Hospitals to the Office of the Auditor-General.	

		Standards Board and the provisions of the Urban Areas and Cities Act, 2011				
42	<b>Non-Submission of Financial Statements for Sub-County</b>	The financial statements of Kenyenyra Sub-County Referral Hospital, Etago Sub-County Hospital, Gesusu Sub-County Referral Hospital, Gucha Sub County Referral Hospital, Ibacho Sub-County Hospital, Ibeno Sub-County Hospital, Iranda Sub-County Referral Hospital, Kenyerere Sub-County Hospital, Keumbu Sub-County Hospital for the year ended 30 June, 2024 were not submitted to the Office of the Auditor-General for audit. This was contrary to the	The management concurs with the auditor's Non-Submission of Financial Statements for Sub-County Hospitals. Subsequently the management will comply with this requirement.	The County Executive did not submit the financial statements for multiple Sub-County Hospitals to the OAG.	1) The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the	Continuous

		<p>requirement by the Public Sector Accounting Standards Board (PSASB) by 30 September each year</p>			<p>adoption of this report.</p> <p>2) The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3) The management should comply with the Public Sector Accounting Standards Board (PSASB) regulations by ensuring</p>	
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					timely submission of financial statements for all Sub-County Hospitals to the Office of the Auditor-General.	
<b>REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
43	<b>Manual Invoicing</b>	Audit review of the revenue collection revealed that invoicing in revenue collection was done manually and electronic record was kept on revenue stream for property rates and county premises monthly rents. Invoices raised could not be matched with paid into the bank account, leading to unaccounted revenue. This was a result of lack of an audit trail from	The management concurs with the auditor's observation on manual invoicing. However, the management has developed a manual mechanism to ensure that the amount paid matches the invoice before billing is done in the system. We are in the process to digitalize the entire revenue process to enable			

		invoicing to payment of revenue into the bank and final reporting. the amount	auto reconciliation thus will sort the problem on unmatching invoices and payments			
44	<b>Uncollected Revenue of Property Rates</b>	Review of the revenue collection revealed that the County Executive had budgeted to collect Kshs.25,000,000 from land rates during the year under review, but managed to collect only Kshs.18,617,268, resulting in a shortfall of Kshs.6,82,732 of the budgeted revenue. Further, review of the County Executive's electronic (LAIFOMS) records revealed that the Management had not collected long outstanding	The under collection was as a result of pending court cases challenging the finance Act, 2023 that was in use during the year under review. An amount of 546,132,152 was outstanding by property owners within the county. The management has made reasonable effort to try and recover the arrears by issuance of demand notices. However, some amount is uncollectable and the management has further		1) The Office of the County Governor, in compliance with the provisions of Section 157 and 158 of the PFM Act, 2012 appoints in writing a receiver of revenue who will assist in accounting and optimization of own source revenue and provide a status report to the Auditor General within 60 days of adopting this report;	60 days from the date of adoption of this report

		<p>property rates, inclusive of interest and penalties, totalling Kshs.546,132,152 which was owed by plot owners within Kisii Municipality and other areas in the County. In addition, there were no records or other evidence indicating that Management had initiated additional measures to collect the outstanding amounts. It was further noted that the County Executive was using the valuation rolls that had not been revised</p>	<p>appointed a committee to look into the issues of uncollectable arrears. The committee has been given terms of reference and working timelines as per the minutes of the meeting which are here attached. While we concurred with the auditors' observation on the out-dated valuation roll, the management has made tremendous efforts to ensure that valuation roll is revised. A consultant has been contracted to revise the valuation roll. The inception report has been done and all parcels of land within Kisii</p>		<p>2) The County Government in conjunction with the National Treasury, in accordance with the provisions of section 12(e) of the Public Finance Management Act, 2012, engage in designing and prescribing an efficient revenue collection system for automated revenue collection of all revenue streams and provide a status report to the Office of the Auditor General within sixty (60) days</p>	
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			Municipality have been digitized. Draft reports of the same have been availed		from the adoption of this report; and 3) the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls	
45	<b>Ineffective Revenue Collection Systems</b>	Review of the revenue collection revealed that the during the year under review, the County Executive automated part of its revenue collection streams through the Zizi Revenue Collection System. The County Government did not have any back-up of transactions that	The management concurs with the auditor's observation on the shutdown of the revenue system without relevant back up. The lockout was caused by the system contract which came to an end. However, we've requested the service	The County Executive lacked a backup system for the Zizi Revenue Collection System, resulting in loss of access to transaction records after contract termination.	The County Government in conjunction with the National Treasury, in accordance with the provisions of section 12(e) of the Public Finance Management Act, 2012, engage in designing and prescribing an efficient revenue collection system for automated revenue collection of all	60 days after the date of adoption of this report



		went through this system, and upon termination of contract, those information records could not be accessed. It was not possible to confirm accuracy of revenue collected during the year under review, since the management claimed that the service provider locked it out of system.	provider to allow us run the Revenue streams report that is attached.		revenue streams and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
46	<b>Uncollected Revenue from Land Lease</b>	Review of the Memorandum of Understanding and lease agreement between County Government and a processing company, revealed that County Government leased two acres of land to a com at Kisii Agricultural Training Centre on 21 July, 2022 for a	The management concurs with the auditor's observation on the non-receipt of lease rentals of Kshs. 1,680,000 from Avo fresh Processors Ltd. However, the management has issued a 'demand notice' to the client. The client has made partial	The County Government leased two acres of land but failed to collect Kshs.1,680,000 in rent for two years as per the agreement. No explanation was provided.	1) The Office of the County Governor, in compliance with the provisions of Section 157 and 158 of the PFM Act, 2012 appoints in writing a receiver of revenue who will assist in accounting	60 days after the date of adoption of this report

		<p>period of a period of fifteen years, at monthly rental sum of Kshs.70,000 for the first two years of the lease, commencing on the first date of July, 2022 payable in quarterly or annually in advance. The Lessee was given one-year grace period which commenced on the date of execution of the lease agreement then starts a paying for rent. However, at the time of audit in August 2024, it was noted that first and second years rent totalling to Kshs.1,680,000 has not been paid by lessee as per the agreement signed by the above two parties. No explanations were given for the failure</p>	<p>payments towards the same and will clear the balance in due course. Annex 38a: Demand notice to Avo fresh Processors Ltd Demanding for payment</p>		<p>and optimization of own source revenue and provide a status report to the Auditor General within 60 days of adopting this report.</p> <p>2) The County Government in conjunction with the National Treasury, in accordance with the provisions of section 12(e) of the Public Finance Management Act, 2012, engage in designing and prescribing an efficient revenue collection system for</p>	
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		to collect rent from the lessee			automated revenue collection of all revenue streams and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
47	<b>Anomalies in Jambo Pay Revenue Collection System</b>	The County Government procured the services of a company to provide automated revenue collection and management system at the contract sum of Kshs.24,902,063 on 26 January, 2024. The County Government has started using the system. However, the following concerns were noted during audit review:	The auditor reviewed the management's communication with the service provider where by it had raised post implementation issues that were to be addressed. The service provider had committed to respond to the issues as follows: i). While the management takes note of the auditor's	The County Executive collected Kshs.18,617,268 from land rates against a budgeted Kshs.25,000,000, resulting in a shortfall of Kshs.6,382,732. Outstanding property rates of Kshs.546,132,152 remained uncollected, with no evidence of recovery efforts. The valuation rolls were not updated.	1) The Office of the County Governor, in compliance with the provisions of Section 157 and 158 of the PFM Act, 2012 appoints in writing a receiver of revenue who will assist in accounting and optimization of own source	60 days after the date of adoption of this report

		<p>i. The vendor had been granted excess control of the system through the contract agreement and implementation of the project; The Vendor was the one hosting the system and still working on it while it was in use, was the one in control of the paybill to which all M-Pesa payments go to before transferring the collection to the County Government revenue</p>	<p>observation, that the service provider for the revenue Management system was granted excess control on Mpesa payments, the management is now in control of the the Paybill and USSD.</p> <p>i) The management took note of the auditor's observation on the subject matter. However, the service provider is no longer operating and receiving revenue on behalf of the county as effective from 3rd September 2024 and the irregular deductions at source to be refunded within a</p>		<p>revenue and provide a status report to the Auditor General within 60 days of adopting this report.</p> <p>2) The County Government in conjunction with the National Treasury, in accordance with the provisions of section 12(e) of the Public Finance Management Act, 2012, engage in designing and prescribing an efficient revenue collection system for automated revenue collection of</p>	
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		<p>account. Under the circumstances, the vendor acted like the receiver of revenue for the County Government which is against the regulations.</p> <p>ii. The contract, allowed a transaction fee of 5.4% of the total revenue collected through the system recoverable at the point of funds settlement. It was not clear how fee was to be settled by the management to service</p>	<p>period of two months by the service provider.</p> <p>ii) the management took note of the auditor's observation on the subject matter. However, the paybill account opened at Safaricom is under the control of the management. All revenue collected by the USSD has since been channeled to Kisii County Revenue collection Account at KCB.</p> <p>iii) The procurement committee relied upon the evaluation report where the system was inexistence and was in use in several counties.</p>		<p>all revenue streams and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p> <p>3) the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls</p>	
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		<p>provider. The consultant was therefore collecting and receiving county revenue without due appointment as required by law.</p> <p>iii. The consultant's opened and operated accounts with Safaricom for receiving county revenue. This was contrary to Section 119 of the Public Finance Management Act, 2012 on opening, operating and closing of the account.</p>	<p>The system was not a new system and was already in use in other counties.</p> <p>iv) The POS machines have been delivered and are in use as at the time of the response. There was network instability as at 24th June 2024 however, by the audit review the network issued had been addressed. Annex-S11 and S13 to show receipt of 140 POS machines Annex 39a- Refunds to the County Revenue Collection Account (EFT trans) Annex 39b- S11 and S13 was inexistence and</p>			
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		<p>iv. There was no evidence of testing of the system before commissioning for use, no evidence of a recommendation from the system's project implementation committee of readiness to use the system. As a result, the system could have been operationalized with a lot of development flaws leading to lack of integrity and loss of funds.</p> <p>v. At the time of the audit in August 2024, it was</p>	<p>was in use in several counties. The system was not a new system and was already in use in other counties.</p> <p>iv) The POS machines have been delivered and are in use as at the time of the response. There was network instability as at 24th June 2024 however, by the audit review the network issued had been addressed.</p>			
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		<p>noted that office of the Chief Officer Revenue management, economic planning and ICT services vide a letter wrote to the vendor on 24 June 2024 detailing emerging issues from system implementation minutes highlighted that out of one hundred and forty (140) Point of Sale (POS) machines, 50 were delivered, USSD of Kisiipay *414# was unreliable</p>				
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		because of instability network and Mpesa holding account registered under Web Tribe Ltd and the county government staff has right to view only.				
48	<b>Weak IT Internal Controls</b>	Review of Information Technology (IT) internal control environment revealed that the County Executive utilizes various automated systems such as the Electronic Revenue Collection and Management System, the Project Monitoring and Evaluation System, the Integrated Financial Management	No management Response	The County Executive lacks essential IT governance frameworks, including Business and IT Continuity Plans, Disaster Recovery and Offsite Backup Plans, IT security policies, and an IT Steering Committee. Additionally, server rooms lack proper environmental controls, posing risks to ICT system	The management develop an IT strategic plan and institute a strategy committee within sixty (60) days of the adoption of this report and submit the same to the Auditor-General	60 days after the date of adoption of this report

		<p>Information System, and the Integrated Payroll and Personnel Data system, among others, to manage its operations. However, the County Executive lacks Business and IT Continuity Plans, a Disaster Recovery and Offsite Backup Plan, an ICT Capacity Building Training Program, Environmental Controls policies and procedures, an IT Security/Risk Management Policy, and an approved IT Steering Committee to ensure the proper functionality and security of ICT systems and resources. In addition, the server rooms do not have humidity and</p>		<p>security and functionality.</p>		
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		temperature control systems.				
49	<b>Weaknesses in Internal Audit Function and Audit Committee</b>	Management of the Kisii County Executive did not provide any evidence in form of reports on actions on recommendations of the internal auditor's recommendations nor explanations in writing on why the internal audit report has not been acted upon. This was contrary to Regulation 155(2) of the Public Finance Management (County Governments) Regulations 2015. Further, the Internal audit function was not adequately facilitated to perform its functions such as	Management takes note of the auditor's observation that county executive did not provide any evidence in form of reports on actions on internal auditor's recommendations by the time of audit review. The CECM finance based on the internal audit reports received, has since written to departmental chief officers to take note and act on the internal audit recommendations. Management has so far trained four officers from audit department on IPSAS Accrual. Further the	<p>The County Executive did not act on internal audit recommendations or explain the inaction. The internal audit function lacked facilitation, was not in the staff establishment, and had no clear reporting lines.</p> <p>The Audit Committee was not reconstituted after its tenure expired in July 2023, despite requests from the Head of Internal Audit</p>	<p>3) The county Executive expedites sufficient staffing of the audit committee to enhance oversight over public resources and provide a status report to the Auditor General within sixty (60) days from the adoption of this report.</p> <p>4) The Salaries and Remuneration Commission (SRC) to review the compensation framework for Audit Committee members since</p>	60 days from the date of adoption of this report

		<p>trainings and field visits. Funds for in daily subsistence allowances, vehicle and fuel were unavailable despite the unit having a budget and work plan of activities to carry out during the year. It was also noted that the internal audit function did not exist in the staff establishment. Therefore, the administrative and functional reporting lines for the Internal Auditor could not be established. The County Executive also did not have audit committee in place since July, 2023 when the previous one's tenure expired. The Head of Internal Audit had on three occasions written to</p>	<p>management has allocated one vehicle 45CG019A to be used by the department during field visit. The management has provided budgetary provision of fuel totaling to Kshs 300,000 in the financial year 2024/2025. On field allowance the management is yet to make budgetary provision. Management regrets that the staff establishment provided during the time of audit was erroneous. However, the correct staff establishment has been provided for verification.</p>		<p>the low sitting allowances may not attract seasoned professionals to the county Audit Committees</p>	
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		the CECM, Finance and economic planning on the above anomaly with no reaction from the accounting officer to constitute an Audit Committee.	Management concurs with the auditor's observation that the county executive does not have audit committee. The previous audit committee expired in July 2023. However, Management is in the process of forming a new audit committee as advertisement for the same has already be done			
50	<b>Lack of an Approved Staff Establishment and Organogram</b>	The Kisii County Public Service Board had not consolidated an organizational wide staff establishment showing the current compliment data and staffing needs throughout the organization. Similarly, the County Executive	The County Public Service Board (CPSB) has complied a draft organizational-wide staff establishment showing the current complement data and staffing needs throughout the organization. The	The County has no approved staff establishment .	The County Executive should expedite development and approval of its staff establishment and a status report should be submitted to the Auditor General for verification.	60 days from the date of adoption of this report

		lacks an updated organogram showing the organizational structure to illustrate the relationships between departments, superiors, and subordinates clearly.	CPSB is in the process of presenting the Draft Organizational-Wide staff establishment to the County Executive Committee (cabinet) for review and approval.			
51	<b>Staff Acting Without Formal Appointment</b>	Review of the County Executive's operations revealed that most positions in middle to high levels of management were not substantively filled and various members of staff performed duties in acting capacity without formal appointments. Absence of an approved staff establishment made it hard to identify the gaps in staffing,	Whereas the County Public Service Board acknowledges succession gaps in some departments, the Board has endeavored to fill most of those positions substantively through the recruitment process. For instance, the February 2024 advertisement filled some positions of chief	The County Executive had many key management positions filled in an acting capacity without formal appointments. The lack of an approved staff establishment made it difficult to assess staffing gaps, and four departments lacked substantive Chief Officers	The County Executive should finalize and approve a staff establishment plan, ensure formal appointments for acting personnel, and urgently recruit substantive Chief Officers for the vacant departments	60 days from the date of adoption of this report

		<p>especially in the capacity of Deputy Director and Directors. Similarly, there were four departments without substantive Chief Officers, namely Departments of Agriculture and Co-operative Development, Medical Services, Economic planning and ICT, Infrastructure and Roads.</p>	<p>officers and some directors, whereas the June 2024 advert will also address some gaps. Currently there is an advertisement to fill the aforementioned positions. (Attached find an advert for reference) Similarly, the county is in the process of putting in place a succession management policy to help address the succession challenges. Among the strategies the county will utilize to address the challenges include issuing internal adverts to fill mid-level management</p>			
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			<p>positions competitively as well as conducting suitability interviews to confirm those in acting capacities. The county Public Service Board has complied a draft organizational-wide staff establishment showing the current complement data and staffing needs throughout the organization. The CPSB is in the process of presenting the Draft Organizational-Wide staff establishment to the County Executive Committee (cabinet) for review and approval.</p>			
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			<p>The Board also noted that some departments appointed officers to acting capacity without involving the County Public Service Board, However the Board is in the process of taking corrective actions as per the law (section 64 of the CGA, 2012)</p>			
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF BOMET COUNTY EXECUTIVE FOR  
THE FINANCIAL YEAR 2023/2024.**

**Basis for Qualified Opinion**

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1.	<b>Unexplained voided Transactions</b>	Review of records revealed that eight hundred and forty-five (845) transactions in IFMIS amounting to Kshs.1,276,353,752 were voided. However, supporting documents including voided payment vouchers, requests to void payments, the National Treasury approval and Exchequer requisitions from the Controller of Budget were not provided for audit review. Further, the voided payments were not disclosed as pending accounts payable.	Voiding is process of reversing transactions in IFMIS due to a number of reasons; -Payments and invoices that have not gone through Internet banking at the end of the financial year. This is a requirement that all un-cleared transactions are voided in readiness for audit exercise as part of Year-end closing procedure of system cleaning and also to pave way for uploading of budget into the IFMIS for the succeeding financial year.	The Management did not provide the required documentation.	1. The Committee requests the Controller of Budget to liaise with the Auditor General to confirm whether the payments were canceled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days of adoption of this report. 2. The Office of the County Governor undertakes administrative action against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of Finance for voiding payments without	60 from date adopted this re

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
					<p>approval and diverting funds.</p> <p>3. Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved.</p> <p>4. The Committee recommends that the EACC should expedite investigations on the matter in line with the Controller of Budget Act.</p>	
2.	<b>Inaccuracy of acquisition of strategic stocks and Commodities</b>	The statement of receipts and payments reflects acquisition of assets amounting to Kshs. 1,273,845,260. The amount included acquisition of strategic stocks and commodities totaling Kshs. 32,000,000 whose review of records revealed that it	The strategic stocks and commodities amount of Kshs.32,000,000 for supply of milk to ECDE centers in the County by New KCC was an expenditure for the financial year under review, however the amount of Kshs. 13,811,570 as noted was an expenditure for the financial year 2022-2023	The Management has explained and provided documentation that shows that the expenditure of Kshs.13,811,570 appertained to the financial year 2022/2023.However,	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public	60 from date adopted this re

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		related to supply of milk to Early Childhood Development and Education (ECDE) Centers in the County paid for in advance. Further, the amount differed with actual payments made to the supplier totaling Kshs.45,811,570 resulting in an unreconciled variance of Kshs. 13,811,570.	which was invoiced on 29th June 2023 and posted in the cashbook at the close of the year and reported accordingly in that financial year but was part of the clearing transaction in the bank in July 2023. The payment voucher of Kshs. 13,811,570 indicating the approval dates and processing periods has been availed for verification and a copy has been provided	The Management did not provide evidence that the variance is being reconciled.	Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.	
3.	<b>Inaccuracy of pending accounts payable</b>	Other Important Disclosures in Note 1 to the financial statements reflects pending accounts payable totaling Kshs. 1,021,785,351 as further disclosed in Annexure 2 to the financial statements. The amount includes pending accounts payable totalling Kshs. 123,910,721	It is true that pending accounts payable totaling Kshs. 1,021,785,351 was reported during the year. The county government has accrued pending bills over the years which are always vetted for eligibility before making payments. The completeness of the documents are always checked and listed as	The Management provided twelve (12) out of eighty (80) payment vouchers that make a total of Kshs.123,910,721. The resolution minute for the amount of Kshs.2,000,000 payable to Council	1. all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and	60 from adoption of this report

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>which were not supported by payment vouchers and contract documents.</p> <p>The balance also includes an amount of Ksh.2,000,000 owed to Council of Governors in respect to operational expenses which ought to have been incurred by the National Government.</p> <p>Further, review of legal files revealed that the court awarded a total of Kshs. 24,081,551 in favor of the plaintiffs in respect of three (3) court cases which has not been paid. However, the amount was not disclosed as pending accounts payable.</p>	<p>eligible pending bills. The pending bills amounting to Kshs. 123,910,721 are well supported by payment vouchers which have been fully documented and availed for audit verification. The amount payable for council of Governors is an amount that was discussed and passed through a resolution by council of Governors for an Annual devolution conference. Further, the court awards of Ksh. 24,081,551 had been disclosed as contingent liabilities and was still yet to be determined following an appeal in the court of appeal.</p>	<p>of Governors was not provided. Further, no evidence was provided to show that Kshs.24,081,551 had been disclosed in the pending bills list as at 30 June,2024.</p>	<p>2. that-</p> <p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Governments shall only pay pending Bills</p>	
2	Pending Bills	<p>Other important disclosures includes pending bills amounting to Kshs.226,671,943 relating to 2022/2023 and earlier years which should have been paid as a first charge</p>	<p>The county government has accrued pending bills of Ksh 715 million from the previous years at the close of the financial year 2022-2023. The pending bills were paid on priority basis remaining with an amount of 226,671,943 as observed. As</p>	<p>The Management has not provided satisfactory explanation why the pending bills did not form the first charge during the financial year 2023/2024.</p>		

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		in the financial year 2023/2024	at the end of February 2025 a number of pending bills have been processed while others are on progress. The county government is committed to ensuring that all pending bills are settled.		contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations; iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates; v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
					vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.	
	<b>Emphasis of Matter</b>					
1.	<b>Budgetary control and Performance</b>	The statement of comparison of budget and actual amounts reflects final receipt budget and actual on comparable basis amounting to Kshs.8,521,100,308 and Kshs. 6,508,445,326, respectively, resulting to an underfunding of Kshs. 2,012,654,982 or 24% of budget. Further, the County Executive budgeted to spend an amount of Kshs.8,521,100,308 but spent Kshs.6,496,467,460 resulting to under	It's true that there was underfunding which resulted from unrealized revenue from various sources which include equitable share, transfers from other government agencies including conditional grants. Furthermore, the late realization of revenue also affected planning and implementation of county programmes. This greatly hampered implementation of planned activities for Bomet County government.	The Committee observed that the delays in receiving exchequer releases from the National Treasury coupled with the under-collection of its own source revenue hampered the entity's budget execution.	1) The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and 2) The County executive puts in place measures to enhance its own generated revenue	Contin

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		expenditure of Kshs.2,024,632,848 or 24% of budget.			to meet its revenue target and address revenue shortfalls.	
	<b>Other Matter</b>					
	<b>Unresolved Prior year Matters</b>	In the audit reports of the previous year, fifteen (15) issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to resolve the issues.	It's true that there were a number of issues that had been raised in the prior year. The management always take cognizance of those issues and endeavor to make the necessary actions to improve on the financial operations of the county government and ensure that the residents of Bomet get value for money. Most issues that had been identified have been resolved through continuous improvement by capacity building, engagement with stakeholders including the county assembly through its committees to deliberate on specific pertinent issues raised. A number of issues that are work in progress are still pending as it awaits the completion of regulatory framework and policy	Although the Management has provided the information that the issues were resolved and some in work in progress stage, no evidence was provided to show how the issues were resolved.	The Committee recommends that the County Executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Office of the Auditor General within sixty (60) days of the adoption of this report.	60 from date adopted this re



No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			formulation. An example is the low revenue performance over the years which we have initiated a bill for administration of revenue that enhances enforcement.			
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>						
<b>1. Routine Maintenance of Roads</b>						
<b>1.1</b>	<b>Routine Maintenance of Magiger - Kakelei - Cheramgoi Road</b>	The contract for the construction of 1.9KM Magiger-Kipkelei-Cheramgoi Road was awarded for a contract sum of Kshs.3,238,865. However, review of records revealed that the contract was signed on 28 November, 2023, four (4) days after notification of award to the contractor on 24 November, 2023. Further, the Project was not included in the County Integration Development Plan (CIDP) and Annual Development Plan (ADP) for the	This contract was procured using RFQ method in IFMIS as per the executive order no 2 of 2019 that required all procurement transactions to be done online through IFMIS system and the LSO is generated in real time once the procurement process has been completed and notifies all the participants of any decisions made. It had been noted that the IFMIS system has not been mapped to include other procurement documents namely professional opinion, notification of award, Acceptance, award letters and contract agreements. This has necessitated the use	The Management has not provided satisfactory explanation. It also admitted that it did not follow the provisions of Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015 as noted.	<ol style="list-style-type: none"> <li>1. The EACC initiates investigation with view prosecuting the Head Procurement for failing to comply with the various provisions of Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of goods and services</li> <li>2. The Kenya Institute of Surveying and Mapping Management (KISM) disciplinary action(s) against responsible procurement officer pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties</li> </ol>	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		financial year 2023/2024. In addition, Request for Quotation (RFQ) method of procurement was used to identify the contractors. However, the quotations from the contractors were not provided for audit review.	<p>of manual documents including the contract agreement which we designed to affirm and convey the terms and conditions of the contract. However, the requirements of Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015 has been noted.</p> <p>Additionally, the bidder who was awarded the contract was the lowest evaluated and was notified for award while the rest were furnished with regret letters of their losing the bid and no complaints were received as to the spirit of fairness as anticipated by the time frame allowable for any such complaints.</p> <p>The project was in the CIDP but the naming in the CIDP had been indicated as Kapkelei-makiker road which was later tendered as Magiger -Kapkelei – Cheramgoi Road. Due to the</p>		constitutes a professional misconduct.	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			heavy rains that eroded the road The file that was submitted was the contract file containing the documents for the contractor; bidder who won the contract. Quotations from other bidders were evaluated and filed, they are provided.			
<b>1.2</b>	<b>Construction of Kiswahili- Njerian Bridge connecting Silibwet Township and Merigi ward</b>	<p>The contract for the construction of Kiswahili- Njerian Bridge connecting Silibwet Township and Merigi ward was awarded for a contract sum of Kshs.4,972,664. However, the contract was signed on 9 January, 2024 approximately four (4) days after the notification of the award dated 5 January, 2024</p> <p>Further, the Project was not included in the County Integration Development Plan (CIDP) and Annual Development Plan (ADP)</p>	<p>This contract was procured using RFQ method in IFMIS as per the executive order no 2 of 2019 that required all procurement transactions to be done online through IFMIS system and the LSO is generated in real time once the procurement process has been completed and notifies all the participants of any decisions made. It had been noted that the IFMIS system has not been mapped to include other procurement documents namely professional opinion, notification of award Acceptance, award letters and contract agreements.</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>for the financial year 2023/2024. Physical verification of the project on 17 September, 2024, approximately two (2) months after the contract period lapsed on 9 July, 2024 revealed that the Project was incomplete with rock fill approaches from both sides of the river not completed, standard gabion boxes not compacted as per the specifications and the mesh to the sides of vertical protection cage members of the bridge had not been done. The contractor was not on site.</p> <p>In addition, Request for Quotation (RFQ) method of procurement was used to identify the contractors. However, the quotations from the suppliers were not provided. The tender opening minutes, tender</p>	<p>This has necessitated the use of manual documents including the contract agreement which we designed to affirm and convey the terms and conditions of the contract. However, the requirements of Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015 has been noted.</p> <p>The project was well captured the CIDP for the county government. The Bridge was prioritized after a public outcry from the residents when school going children could no longer cross the flooded banks of Nyongores river. The project was also delayed by the raging waters that led submerged the working area for construction as per the attached pictorials.</p> <p>The public outcry was received during the prolonged abnormal rains and it became urgently necessary to procure a foot</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>evaluation minutes, substantial inspection and acceptance minutes show that three (3) officers opened and evaluated the tenders, inspected and certified the works thereby demonstrating lack of segregation of duties in the procurement.</p>	<p>bridge for school going children across River Nyangores.</p> <p>During the time of audit, the construction of the project was ongoing but had been halted by the excessive breakage of the river banks due to heavy rainfall. However, the contract was extended in the month of October 2024 for another period of three months. The contractor reported back on site and executed the remaining works to completion and has been opened for public use.</p> <p>Further, the Procurement process through RFQ was done online through the IFMIS system. The process of requisitioning, Opening and evaluation in the system is spontaneous due to the limited users that had been mapped into the system, the manual backup of other members appointed as opening and evaluation</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			<p>committee was approved for segregation. The Inspection and acceptance committee and project implementation committee for certification of works were done by different appointed members.</p> <p>The pictorials indicating the progress report has been availed and also appointment of adhoc inspection and implementation teams have been availed for audit verification as;</p> <p>Annex 8;- Inspection and acceptance committee and project implementation committee,</p> <p>Annex 7 -extract of CIDP</p>			
1.3	<b>Construction Works - Nyatembe-Tilanik Road</b>	Records available shows that the construction works of Nyatembe-Tilanik Fashion Road was entered into a contract sum of Kshs.2,950,512. However, the project was not included in the Annual Development Plan for	<p>The project is in the CIDP. See the attachment of an excerpt of the CIDP.</p> <p>The Project was halted by heavy rains during the execution period and a section of 500 meters had been severely affected. At the time of audit, the contractor had just been</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>2023/2024 financial year. Physical inspection of the project carried out on 19 September, 2024 revealed that only five hundred meters (500m) of the entire works of 1.9 Km had been done and the contractor was not on site. No evidence was provided to show that Management had intention to impose penalty at thirty percent (30%) of the contract price for breach of contract in line with clause 6 of the contract agreement.</p> <p>Further, request for quotation (RFQ) method of procurement was used. However, the quotations from the bidders, quotation opening minutes, evaluation minutes, professional opinion, notification of award and the contract were not provided for audit review.</p>	<p>recalled on site to redo the section of the road. (Pictorials, certificate of completion)</p> <p>The file containing the documents and quotations from bidders for the contract has been provided for audit verification and copies have been attached as;- Annex 9-</p> <p>- 9a Pictorials, certificate of completion)</p> <p>- 9b The quotations from the bidders, quotation opening minutes, evaluation minutes, professional opinion, notification of award and the contract.</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		In the circumstance, the residents of Bomet County may not get the intended benefits from the use of Nyatembe-Tilanik Road.				
<b>1.4</b>	<b>Routine maintenance of Mochieket Road</b>	Records available shows that the maintenance and construction of 2.6Km Mocheiket Road was entered into at a contract sum of Kshs 4,855,253. The contract was signed on 1 December, 2023, twelve (12) days after the notification of award on 19 November, 2023. This was contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which states that the written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed	This contract was procured using RFQ method in IFMIS as per the executive order no 2 of 2019 that required all procurement transactions to be done online through IFMIS system and the LSO is generated in real time once the procurement process has been completed and notifies all the participants of any decisions made. It had been noted that the IFMIS system has not been mapped to include other procurement documents namely professional opinion, notification of award Acceptance, award letters and contract agreements. This has necessitated the use of manual documents including the contract agreement which we designed to affirm and convey the terms and			



No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>within the tender validity period.</p> <p>Further, the contract had been fully paid. However, physical verification revealed that drainage works had not been done leading to development of gullies as a result of erosion during past rain seasons.</p>	<p>conditions of the contract. However, the requirements of Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015 has been noted.</p> <p>ii. The contractor had not been fully paid since the retention had not been released to cover for defects. The contractor was instructed to make good the defects by completing the drainage works before release of retention money.</p>			
2	<b>Rehabilitation of Zero Two Steel Foot Bridge at Ndaraweta</b>	<p>The contract for the rehabilitation of zero two steel footbridge at Ndaraweta-Singorwet Bridge was awarded for contract sum of Kshs.3,826,260. However, records available revealed that the bidder was notified of the award on 24 November, 2023 while the contract was signed on 28 November 2023 approximately four (4) days after the notification of the</p>	<p>The Project was so emergent because of heavy rains in the year November 2023 which led to the collapse of the bridge due to flooding and had not been anticipated. Such emergent outcomes henceforth shall be covered by the emergency fund which has been established and is currently before the county assembly for approval.</p> <p>Further the amount of certified works was Kshs 3,826,260 but had been</p>		<p>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money</p>	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>award contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which states that the written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that the contract is within the tender validity period. The Project was also not included in the County Integration Development Plan (CIDP) and Annual Development Plan (ADP) for the financial year 2023/2024</p> <p>Further, the interim certificate dated 4 January, 2024 indicates that works certified for payment amounted to Kshs. 3,760,562.57 which differs with the completed works totalling Kshs 3,826,260</p>	<p>erroneously captured omitting the 2% withholding tax of Kshs 65,697.</p> <p>Procurement process through RFQ was done online through the IFMIS system. The process of requisitioning, Opening and evaluation in the system is spontaneous due to the limited users that had been mapped into the system, the manual backup of other members appointed as opening and evaluation committee was approved for segregation. The Inspection and acceptance committee and project implementation committee for certification of works were done by different appointed members.</p> <p>Annex 9d;- Inspection and acceptance committee and project implementation committee.</p>		<p>as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p>	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		reflected in work completion certificate resulting to unexplained variance of Kshs 65,697. In addition, tender opening minutes, tender evaluation minutes, substantial inspection and acceptance minutes show that three (3) officers opened and evaluated the tenders, inspected and certified the works. Consequently, there were no segregation of duties in the procurement.			3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
3	<b>Chebunyo Dairy Milk Processing Plant</b>	Records available revealed that the County Executive entered into partnership agreement with World Vision Kenya on 10 April, 2019 for the establishment of Chebunyo Dairy Milk Processing Plant Cooperative Society for an amount of Kshs 85,540,048. The contract for construction of a milking processing plant				

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>and supply of a number of milk processing equipment at Chebunyo was entered at a contract sum of Kshs 13,467,752 for a contract period of six (6) months and was signed 4 June, 2019.</p> <p>Another six (6) weeks contract was signed for the supply, installation, training and commissioning of milk processing plant at a contract sum of Kshs. 43,520,000 that was to be paid by Chebunyo Dairy Cooperative Society through support by World Vision Kenya. However, the milk processing equipment procured for Kshs. 45,870,000 was delivered on 16 July, 2020 but had not been installed and the contractor was not on site. No explanation was provided for delayed</p>				

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		installation of the equipment.				
<b>4. Acquisition of Land</b>						
<b>4.1</b>	<b>Irregular acquisition of Land</b>	<p>Records available revealed that the County Executive purchased thirteen (13) parcels of land at a cost of Kshs. 198,282,000 during the year under review. The amount of purchase price paid during the year totaled Kshs 122,778,000. However, the balance of Kshs. 75,504,000 in respect of deceased vendors was paid to third parties without evidence of letters of administration of the estates of the deceased being provided for audit review.</p> <p>Further, title deeds for the pieces of land purchased had not been obtained and the County Executive had not taken possession of the land.</p>	<p>The County Government of Bomet Department of Lands, Housing and Urban Planning has availed the Letters of grant of administration of the estate issued to the administrators Kiptonui koske Sammy and Reuben Paul Korir under succession cause no. E051 OF 2023 and Stanley Kiplangat Tonui &amp; Rachael Chepkorir Tonui for Succession cause No E058 OF 2023. (Attached in Annex 10)</p> <p>□ Certificate of Confirmation of grant (copy attached) was issued on 24 th July,2024 with the Vendors to the County Government of Bomet being a Beneficiary with 12 acres.</p> <p>□ Mutation (Copy attached Annex 10) has been prepared and fully signed by the Administrators.</p>	<p>Although the Management has provided the required letters of administration, it has explained that it yet to obtain title deeds of the parcels of land acquired and that the registration of succession documents is ongoing.</p>	<p>1. The Committee recommends that the County Executive provides a recovery plan, including withholding any pending payments related to the land acquisition.</p> <p>2. Surcharge and Sanction Responsible Officers with a view of recommending their prosecution for committing the offences stipulated under Section 9 (2) (c) and 107 (1) of the Land Act, 2012.</p>	60 from adopti this re

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			<p>Further the county has started the Titling process of the above land with the following processes having been accomplished;</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Surveying and Beacons of the 12 acres.</li> <li><input type="checkbox"/> Contract Sale agreement prepared between County Government of Bomet and the administrators of the estate.</li> <li><input type="checkbox"/> Currently registrations of the Succession documents are ongoing to ascertain the successors are registered to purpose other eventual processes through the normal land control boards and thus acquisition of Title Deed in the name of County Government of Bomet reserved for the proposed new County Stadium.</li> </ul> <p>County Government of Bomet has this FY 24/25 provided a budget for developing the above stadium and thus physical possession. Further, all County sports activities</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			takes place on the parcel from the period of acquisition to date. Athletics Kenya Marathon was conducted in Bomet County early this year within this parcel.			
4.2	<b>Avoidable expenditure on acquisition of Land</b>	Review of records revealed that a land seller filed legal proceedings against the County Executive for failure to pay the outstanding purchase price amounting to Kshs. 575,000 being price for the purchase of three (3) parcels of land. The contract for the purchase of land was signed on 22 October, 2014. The suit charges were later dropped and the matter settled out of court and the parties made an agreement that the plaintiff be paid the unpaid amount and interest totaling Kshs 1,295,000 as penalty for the late payment on 24 January, 2024. The	The County Government of Bomet acquired land parcels Kericho/Ndubai/968,1296 and 1219 for public purposes and signed a Contract Agreement on October 2014 with a payment of 90% of the Total Sum agreed. The remaining 10% was a Retention to be paid upon transfer of the parcels of lands to the County Government of Bomet. The Proprietor of the land went missing for Eight years until 2022 making the transfer process hard to go by. He appeared shortly and after efforts were made to initiate the transfer of ownership as per the agreement he demanded clearance for payments prior to execution of land transfer processes.	The suit charges were later dropped and the matter settled out of court and the parties made an agreement that the plaintiff be paid the unpaid amount and interest totaling Kshs.1,295,000 as penalty for the late payment on 24 January, 2024.		60 from adopted this re

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		costs of the case totaling Kshs. 253,480 were also to be paid by the County Executive Had the purchase price been paid within the contract period of ninety (90) days, the penalties, interest and costs of the case totaling Kshs. 1,548,480 would have been avoided.	He immediately filed a Court Suit ELC. NO. E18 OF 2022 against the county government and the verdict was made to award the plaintiff to be paid the said amount.			
5.	<b>Lelaitich sweet potatoes Co-operative Processing Plant</b>	Records maintained at Department of Agriculture, Livestock and Cooperatives and Lelaitich Community through Lelaitich Cooperative Society indicate that it was agreed to expand and equip a sweet potato processing plant from initial cottage industry to a modern bakery plant. The Project was jointly funded by the County Government of Bomet and World Vision Kenya for Kshs 13,050,000 and Kshs. 5,861,174.46, respectively The Project	The project was completed and handed over on 28 September 2021 to Lelaitich Sweet Potatoes Cooperative Society Ltd to run it. Part of the Handing over documents attached and began the production of value-added breads, (photos attached). The Plant was run well by the Society from that period but reportedly experienced financial management challenges in May, 2024 and suspended operations. We have since held several meetings with them and agreed to financially support them with Ksh 500,000 seed	<ol style="list-style-type: none"> <li>1. Physical inspection of the plant on 17 September, 2024, revealed that the machines donated by World Vision Kenya had not been put to use.</li> <li>2. The Management has not has confirmed that the processing plant had experienced financial management</li> </ol>	The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within	60 from adopti this re



No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		was handed over on 28 September 2021.	money to begin operations again. To ensure that going forward, the plant is run in a sustainable manner, we are seconding competent staff to assist them put internal controls and systems in place. The staff will be redeployed back once the Society became stable. The evidence indicating that the plant had been operational has been availed for verification	challenges in May, 2024 and ceased operations.	60 Days from the date of adoption of this report; 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
6.	<b>Proposed completion of Fresh Produce Pack house at Youth Farmers Trading centre</b>	The contract for the construction and completion of fresh produce pack house at Youth Farmers Trading Center at a cost of Kshs. 13,982,798 for a period of six (6) months was awarded on 12 June, 2019 vide Local Service Order (LSO) No. 007381 Review of records revealed that the contractor was paid Kshs. 4,041,086 on 30 March, 2020 and Kshs 3,184,384	Due to budgetary constraints, we are implementing the project in phases. We are budgeting KES 3 million in the following financial year for completion of plumbing works, pending part of the fence and gate and pending works in the building (CFSP 2025). The purchase of land was purchased procedurally through the department of land. Search was done and there were no inhibitions,	The Management has confirmed that the project is yet to be completed. Further, the Management did not provide a copy of title deed for verification.		

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>on 25 June, 2020 all totalling Kshs. 7,225,470. However, physical inspection carried out on 24 September, 2024 revealed that electricity installation and connectivity, fencing, plumbing works and plastering of walls and tiling of the floor had not been completed and the Project had been abandoned as the contractor was not on site.</p> <p>In addition, the pack house was constructed on 1.8-acre parcel of land that was purchased. However, the title deed for the land was not provided for audit review.</p>	<p>cautions and restrictions. However, the land is under succession and was well captured in the sale agreement (Attached). Once completed the project will assist our farmers in Bomet County in aggregation, storage and sale of horticultural produce. We registered a Cooperative Society named LEKIMBO YOUTH FARMERS COOPERATIVE SOCIETY LTD in the following financial year that will run the project once complete.</p>			
7	<b>Delayed completion of Health Facilities</b>					

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
7.1	<b>Delayed Completion of Dr. Joyce Laboso Memorial, Mother and Child Wellness centre</b>	The Management entered into a contract on 27 April, 2022 for the construction of Dr Laboso Memorial Mother and Child Wellness Centre at a contract sum of Kshs. 296,937,205 for a period was eighteen (18) months. Records available indicated that the contractor had been paid an amount of Kshs 286,847,449 or ninety-seven (97%) of the contract sum. The contract period expired and was extended for six (6) months up to 30 April, 2024. However, physical verification of the Project on 16 September, 2024 revealed that electricity connection, fittings, septic tank, cabro laying and levelling. painting, roof sealing, partitioning of wards, run-way and complete fencing with chain link had not been done. Further the contractor	The County Government of Bomet with the support of the Kenya Devolution Support Program (KDSP) set forth to put up an ultra-modern hospital to cater for the health of women and children among others in the County of Bomet. There is in place a project implementation committee that monitors the performance of the contractor to ensure that deliverables and performance obligations have met accordingly before payments are certified for processing. During the time of audit, the contractor had requested for an further extension of contract for 12 months which had been extended in two parts for 6 months and another six months was granted after deliberation on the request of the contractor. Further the titling process of the land is still ongoing and	The Contractor had requested for the extension in April 2024 but the approval was granted on 19 September,2024 three (3) days after verification had been done by the auditors who had noted that the works were not complete. Further, the title deeds of the parcels of land were not provided for verification.		

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		has not sought a further extension of the contract but was still on site without a valid contract. In addition, the Project stands on three (3) parcels of land out of which two (2) parcels do not have title deeds, nine (9) years after acquisition.	the succession process are near completion The extension of contract has been availed for audit verification as Annex 13-Extension of contract.			
7.	<b>Stalled project – Completion of Sigor Theatre</b>	Review of records revealed that the construction of Sigor Sub- County Hospital theatre at a contract price of Kshs. 3,996,940 was to commence on 20 August, 2019 and was to be completed on 20 November, 2019	The contractor didn't adhere to the BQs specifications and terms of contract. When the contractor was instructed to demolish the structure and make good the defects, he prematurely left the site. Efforts to follow up took time and finally the contract elapsed by effluxion of time. Thereto, the plans are now in place to complete the project including equipping it during the FY 2024/2025 and FY 2025/2026. So far the tender has been awarded to a new contractor and is ongoing.	Physical verification of the Project on 17 September 2024 revealed that the Project stalled at slab level and the contractor abandoned the site after being paid an amount Kshs.2,243,910 of the contract price. Five (5) years have elapsed after the date of completion of 20 November, 2019 and no effort has made to ensure completion of the Project.		

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			The award letter for the new contractor has been availed for audit verification as; Annex 14- Contract Letter			
<b>8.</b>	<b>Irregular Water Works</b>				1) The EACC initiates an investigation with view of prosecuting the Head of Procurement for failing to comply with the various provisions of the Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of goods and services.	60
<b>8.1</b>	<b>Irregular contracts on construction of water works and water pans</b>	Review of records revealed that contractors for seven (7) water works and four (4) desilting of water pans were paid a total of Kshs. 15,555,845 and Kshs. 13,338,030, respectively. However, the respective contract agreements were signed before lapse of fourteen (14) days from the date of notification of awards contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which states that written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed	This contract was procured using RFQ method in IFMIS as per the executive order no 2 of 2019 that required all procurement transactions to be done online through IFMIS system and the LSO is generated in real time once the procurement process has been completed and notifies all the participants of any decisions made. It had been noted that the IFMIS system has not been mapped to include other procurement documents namely professional opinion, notification of award, Acceptance, award letters and contract agreements. This has necessitated the use of manual documents including the contract agreement which we designed to affirm and	The Management has not provided satisfactory explanation.	2) The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their	from adopti this re

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		within the tender validity period.	convey the terms and conditions of the contract. However, the requirements of Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015 has been noted.		professional duties which constitutes a professional misconduct.	
8.2	<b>Irregular award of contracts for Provision of Pipeline Works</b>	Review of records revealed that five (5) local contractors were paid a total of Kshs.20,094,800 for provision of pipeline works. However, the respective contracts were signed before fourteen (14) days elapsed after notification. This was contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which states that written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed	This contract was procured using RFQ method in IFMIS as per the executive order no 2 of 2019 that required all procurement transactions to be done online through IFMIS system and the LSO is generated in real time once the procurement process has been completed and notifies all the participants of any decisions made. It had been noted that the IFMIS system has not been mapped to include other procurement documents namely professional opinion, notification of award Acceptance, award letters and contract agreements. This has necessitated the use of manual documents including the contract			

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		<p>within the tender validity period.</p> <p>Further, one contract was signed by both parties before notification of award and one (1) contractor submitted request for quotation document on 9 October, 2023 four (4) days after the closing date on 4 October, 2023.</p> <p>In addition, the members of the opening and evaluation committees were not appointed by the Accounting Officers.</p>	<p>agreement which we designed to affirm and convey the terms and conditions of the contract. However, the requirements of Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015 has been noted</p> <p>Further the appointment letters have been availed for verification</p>			
8.3	<b>Irregular Contract variation</b>	<p>Review of records revealed that the contract for the construction of Mogombet T-Works to Asaik Storage Tank pipeline was awarded to a local contractor at a contract sum of Kshs 11,908,040 for a contract period of six (6) months with effect from 23 March, 2021 to September, 2021</p>	<p>The management is cognizant of the requirements of the law and endeavor to ensure that its adhered to and also commit itself to completion of stalled projects as noted. The pipeline is of DN 160mm, 3100m which begins at Mogombet T-works to Aisaik Tank.</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>The contractor was paid an amount of Kshs. 5,250,000 in the year under review. However, physical verification done in the Month of September, 2024 revealed that the Project was not complete, three (3) years after the scheduled completion date. No effort seemed to be made to ensure completion of the Project.</p> <p>Further, HDPE pipes had been laid for one (1) Kilometer length distance instead of Gi pipes costing Kshs.4,692,000 in the bills of quantities. However, the variation was not approved. In addition, back filling in some parts of HDPE pipes were not completed.</p>	<p>Construction of Aisaik Rising Main has been done to completion. The line is currently serving Asaik tank which in turn serves the surrounding community. The contractor has been paid 44% of the contract value.</p> <p>With the change of pipes from Galvanized Iron (GI) to HDPE pipes of similar pressure ratings which was documented with the instructions from the Engineer through approved site instructions rates for HDPE pipes availed for the variation of the works affected payment of the works now that the contractor has completed works with only a part payment of 44% paid.</p>			
<b>9. Irregular legal Expenses</b>						
<b>9.1</b>	<b>Civil case No 1 of 2019 in the High court of Bomet.</b>	The County Executive was sued for wrongfully termination of contract for the provision of consultancy services to	In the instant suit, the firm of MMS Advocates LLP was contracted to represent the County. The firm was identified from a	The County Executive had not settled Pending Bills related to Legal Fees subject to	1. The County Executive should utilize its legal department and make adequate efforts to pay the Pending Legal	60 days from the date of adoption of this resolution



No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>develop Bomet County Spatial Plan for the year 2017-2026 at a contract sum of Kshs 34,459,907. A legal firm was contracted to represent the County at a cost of Kshs 4,500,000 which was paid in full. However, legal services were directly procured and no explanation was provided for use of direct procurement method.</p> <p>Further, the procurement was not approved by the Accounting Officer, the prices were not negotiated and was not reported to the Public Procurement Regulatory Authority.</p> <p>In addition, the court ruled in favor of the consultant and the County Executive was ordered to pay the plaintiff a total of Kshs. 12,446,040. However, the amount has not been paid</p>	<p>list of prequalified lists based on its experience. An agreement was then entered into with respect to remuneration pursuant to Section 45 of the Advocates Act and the Advocates Remuneration Order 2014. Attached herewith is a copy of the approved list and the service level agreement. The decretal amount has been partially settled</p>	<p>accumulating interests at the time of Audit.</p>	<p>Fees that have already undergone taxation and submit a status report to the Auditor-General sixty days from the date of adoption.</p> <p>2. The County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</p>	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		to date. This outstanding amount continues to attract interest which is avoidable if the court award had been paid. Fee notes detailing the services rendered were also not provided for audit review.				
9.2	<b>ELRC Case No. E019 of 2023 in Kericho</b>	A former Managing Director sued Bomet Water and Sanitation Company and the County Executive on 16 October, 2023 for unlawful termination of employment. The court ruled in favor of the claimant and the County Executive was ordered to pay a total of Kshs.8,789,580 with interest of 14% from 16 October, 2023 which has not been paid to date in addition to paying the costs of the suit. The interest has since accrued to Kshs. 1,025,451. This resulted to avoidable expenditure totalling Kshs.9,815,031.	The Claimant in the instant suit was seeking Kshs 15 Million for unfair dismissal. However, the court awarded Ksh.8,789,580.00 being outstanding salary (KSH.1,932,000), loan deductions due to Platinum Credit(Ksh.134,316),Loan deductions due to Faulu (Ksh 2,014,264) Lap Trust (Ksh1,562,500), 6 months' salary and interest thereon. The amount has been partially paid i.e. Ksh.3,000,000/-	The County Executive had not settled Pending Bills related to Legal Fees subject to accumulating interests at the time of Audit.		

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
9.3	<b>Nakuru Court of Appeal taxation No 20 of 2018</b>	A law firm filed a taxation suit against the County Executive demanding taxation payment according to the Advocates Remuneration Order, 2014. The court ruled that the law firm should be paid an amount of Kshs.2,754,450 as advocate's bill of cost, taxation fee amounting to Kshs. 137,723 and 14% interest effective 7 October, 2020. As at the time of audit in September, 2024, the accrued interest due to the non-payment of the dues had accumulated to Kshs. 1,619,616. Had the taxation amount been paid, expenditure totalling Kshs.4,374,066 would have been avoided.	Instructively, Court decrees attract interest at prevailing court rate, I have advised the County Treasury to prioritize such payments as and when they fall due to avoid further penalties subject to budgetary allocation.			
9.4	<b>Long outstanding Legal Cases</b>	Review of records revealed that the County Executive has a total of thirty-four (34) long outstanding cases which includes two (2) cases on non-payment of	Delays in finalizing court matters especially in the Court of Appeal was as a result of the court not sitting. In instances where party is responsible for			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>legal fees totalling Kshs.82,000,000 which have been outstanding for over eight (8) years awaiting ruling. The delays have resulted in escalating expenses.</p> <p>In addition, private advocates were contracted to represent the County Government in ten (10) cases despite having a County Attorney with legal officers.</p>	<p>delay, the county government has successfully applied for dismissal for want of prosecution.</p> <p>The department engaged the services of external lawyers previously before recruitment of County attorney. The county has since built capacity of the office by recruiting a county solicitor and additional legal counsel to cut cost.</p>			
<b>10.</b>	<b>Supply and Delivery of Heavy Road Maintenance Machinery</b>					
10.1	<b>10.1 Irregular procurement of crawler excavators, Motor Graders and Drum Roller.</b>	<p>Review of records revealed that a company was contracted to supply and deliver five (5) crawler excavators, five (5) motor graders and one (1) drum roller with pad foot at a contract sum of Kshs. 244,425,410. The equipment was delivered and payments totalling Kshs.241,425,410 made to</p>	<p>It's true that during the time of audit the machinery had no registration number plates on them since the process of transferring the machinery into the name of Bomet county Government was underway. The NTSA and the supplier are finalizing the process of transferring</p>	<p>the machinery had no Registration number plates on them and ownership documents for the machinery were not provided for audit.</p>	<p>1. The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws and procedures in accordance with section 156 of the Public Finance Management</p>	<p>60day days f the adopti this re</p>

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		the supplier. However, the machinery had no registration number plates on them and ownership documents for the machinery were, therefore, not provided for audit review.	the ownership for all the five (5) crawler excavators, five (5) motor graders and one (1) drum roller with pad foot to the County Government of Bomet. The acquisition of heavy machinery is in line with the objective of construction of new roads and maintenance of existing roads in an efficient and an effective manner as just one of the methods of implementing and achieving that laid down aim as per the CIDP.		Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct;	
10.2	<b>Irregular procurement of Tippers and Prime Mover</b>	A contract of Kshs.61,300,000 was awarded to a Company for supply and delivery of prime mover and 5 large tippers (dump truck) out of which an amount of Kshs.22,550,000 was paid in the year under review.	The acquisition of heavy machinery is in line with the objective of construction of new roads and maintenance of existing roads in an efficient and an effective manner as just one of the methods of implementing	The purchase of the heavy machinery was not included in the annual development plan for the financial year 2022/2023 when the acquisition was done.	3. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>Review of records revealed that the equipment were acquired and delivered in the 2022/2023 financial year. However, the purchase of the heavy machinery was not included in the annual development plan for the financial year 2022/2023 when the acquisition was done.</p> <p>Further, the County Executive specified the brand name of the equipment to be procured as Tata Tipper LPK 2516 contrary to the provisions of the third schedule of the Public Procurement and Asset Disposal Regulations, 2020 which required that description of the goods being procured should be comprehensive but not go to the level of specifications.</p>	<p>and achieving that laid down aim as per the CIDP.</p> <p>The procurement of the machines was introduced to the ADP by the County assembly through a supplementary budget after the elections when priorities of the original ADP were revised to be in line with the new administration. It was accordingly allocated resources in the subsequent budget making process</p> <p>The internal memo for initiation of the procurement process had only been erroneously indicated the make of the tipper but IFMIS requisition, the invitation to tender in the advert and tender documents that went out to potential suppliers had expressly</p>		committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B.	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		In addition, bids for all the bidders were not provided for audit review.	outlined that a dump truck was being asked for without specifying the make as TATA tipper. This was purely an oversight by the person who initiated the memo without any intention of predetermining the specifications required. This is further demonstrated by the invitation of different manufacturers to bid. The procurement of the machines was introduced to the ADP by the County assembly through a supplementary budget after the elections when priorities of the original ADP were revised to be in line with the new administration. It was accordingly allocated resources in the subsequent budget making process.			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
10.3	<b>Irregular Purchase of Farm Implements</b>	Review of documents revealed that an expenditure of Kshs. 1,110,000 was incurred on supply and delivery of farm implements using request for quotation method. The Local Purchase Order (LPO) was issued on 6 March, 2023 and the implements were delivered on 7 June, 2023, three (3) months after issuing LPO.	The farm implements were delivered by the company after a request for extension of contract to and after considering the lengthy process that would take to cancel the process and initiate a new procurement and considering the fact that it was part of reservations for youth. The request for extension and extension letter has been attached for verification	The procurement process was delayed beyond the LPO validity period		
10.4	<b>Irregular Expenditure on purchase of Heavy Equipment</b>	Expenditure totalling Kshs. 305,725,410 was incurred on the supply and delivery of heavy equipment against a budget of Kshs.250,000,000 resulting in an unexplained and unauthorized expenditure of Kshs. 55,725,410. This was contrary to Regulation 43(2) of the Public Finance Management (County Governments) Regulations,	The budget for purchase of Heavy Equipment was done in phases, the first year was budgeted an amount of Kshs.250,000,000 while the second year had a budget amount of Ksh 123,000,000. Therefore, the expenditure was authorized through the appropriation act of 2023-	The Management has not provided budgetary information on which basis the Heavy Equipment was procured.		



No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		2015 states that County Government entities shall execute their approved budget based on the annual appropriation legislation and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund or supplementary estimates.	2024 which was passed by the county assembly.			
11.	<b>Abandoned construction of Governors residence</b>	As reported in the previous year, the County Government entered into a contract with a local contractor for the construction of Governors residence at a contract sum of Kshs. 78,014,233. The contract period was two and a half years starting 31 January, 2019, when the contractor took possession of the Project site with completion date of 30 June, 2021. The contract	The following are the key developments on the Construction of Governor's Residence in Mutarakwa Ward: 1. The initial contract for the construction of the residence was terminated on 17th April 2024 after a prolonged lag in progress of implementation by the previous contractor. 2. Following this, the	Audit inspection of the project in September, 2023 revealed that the contractor abandoned the construction works and the project had remained incomplete for a cumulative thirty-nine (39) months after the estimated completion date of 30 June, 2021.	1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County	60 days from the date of adoption of this resolution

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		period was extended by six (6) months to 30 June, 2022. On 14 December, 2022 the Contractor requested for another extension of contract period from 30 December, 2022 to 30 June, 2023 but the approval of the second extension was not approved. Audit verification of the Project in September 2023 revealed that the contractor abandoned the construction works and the Project has remained incomplete for a cumulative thirty-nine (39) months after the estimated completion date of 30 June, 2021. Further, as reported in the previous year, roofing timber works erected and pitched valued at Kshs. 3,452,264 but not covered by iron sheets have deteriorated and are likely to be condemned resulting in increased	project was retendered, and a new contractor was competitively awarded to undertake the remaining works. 3. As of now, the construction works are ongoing under the new contractor where roofing has been done and internal finishes are ongoing. In support of this, attached are pictorials documenting the current progress of the works, award of contract, and the contract agreement with the contractor attached as; Annex 15 – Award of contract and Pictorial		Government) Regulations, 2015 within 60 Days from the date of adoption of this report; 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;  3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		contract cost. As at 30 June, 2024, a total of Kshs. 48,530,890 or 62% of the contract sum had been paid to the contractor with 51% of the work done.				
12	<b>Construction of Kapletundo ward Office</b>	Records show that on 29 June, 2021 the County Executive engaged a Company to construct Kapletundo ward office in Bomet Central through contract No. CGB/ADM/003/2020/2021 at a contract sum of Kshs. 10,700,000. The contract period was eight (8) months with a completion date of 29 February, 2022 after which approvals were granted for extension which lasted up to February, 2024. Records show that the works were certified as complete and the contractor paid the total amount of Kshs. 10,700,000 equivalent to the contract sum. However,	<p>a) Placement of water tank: Upon verification of the Bill of Quantities signed by the contractor, it was noted that the tank was not part of the scope of work.</p> <p>b) Painting of the walls and ceiling: Upon inspection, the walls and ceiling were painted as per the specification as seen in the photos attached.</p> <p>c) Minor cracks on the wall: The cracks that were witnessed on inspection were corrected by the contractor within defects liability period before the retention money was released.</p>	Although the Management has provided pictorials there was no evidence to show the appertain to Kapletundo Ward Office.		

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>physical verification done in the Month of September, 2024 revealed that placement of water tank and painting of the walls and ceiling had not been done as per the bills of quantities.</p> <p>In addition, the walls had developed major cracks and it was not clear how payment certificates were issued prematurely despite the remaining works being undone.</p>	<p>Availed are the pictorials and BQs for verification</p>			
13	<b>Irregular Personnel emoluments</b>					
13.1	<b>Payment of Salaries in shared bank accounts</b>	<p>During the year under review, the County Executive's Monthly payrolls revealed that twelve (12) officers earning a Monthly gross salary of Kshs. 8,642,719 were paid salary in shared bank accounts. This was contrary to Section C.1 (2) of the Human Resource</p>	<p>The officers filled the Biodata form on appointment inadvertently some with the same salary Account numbers. The error which only appeared in biodata forms has since been corrected, however the correct Account numbers are as shown in the attached appendix.</p>	<p>Management continued to pay salaries in shared Bank accounts</p>	<p>1. The EACC to undertake an investigation on the matter of Employees with Similar Bank Accounts and Identity Card Numbers with a view of prosecuting those culpable for probable fraud and loss of public money; and</p>	<p>60 days from the date of adoption of this recommendation</p>

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		Policies and Procedures Manual for the Public Service, 2016 which states that all officers will be paid salary on a monthly basis in Kenya currency through their respective bank accounts.	Despite the hitch; there was no loss to the affected parties since their Identity card numbers were used in running their payment at the financial institutions. Availed is the list of staff and their correct account numbers		2. The Auditor General to conduct a forensic audit of the staff records, confirm their identity and payment details from the county government and report on the matter in the subsequent Financial Year.	
13.2	<b>Unexplained Movement in Job groups</b>	Review of payroll records revealed that during the year under review, five (5) employees of the County Executive moved from one job group to the next within twelve (12) Months. No evidence was provided to show that Management advertised for promotions and that the officers were invited for interview and duly promoted to the current job groups.	Among the staff in question are two officers who were absorbed by the current Government as County Chief Officers and they were existing in payroll under a lower cadre while two others were reverted to their previous JG having served for a five-year contract as County Chief Officers respectively. The other staff were promoted accordingly. Availed is the list of staff who were affected by the changes	There movement in job groups for particular officers within a period of twelve (12) months.	The County Executive should take action against the responsible officers who approved the movements of the unexplained Job Groups contrary to Section C.I (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.	60 days from the date of adoption of this report

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
13.3	<b>Irregular Payment of special House Allowance</b>	Review of the Integrated Payroll and Personnel Database (IPPD) indicated that during the year under review eight hundred and seventy (870) officers were paid special house allowances amounting to Kshs. 33,548,493 in addition to the house allowance entitled to them which was not recommended by the Salaries and Remuneration Commission. This was contrary to Section 11 (f) of the Salaries and Remuneration Commission Act, 2011 which states that the Commission shall make recommendations on matters relating to the salary and remuneration of a particular state or public officer.	It is true that the County Government of Bomet paid the special house allowance to some staff. This is to report that the group includes officers who were appointed during the first regime for the purpose of attracting and retaining staff in the County Public Service. The County Government consequently acknowledge these disparities and that we are making arrangements to pay our staff a uniform salary cutting across the County Public Service.	Special House Allowance paid to only some officers	The Committee recommended that the EACC initiate an investigation with the view of causing prosecution of the accounting officer for payment of excess allowances to staff contrary to the Salaries and Remuneration Commission Act, 2011	60 days from the date of adoption of this report
13.4	<b>Non-compliance with Fiscal</b>	Review of records provided for audit revealed the County Executive	The management is in the process of putting in place several interventions that	The County Executive's wage bill during the FY	1) The management should strictly	Continued

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
	<b>responsibility of wage Bill</b>	spent an amount of Kshs. 3,239,817,670 on wages and benefits which is fifty percent (50%) of the total receipts of Kshs.6,476,822,750.	will reduce the PE cost to development cost ratio. Revenue collection strategies are currently being overhauled as one of those interventions.	23/24 stood at 50% of its total receipts which was above the threshold of 35%.	<p>adhere to the provision of paragraph 25(1)(b) of the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue;</p> <p>2) the county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap; and</p> <p>3) The management should provide to the Auditor General a status report of measures put in place to contain the high wage bill</p>	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
					within sixty (60) days of the adoption of this report.	
13.5	<b>Non - compliance with the law on mandatory retirement</b>	Review of the Integrated Payroll and Personnel Database (IPPD) revealed that forty (40) officers who had attained the mandatory retirement age of sixty (60) years were still in service. This was contrary to Regulation 70(1)(a) of the Public Service Commission Regulations, 2020 which states that the mandatory retirement age in the public sector shall be sixty (60) years. The officers were paid emoluments totaling Kshs. 32,108,137 during the year under review.	The Staff in appendix 19 (XII) were either seconded back, transferred to other external entities, resigned or unfortunately deceased as shown in the responding attachment under the same appendix name. Appendix 19 (XIV) represent staff who are all retired under the statutory retirement age requirements. This is to further confirm that on the list are state officers who were appointed to serve in different capacities and that they will be retired when their respective contracts lapse. Lastly under this query, the staff in 19 (XV) are all retired except two (2) officers who are yet to	The officers were paid salaries totaling Kshs.32,108,137 during the year under review.	The Committee recommends that the County Executive strictly adheres to section 80(1) of the Public Service Commission Act, 2017, and Section D.21 of the Public Service Commission Human Resource Policies and Procedure Manual, 2016 by ensuring that all officers retire at the mandatory age of 60 years (65 for persons with disabilities) and prohibiting extensions beyond this age unless	Contin



No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			retire under the mandatory age of 65 (Sixty-five) as shown in the responding listing with the same annexure number 19. Annex 19- Justification of retirement age		under exceptional government-prescribed circumstances and provide a status update to the Office of the Auditor General within sixty (60) days.	
14	<b>Employees earning Less Than a third Basic salary</b>	Review of payrolls revealed that two hundred and thirty-six (236) employees were receiving net salaries that were less than one third (1/3) of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which states that the total amount of all deductions which may be made by an employer from the wages of the employee at any one given time shall not exceed two thirds of such wages.	Over committed staff salary occurred when housing levy and the new rates on NSSF were automatically implemented. This caused the salary of the listed staff members to drop below the threshold. Going forward the management is keen to ensure adherence to the third of basic salary rule.	The Committee observed that two hundred and thirty-six (236) employees were earning less than a third of their basic pay contrary to section 19(3) of the Employment Act 2007.	1) The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate on the issue of non-compliance with the one third of basic salary rule as well as comply with the requirements of Section 19 (3) of the Employment	Contin

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
					Act 2007. 2) The county should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and 3) The Auditor General should continue monitoring the issue in subsequent financial years.	
15	<b>Action on Internal Audit Reports</b>	A review of the Internal Audit Function revealed that the Department has no approved Internal Audit and Audit Committee charters and evidence of risk management reports undertaken during the financial year under review were not provided. Further, the Department has eleven (11) staff	The County Government of Bomet has an approved Audit Committee charter that was approved by the Cabinet on 20th February 2024 and signed by H.E The Governor and the Chairman Audit Committee on 26th February 2024. This was approved alongside Internal Audit Charter.	The committee noted that at the time of the audit, the County Executive had only eleven (11) staff members, out of the approved establishment of thirty (30) members of staff. This is likely to impede the effective functioning	1) The county Executive expedites sufficient staffing of the audit committee to enhance oversight over public resources and provide a status report to the Auditor General	60 days from the adoption of this resolution

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
		<p>members, out of the approved establishment of thirty (30) members of staff.</p> <p>In addition, during the year under review, the department operated without its own approved budget posing a risk of lack of independence in internal audit operations and activities.</p>	<p>Attached herewith is a copy of the approved charter as annex 20a and extract of cabinet approval as annex 20b for your Review.</p> <p>The Internal Audit has been undergoing improvement continually and a total number of Five positions for Internal Auditor I and Chief Internal Auditor was advertised on 25th January 2023. One Internal Auditor I and Chief Internal Auditor did not report. The Four who reported increased the total number of Auditors to 11 during the period under review. An additional position for Internal Auditor II was again advertised on 7th June 2024, and the one officer has reported. At the moment there is an indent undergoing the</p>	<p>of the internal audit unit.</p>	<p>within sixty (60) days from the adoption of this report.</p> <p>2) the Salaries and Remuneration Commission (SRC) to review the compensation framework for Audit Committee members since the low sitting allowances may not attract seasoned professionals to the county Audit Committees</p>	

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			<p>process for recruitment of additional two Internal Auditors which will further increase the number. Attached is the advertisement for additional member of staff as annex 20c.</p> <p>It is true that the Internal Audit did not have a separate budget to enhance their independence during the period under review apart from a line item for Audit Committee. In the subsequent financial year's budget (2024/25), the internal Audit has a separate budget that covers the Internal Audit as well as the Audit Committee to enhance their independence.</p> <p>Attached is an extract of the current budget as annex 20d.</p> <p>Annex 20 – Internal audit supporting documents</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
16	<b>Irregular Development Budget</b>	The statement of comparison of budget and actual amounts reflects total final receipts and expenditure budget of Kshs.8,521,100,308. The amount includes total final Development Expenditure budget amounting to Kshs.2,386,787,130 or approximately 28% of the total budget. This was contrary to Section 107(2) (b) of Public Finance Management Act, 2012 which states that, over the medium term a minimum of thirty percent of the County Government budget shall be allocated to the development expenditure.	It's true that there was underfunding of Kshs. 2,012,654,982 which hampered implementation of planned activities for Bomet County government. Section 107 (2) (b) of the PFM Act 2012 requires County Government over the medium term to allocate a minimum of 30% of the budget to development spending. However, in the approved budget for FY 2024/2025, it is true that the County allocated 28 percent of the total County revenue towards development expenditure. The non-compliance with the fiscal responsibility principle is mainly attributed to the following: 1.Increased staffing levels (during the financial year, most of the county	This violation reflects a broader pattern of fiscal indiscipline that undermines devolution framework.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who recommended a budget below the threshold of 30% for approval by the County Assembly	60 days from the date of adoption of this resolution

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			<p>employees were recruited on permanent and pensionable terms), salary increments and staff promotions which pushed the wage bill up to 43% hence reducing the proportion of allocation towards development expenditure.</p> <p>2.Decline in conditional Allocations to County Government.</p> <p>During the financial year, the county received Zero allocation of conditional allocations from the National Government Revenue as well as a decline in conditional allocations from Development partners' Grants (i.e. The county had no allocations for Kenya Urban Support Programme, KSDP level 1 &amp; II, HSSF Danida funds for Health programs and Agriculture Sector</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			<p>Development Support Programme (ASDSP). Given that Conditional Allocations are largely meant to support development programs, the proportion of Development expenditure allocation for that particular year was greatly affected.</p> <p>3. Stagnating equitable share allocation and the underperforming own source revenue collection remains an impediment to increasing Development expenditure. The allocation to counties from the National Government is almost at the same level yearly while the own source revenue collection remained low. This coupled with the rising wage bill due to annual salary increment and staff promotion among other</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			competing priorities reduces what would have otherwise been allocated to Development expenditure.			
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMNT AND GOVERNANCE</b>						
1	<b>Supply of Medical Drugs by Kenya Medical Supplies Authority (KEMSA)</b>	Review of records revealed that drugs worth Kshs.103,179,459 were procured from Kenya Medical Supplies Authority (KEMSA). However, the user requisitions and local purchase orders issued for procurement of drugs did not indicate the specific drugs required and the cost.	It is true in the period under review, the department ordered health products and technologies (HPTs) amounting to KES 103,179,459 from Kenya Medical Supplies Authority (KEMSA) being our principal source of quality HPTs, the user document for requisitions and LPOs issued for procurement were summarized per sub-county. This is in line with the KEMSA logistic management information system which provide that when placing orders, facilities be grouped per sub-counties that the facilities falls under to ease management and	The drugs were received at the health facilities by a pharmacist who receives and issues the drugs leading to a lack of segregation of duties. Lack of segregation of duties increases the risk of errors and mismanagement. There was also no clear trail to confirm the dispensing of drugs by patients.	The Office of the County Governor undertakes administrative action(s) against the responsible <b>officer(s)</b> who maintain drug records for failure to maintain proper stores records, embrace segregation of duties as one of the internal controls.	60 day from t adopti this re



No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			<p>logistics. In its Proforma invoice, they do provide the detailed version of specific drugs, quantities and amount in its proforma invoice, it provides two version, one that is summarized per sub-county and a detailed one that specifies drugs, quantities and amount per facility for the given sub-county. For purposes of documentation, we provided the summative values accumulated per sub-county to match with the way KEMSA LMIS operates and the way they respond in IFMIS. It is however important to note that the detailed document for all facilities is available and it enlist the specific facility, the MFL codes, the details of drugs ordered, the quantities and the amounts and we have annexed them in this</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			<p>response for your review and perusal.</p> <p>-As pertains to receiving, inspection and acceptance of the KEMSA HPTs, it would be prudent to report first, that the Kenya Medical Supplies Authority (KEMSA) conduct last-mile delivery right from their warehouses to specific facilities. KEMSA HPTs goes direct to our facilities and inspection and acceptance is first done at the facility, where they are required to check what they ordered, quantities and the quality before releasing the KEMSA truck to proceed to the next facility. Once they are done, they stamp a triplicate copy of delivery note and keep one copy in their file. The drugs once delivered and received are entered into</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			stores ledgers, Counter Receipt Vouchers (S13) and Counter Receipt and Issue Vouchers (S11) that are kept by the individual facility. It is logistically not possible to receive these HPTs in one central location, entered into store ledgers then distributed to the facilities that ordered. We are taking advantage of the KEMSA last mile delivery to our facilities, because it accord more accountability and save on resources that we would have otherwise incurred if we were to hold them in a central point and distribute on our own. The store ledgers, S-11 and S-13 documents are available and kept at our facilities that received these supplies, and samples can be provided.			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			<p>-The drugs in our facilities are received by the in charges, few of our facilities (only Hospitals) have pharmacist, and a number of our health centers also have trained pharmaceutical technologists who assists their facility in-charges to receive, verify the quality and quantity of the health products. It would not be in considered opinion prudent to leave out pharmacists and pharmaceutical technologist where health products and technologies are involved because they have the knowledge and expertise to manage supplies, they are trained and licensed to manage drugs. Leaving them out will jeopardize the quality and quantification of our HPTS. Receiving and issuing of drugs to</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			<p>patients through dispensing is in their job description. Leaving them out might on the contrary lead to errors and mismanagement.</p> <p>Across most of our facilities, the movement of health products from storage areas to the dispensing pharmacies is regulated and are recorded in the store ledgers and counter requisition and issue vouchers (S11), some of our facilities have electronic EMR that digitize this process and print out of commodity issued to pharmacy are recorded. Once at our pharmacy/dispensing area, in our health centers and dispensaries, there are MOH manual registers (outpatient MOH 204A and 204B) where the details of all patient seen</p>			

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Time
			per day are recorded. The name of the patients, contacts, diagnosis and drugs & quantities given when leaving the facility are recorded. It is therefore a fact that end-to-end visibility of our drugs can be established because, you can establish at any given date.			

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF KERICHO COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/24.**

**Basis for Qualified Opinion**

No	Audit query	Management Response	Committee Observations	Committee Recommendations	Timelines
<b>REPORT ON THE FINANCIAL STATEMENTS</b>					

1.	<p><b>Variance Between Financial Statements and IFMIS Payment Details</b></p> <p>The statement of receipts and payments reflects total payments amounting to Kshs. 6,123,097,776. However, the amount differs with the Integrated Financial Information Management System (IFMIS) total payments amounting to Kshs. 6,609,895,647 resulting in an unreconciled variance of Kshs. 486,797,871.</p>	<p>i) The IFMIS total payments included both development and Recurrent payments of Kshs. 297,983,928.65 that relate to the 2022/2023 financial period that cleared in July 2023 has been accounted for and reported in the previous financial year and certified and don't relate to the 2023/2024 financial period.</p> <p>ii) An amount of Kshs. 36,233,338.70 relates to transactions that were transmitted and having bounced back These payments had already been accounted for under respective expenditure economic items but are captured in the payment details</p>	<p>The Committee observed that the County Executive did not provide supporting documents (Cash book and bank reconciliation Statement) indicating that the Kshs. 297,983,928.65 was properly accounted for in the 2022/2023 financial period.</p> <p>The Committee further observed that the County Executive did not provide supporting documentation (bank rejection notices reports) to verify that the transactions were indeed unsuccessful.</p> <p>The Committee also observed that the County Executive did not provide a breakdown of the retention amounts (contract-wise) to verify that the amount of Kshs. 123,008,066.45 aligns with contractual</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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iv) the county government have donor supported programs which are not self-reporting entities

v) Finally, the summary of reconciliation for the variance and the net effect of Kshs 486,797,871.00.

<b>Description</b>	<b>Amount (kshs)</b>
IFMIS Expenditure	6,609,895,647.00
Less: 7310107 10% Retention Money	(123,008,066.00)
Less: 6740102 R/D Cheques	(36,233,339.00)
Less: July 2023 payments accounted for	(297,983,929.00)

		previous year				
		ASDSP expenditures	9,867,016.00			
		NAVCDP	(67,734,590.00)			
		Kericho County Climate Smart Agriculture Projects	28,295,037.00			
		Total	(486,797,871.00)			
		FS Expenditure	6,123,097,776.00			
2.	<b>Unsupported Foreign Travel and Subsistence</b>  The statement of receipts and payments reflects use of goods and services amounting to Kshs.775,425,914. The amount includes foreign travel and subsistence totaling Kshs.15,598,720 as disclosed in Note 4 to	The management confirms that all payments for foreign travel are adequately supported. A summary of the payments of Kshs. 5,786,604 alongside Copies of the boarding passes or copies of passports and back to office reports for above	The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process. The Committee further observed that the County Executive did not provide evidence to support Foreign Travel and Subsistence payment	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.	

	<p>the financial statements. This component includes payments amounting to Kshs.5,786,604 paid to individuals for foreign travel which were not supported by boarding passes or copies of passports and back to office reports.</p>	<p>payments are hereby attached under Annex 2.</p>	<p>voucher amounting to Kshs. 687,860.00.</p>	<p>General within sixty (60) days of the adoption of this report.</p> <p>The Committee also recommends that the Directorate of Criminal Investigations investigates the unsupported expenditure of Kshs. 687,860.00 on foreign travel, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution. The Committee further recommends that the Auditor General audits the unsupported expenditure of Kshs. 687,860.00 on foreign travel in the subsequent audit cycle.</p>	
3.	<p><b>Unsupported Payments for Insurance Services</b></p> <p>The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects an amount of Kshs.89,771,448 in respect of insurance costs. The</p>	<p>The management acknowledges the auditor's observation. However, we wish to state that the valuation of assets under Cash Basis of Accounting is the historical cost of the assets which were used during the acquisition.</p>	<p>The Committee observed that the County Executive did not provide the documents to confirm whether comprehensive valuation of all insured assets, including their fair market value or replacement cost to ensure adequate coverage</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>

	<p>expenditure includes an amount of Kshs.40,939,739 for insurance procured via tender for County Strategic Assets. The contract was for a period of two years, however, valuation reports detailing the cost of insured assets and liabilities were not provided for audit review. Therefore, the basis of arriving at the insurance cost of Kshs.40,939,739 and the assets involved were not provided for audit review.</p>	<p>The transition to accrual basis of accounting will subsequently address the valuation of assets as they will be recognized after depreciation or the fair market value. An extract of the report which was used for insurance purposes for the County's Assets is attached in Annex 3a.</p> <p>Furthermore, the depreciation policy for county assets is currently before the county executive committee for deliberations and approval in line with the transition to accrual accounting as guided by the Public Sector Accounting Standard Board as provided in Annex 3b.</p>	<p>and avoid under- or over-insurance.</p>	<p>(Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	
4.	<p><b>Account Payables-Retention Monies</b></p> <p>The statement of assets and liabilities reflects deposits</p>	<p>The deposits and retention figure disclosed in the financial statements are amounts deducted for civil works</p>	<p>The Committee observed that the County Executive did not provide the documents to the</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide</p>	<p>Report back to the senate on the status of compliance with the</p>

	and retentions totaling Kshs.76,768,907 whose ageing analysis and reconciliation or break down was not provided for audit review.	contracts undertaken in the county government. In addition, this figure constantly has addition and deductions due to ongoing deductions and payments after expiry of the defect liability period as prescribed in the contract. an ageing analysis and reconciliation or break-down and retention certificates is provided in Annex 4.	Auditor-General during the audit process.	documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.	recommendations within sixty (60) days of the adoption of this report.
.	<p><b>Domestic Travel and Subsistence Allowance</b></p> <p><b>Unsupported Domestic Travel and Subsistence Allowance</b></p> <p>The statement of receipts and payments reflects use of goods and services amount of Kshs.775,425,914 which includes an amount of Kshs.110,094,629 in respect of domestic travel and subsistence</p>	The management notes the auditors' observation that there is a difference between the general ledger and the bank statements. We would like to clarify that the payments in the general ledger related to the period under review while the bank statement amounts relate to DSA payments made during the period from 1 <sup>st</sup> July 2023 to 30 <sup>th</sup> June 2024. which includes payments	The Committee observed that whereas the County Executive stated that some payments in the bank statements relate to the prior financial year (2022/2023) but were processed after the cut-off date of 30 <sup>th</sup> June 2023, no detailed reconciliation was been provided to confirm that the variance of Kshs.10,086,460 is fully attributable to payments carried forward	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

	<p>allowances as disclosed in Note 4 to the financial statements. However, payments amounting to Kshs.53,473,070 were supported by the general ledger while bank statements reflect withdrawals amounting to Kshs.63,559,530 resulting to an unexplained and unreconciled variance of Kshs.10,086,460.</p> <p><b>5.2 Un-Authorized Re-Allocation of Development Funds to Recurrent Vote</b></p> <p>Review of development bank statement and IFMIS payment details revealed payments to various members of staff amounting to Kshs.10,683,750 in respect of domestic travel and subsistence allowances. These expenditures are recurrent in nature reallocated from capital funds without authority</p>	<p>made after the cut off period of 30<sup>th</sup> June and related to the 2022/2023 financial period and the same were audited and certified in that period. In additional, payments that were processed in June 2024 before the year end but payments made in July 2024 as the funding had already been sourced from the Controller of Budget as they relate to the 2023/2024 financial period and therefore reflected in the current period.</p> <p>Further, the payments made to various staff in respect to DSA which are recurrent in nature reallocated from capital grants development vote without any approval relates to activities budgeted under development for supervision of projects, CIDP preparations which are development related</p>	<p>from the previous financial period.</p> <p>The Committee further observed that despite the explanation, no documentary evidence was provided to confirm that an official approval for reallocation of development funds to recurrent expenditure was obtained.</p> <p>The Committee also observed that only one payments voucher was provided for verification amounting to kshs. 256,000 (a claim for attending departmental consultive meeting).</p>	<p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	
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	<p>approving reallocation of development fund to recurrent. Further, payment vouchers and other supporting documents in support of the payments were not provided for audit review.</p>	<p>expenditures. Finally, payment vouchers have been provided for audit review in Annex 5.</p>			
6.	<p><b>Non-Collection of Own Source Revenue</b></p> <p><b>6.1 Unauthorized Operation of Mobile Money Payment</b></p> <p>The statement of receipts and payments reflects transfer from the County Revenue Fund of Kshs.5,913,233,979 as disclosed in Note 1 to the financial statements. The amount includes Exchequer Releases and Own Source Revenue appropriated by the County Assembly to fund the County Executive. Records revealed the revenue collected by the Receiver of Revenue excluded own source</p>	<p>The management acknowledges the auditors' observations. The staff involved is currently under disciplinary procedure as per the government human resource regulation. Attached is the county Human Resource Advisory committee (CHRMCA) recommendation on the same attached as Annex 6.</p> <p>Further, the management has taken measures to strengthen the internal controls in revenue unit by developing an integrated in-house revenue collection system which is web</p>	<p>The Committee observed that whereas disciplinary action is commendable, the County Executive did not indicate whether the uncollected or misappropriated funds (Kshs.152,290 credited and Kshs.141,852 debited) have been recovered or properly accounted for. The Committee was also concerned that an <b>unauthorized mobile payment number</b> can get registered and operated by a County officer without Treasury approval.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee also recommends that the Directorate of Criminal Investigations investigate the unauthorized collection of Kshs.152,290 by a county staff, and where criminality is established, refer the matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>

	<p>revenue from inspection fees for fire compliance.</p> <p>An inspection fee of Kshs.3,500 was levied in the Finance Act for the period but was not being collected at the time by the County Government. An officer of the County Government, however, registered and operated a Mobile Payment number which was not authorized by the County Treasury to collect the fees. The statements for the number indicated credit entries of Kshs.152,290 and debit entries of Kshs.141,852 for the period from 24 January, 2024 up to 5 August, 2024. Internal investigations on the matter recommended disciplinary action on the officer. However, collection of own source revenue and transfer to the County Executive was understated by the amount not collected.</p>	<p>based, enforcing cashless collections, real time revenue reporting. In addition, staff rationalization and new recruitment are being undertaken in the revenue unit.</p>		<p>to the Director of Public Prosecutions for prosecution. The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	
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7	<p><b>Inaccuracies of Pending Accounts Payables</b></p> <p>The financial statements reflect pending accounts payable balance of Kshs.1,147,933,403 as disclosed in Note 20.1 and detailed in Annex 2 to the financial statements. However, the pending bill expenditures could not be verified as supporting documents were not provided.</p> <p>Further, included in the balances are payables in respect of construction of buildings amounting to Kshs.141,592,570 which differs with payables totaling Kshs.143,706,482 as disclosed in Annex 2 of the financial statements resulting in an unexplained variance of Kshs.2,113,912.</p> <p>Further, an audit examination of the</p>	<p>The variance of Kshs. 2,113,912 relates to terminated projects whose values could not be carried forward.</p> <p>Regarding to amount of Kshs. 556,380,772, It is worth noting that not all pending bills are processed up to the payment stage. All bills that the county government plans to settle need a budgetary provision before any processing in IFMIS.</p> <p>However, as we transition to the accrual basis of accounting, all pending bills will no longer be disclosures but will form part of the statement of financial position as liabilities. This will enable the county government present a true and fair view of the state of affairs.</p>	<p>The Committee observed that various issues were not addressed and supporting documents not provided.</p> <p>The County Executive did not provide supporting documentation for the terminated projects.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee also recommends that the Directorate of Criminal Investigations investigates the matter, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution. The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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	pending bills outstanding from the IFMIS payment details revealed that pending bills amounting to Kshs.556,380,772 could not be traced to the IFMIS payment details and IFMIS invoice register.				
EMPHASIS OF MATTER					
1.	<p><b>Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amounts reflects final receipt budget and actual comparable basis amounting to Kshs.7,604,644,288 and Kshs.6,353,006,481 respectively, resulting in under-funding of revenue of Kshs.1,251,637,807 or sixteen percent (16%) of the budget. Similarly, the statement reflects final budget expenditure and actual on comparable basis of amounts of Kshs.7,604,644,288 and Kshs.6,123,097,776,</p>	<p>The management acknowledges the auditor's observation. The underperformance of the budget was as a result of late exchequer releases, unrealized grants, donor funding and own source revenue. This impacted negatively on planned activities. The county government has put in place measures to improve on own source revenue by enforcing provisions in the finance act, developed the Kericho County Revenue Administration and Management Bill, 2021,</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process. The County Executive further did not provide a satisfactory explanation why it did not prepare balanced and realistic budgets.</p>	<p>The Committee recommends that the County Executive ensures that future budgets are <b>realistic, achievable, and aligned</b> with <b>actual revenue collection trends</b> to prevent unrealistic projections that may lead to deficits or inefficiencies in service delivery. The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>

	<p>respectively, resulting in under-absorption of Kshs.1,481,546,512 or nineteen percent (19%) of the budget.</p> <p>The under-funding and under-expenditure could have affected the planned activities and may have impacted negatively on service delivery to the public.</p>	and Revenue collection system.		<p>General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	
2.	<p><b>Long Pending Payables</b></p> <p>Other important disclosures to the financial statements reflects pending accounts payable balance of Kshs.1,147,933,403 as disclosed in Note 20.1 and detailed in Annex 2 to the financial statements. Pending accounts payables brought forward to 2023/2024 financial year</p>	<p>Indeed, the pending bills as at the closure of the year under review was kshs 1,147,933,403, the increase is attributed to unrealized own source revenue and late disbursement of the equitable share, this impacted negatively on the invoices which were due for payment.</p> <p>To manage the ever spiraling bills the</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p> <p>The Committee further observed that the County Executive did not attach annex 8 as indicated in its response.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p>	<p>Report back to the senate on the status of compliance with the recommendation s within sixty (60) days of the adoption of this report.</p>

	<p>totaled Kshs.526,208,650. However, payables totalling Kshs.196,489,526 was settled within the financial year leaving a balance of Kshs.329,719,124. However, there were additions to the payables during the year under review of Kshs.820,328,191 to escalate the pending accounts payables to an amount of Kshs.1,147,933,403 as at 30 June, 2024.</p> <p>Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions for the subsequent year to which they have to be charged.</p>	management has come up with measures including appointing pending bills committee to verify, validate and thereafter advise accordingly. Further there is a payment plan which emphasizes on first charge. As shown in Annex 8.		The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.	
1	<b>Other Matter Unresolved Prior Year Matters</b>	The management has appeared before the senate and county	<b>The issue was not addressed.</b>	Why did Management fail to submit supporting documents to verify the resolution of the issues as	Report back to the senate on the status of compliance with

	As disclosed under the progress on follow up of auditor's recommendation section of the financial statements, Management indicated that some of the issues have been resolved. However, Management did not provide evidence in support of the resolution of the issues.	Assembly and awaiting the reports on the same.		reported on follow-up on prior year auditors recommendation?	the recommendation s within sixty (60) days of the adoption of this report.
	<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>				
1	<b>Flagship Projects</b>  <b>The statement of receipts and payments reflects acquisition of assets amount of Kshs.1,331,707,026 as disclosed in Note 9 to the financial statements. The amount includes payments on construction and civil works of Kshs.436,199,103 that also includes payments on flagship projects. However, verification of projects under the flagship</b>	The management acknowledges the auditor's observation and the contractor has been contacted to resume works.	The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.	Report back to the senate on the status of compliance with the recommendation s within sixty (60) days of the adoption of this report.

	<p><b>programme revealed unsatisfactory implementation of the projects as follows:</b></p> <p><b>1.1 Construction and Equipping of Theatre at Ainamoi Health Centre</b></p> <p>Included in flagship projects was proposed construction and equipping of an operating surgical theatre at Ainamoi Sub-county Hospital. Review of the contract document revealed the contract sum was Kshs.14,135,859 and completion date was set at 4 June, 2020. The contract period was however latter extended to 19 August, 2022. The Project had a budget allocation of Kshs.12,900,000 for finalization and works were at 85% completion as at June, 2024. However, field inspection in September, 2024, revealed the Project had stalled and</p>	<p>The management acknowledges the Auditors' observation and wishes to provide clarification that implementation of the project has encountered numerous unforeseen external challenges due to boundary disputes between residents of Kisumu and Kericho Counties. The project is situated along the border of the two counties, and unresolved boundary issues have led to frequent clashes over the past two years. These conflicts have created</p>		<p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	
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	<p>the contractor was not on site.</p> <p><b>1.2 Modern Market at Sondu</b></p> <p>Included under flagship projects was a modern market at Sondu with an allocation of Kshs.52,000,000 The contract for the construction and completion of a modern Sondu market was signed on 12 June, 2019 at a contract sum of Kshs.128,945,229. The contract was for a contract period of 52 weeks with effect from 14 August, 2019. An extension of the contract period was however granted for six (6) months and the revised completion date set for 13 December, 2024. The contractor had been paid an accumulated amount of Kshs.100,442,289 or about 78% of the contract sum for work certified as at</p>	<p>security concerns for workers, equipment, and materials at the contractor's site.</p> <p>It is worth noting that the County, through the project Manager, after visiting the site on 30th January 2025, issued a default letter as attached in Annex 11a to the Contractor for immediate resumption to the site within 14 days, failure of which the client will take the necessary action as stipulated in the applicable laws. The contractor reported to the site within the said 14 days. The project implementation lead by the Project Manager visited the site on 13th February to confirm the contractors' resumption to the site, which was confirmed to have resumed site and final touches of the works are ongoing. Attached in</p>			
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	<p>30 June, 2024. However, physical verification of the Project carried out in September, 2024 revealed the Project was not complete despite expiry of the project duration and the contractor was not on-site.</p> <p><b>1.3 Delayed Completion of Kapkures Water Supply Project – Strategic Intervention Project for the Financial Year 2018/2019</b></p> <p>The County Executive entered into a contract on 30 May, 2019 for rehabilitation and construction of Kapkures Water Supply Project at a contract sum of Kshs.87,417,116. The contract period was twelve (12) months from commencement date of the contract of 5 February, 2020. Upon lapsing of the contract period, an</p>	<p>Annex 11b are photos of current on -going works.</p> <p>Indeed, as per auditors’ observation, Kapkures water project is at 85% complete. The delay is attributed to redesigning the main intake works which was set-up near an existing cattle dip; this could have had a catastrophic result should it have been completed. It’s worth noting that, the projects gravity main lines, treatment works, major</p>			
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	<p>extension was granted vide letter dated 16 February, 2022 to 17 February, 2023. However, a performance guarantee provided by the contractor and renewed to 27 December, 2023 with Rafiki Microfinance bank, had since expired with no further renewal as was required under clause 3.0 of the terms of the contract.</p> <p>The contractor had been paid a total of Kshs.63,713,770 based on interim certificates and an amount of Kshs.23,348,579 was paid to the consultant during the year for consultancy services of the works. The payments included an amount of Kshs.2,500,000 (paid via IPC 2) being variation of the works. However, the variation of works was not approved by an Evaluation Committee before they were submitted through the Head of a Procurement function to</p>	<p>tanks of 100 and 200 metres cubic have been completed.</p> <p>Further, the additional scope of works and bill of quantities have been completed and procurement process for the same have been initiated. attached in Annex 11c are photos of current works and current status report.</p>			
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	<p>the accounting officer for approval, as required under Regulation 132 (2) (b) of the Public Procurement and Asset Disposal Regulations, 2020</p> <p>A progress report dated 23 September, 2024 indicated the Project was at 85% completion stage, with the pending works including fencing, construction of new gravity main from intake to treatment works and completion of pipe fittings on twin treatment works tank. However, no documentary evidence was provided of requisition and approval of extension of the contract period and revised work plans for the works. In addition, the project had no signage and the contractor was not on site.</p>				
2	<p><b>Non-Compliance with Requirements for Reallocation of</b></p>		<p>The Committee observed that the County Executive did not provide the documents to the Auditor-</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s)</p>	<p>Report back to the senate on the status of compliance with</p>

	<p><b>Development Appropriations</b></p> <p>IFMIS development payments details revealed an amount of Kshs.127,658,704 transferred from development to recurrent contrary to Section 154 (2) of Public Finance Management Act, 2012</p> <p>Review of IFMIS payment details in respect of development expenditure revealed that Kshs.400,935,534 or 21 % of the development budget which was transferred to Capital Grants and used in payment of recurrent expenditures.</p> <p>There was, however, no evidence that the County Executive Committee Member for Finance had tabled a bill in the County Assembly to seek reallocation of funds contrary to Section 48 of</p>	<p>The county assembly of Kericho passed the Appropriation act which included the Capital Grants to Other levels of government, Capital Grants to Semi-Autonomous Government Agencies, Other Capital Grants and Transfers. Attached is the approved appropriation Act in Annex 12</p>	<p>General during the audit process.</p> <p>The Committee further observed that the County Executive did not provide evidence that the County Executive Committee Member for Finance had tabled a bill in the County Assembly to seek reallocation of funds contrary to Section 48 of the Public Finance Management (County Governments) Regulations, 2015.</p>	<p>who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	<p>the recommendation s within sixty (60) days of the adoption of this report.</p>
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	the Public Finance Management (County Governments) Regulations, 2015.				
3	<p><b>Non-Current Assets Register</b></p> <p>The statement of receipts and payments reflects acquisition of assets as disclosed in Note 9 to the financial statements. Further, Annex 6 to the financial statement reflects summary of non-current assets totaling Kshs.16,892,521,675. However, updated register of assets as disclosed under Annex 6 was not provided for audit review.</p>	No response provided.	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p> <p>The Committee further observed that the County Executive did not deem it necessary to address the issue in its response.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.
4	<p><b>Failure to Construct Governor and Deputy Governor's Houses</b></p> <p>As reported in the previous year, the County Executive</p>	The management acknowledge the auditor's observation. During the F/Y2019/2020 there was a budget of Kshs. 20M	The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-	Report back to the senate on the status of compliance with the recommendation

	<p>was required to allocate funds and prioritize construction of houses for the Governor and Deputy Governor on public land in accordance with the specifications therein, before the stated deadline. However, at the time of audit in August, 2024, the County Executive had not constructed the Governor's and Deputy Governor's houses. In addition, a review of the development budget for the financial years 2019/2020, 2020/2021, 2021/2022, 2022/2023 and 2023/2024 financial years revealed that there were no budgetary provisions for the construction of Governor's and the Deputy Governor's houses.</p>	<p>towards the Construction of the Governor's residence under the Department of Lands, Housing &amp; Physical Planning (Ref County's Development Budget). However, it has been a challenge to execute due to challenging conveyancing procedures related to land, currently there are no house rent payments for Governor's and Deputy Governor's residence.</p>		<p>General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	<p>s within sixty (60) days of the adoption of this report.</p>
5	<p><b>Non-Compliance with Fiscal Responsibility Principles – Wage Bill</b></p> <p>The statement of receipts and payments reflects</p>	<p>The management notes the auditors' observation on the Fiscal responsibility. However, we would like to point out that due to unrealized</p>	<p>The Committee observed that the County Executive was in breach of paragraph 25(1)(b) of the PFM (county government) regulations,</p>	<p>The Committee recommends that-</p> <p>1) the County Executive should strictly adhere to the provision of paragraph 25(1)(b) of</p>	<p>Report back to the senate on the status of compliance with the recommendation</p>

	<p>compensation of employees' expenditure amounting to Kshs.3,187,074,306 as disclosed in Note 3 to the financial statements. However, it was observed that the percentage of the expenditure to the County's total receipts amounting to Kshs.6,353,006,481 for the year under review was fifty percent (50%) which exceeded the set limit of thirty-five percent (35%).</p>	<p>revenue targets on own source and exchequer releases which were not received during the year under review. The management is working towards improvement of own source revenue in order to mitigate the same in future.</p>	<p>2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue.</p>	<p>the PFM (county government) regulations, 2015 which stipulates that the county wage bill shall not exceed 35 per cent of the county total revenue;</p> <p>2) the county executive puts in place measures to enhance own source revenue collection in order to address high wage bill gap; and</p> <p>3) the County Executive should provide to the Auditor General a status report of measures put in place to contain the high wage bill within sixty (60) days of the adoption of this report.</p>	<p>s within sixty (60) days of the adoption of this report.</p>
6	<p><b>Non-Compliance with the Law on Staff Ethnicity Composition</b></p>	<p>Management acknowledges the auditor's observation, while we appreciate the concern raised, it is important to highlight</p>	<p>The Committee observed that the County Executive was in breach of section 65(1)(e) of County Government Act.</p>	<p>The Committee recommends that-</p> <p>5) the County Executive should work progressively towards attaining the</p>	<p>Report back to the senate on the status of compliance with the recommendation</p>

	<p>Review of payroll records revealed that County expenditure had 3,888 employees out of whom 3,638 or 94% of employees were from the same or dominant ethnic community in the county surpassing the recommended threshold of one third (1/3) in accordance with Section 65(1)(e) County Government act, 2012.</p>	<p>that this situation has largely arisen due to historical staffing patterns and the demographic realities within the region. Kericho County is predominantly inhabited by this particular community, which has, over time, resulted in a workforce that reflects the local population structure. However, we are fully cognizant of the legal requirements for diversity and inclusivity in county government employment. Moving forward, we are committed to aligning our hiring practices with the provisions of the County Government Act, 2012, by implementing more inclusive recruitment strategies including a deliberate undertaking for public sensitization to attract more applicants from the non-</p>		<p>requirement of the provisions of section 65(1)(e) of County Government Act on ethnic inclusivity.</p> <p>6) The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.</p>	<p>s within sixty (60) days of the adoption of this report.</p>
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		<p>dominant ethnic communities. For employment opportunities in the foreseeable future. It is also important to note that Kalenjin community engaged by county government of Kericho comprises of various communities notably Nandi, Tugen, keiyo, sabaot, Kipsigis, ogiek, pokot, Terik and Marakwet.</p> <p>Furthermore, chairman, it is worth noting that officers from non-dominant ethnic communities have continuously applied for transfer of services to their own counties as evidence by the copies of correspondence in Annex 15</p> <p>The county government recommends that the national government through the public service commission comes up with a policy</p>			
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		for staff mobility across the public service including the county governments. this can be achieved through the public service human resource management bill 2024.			
7	<p><b>Non-Compliance with the Law on People with Disability</b></p> <p>Review of payroll records revealed that County Expenditure of Kericho had 3,888 employees out of which only eight (8) employees were People Living with Disabilities in contravention of Section B.22 Public Service Commission HR Policies, 2016 which recommends at least five percent (5%) of the employees should be People Living with Disabilities.</p>	<p>The management would like to clarify that the county has twenty eight (28) PWDs as evidence in <b>Annex16</b> and not Eight (8) as observed by the auditor We would like to clarify that the current underrepresentation is not due to a lack of commitment but rather due to historical staffing challenges and limited applications from qualified PWD candidates during previous recruitment exercises. However, we are actively working to address this matter. We recognize the importance of fostering an inclusive work</p>	<p>The Committee observed only twenty eight (28) of the staff in the County Executive were persons with disabilities. This is below the five percent (5%) threshold provided under Article 54(2) of the Constitution.</p>	<p>The Committee recommends that the County Executive, in coordination with the County Public Service Board, progressively ensures that in future employments, at least five percent (5%) of the staff in the County Executive were persons with disabilities as provided under Article 54(2) of the Constitution. The Committee further recommends that the Auditor General provide status of compliance with Article 54(2) of the Constitution in the subsequent audit cycle.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>

		<p>environment and ensuring that the principles of diversity and equal opportunity are upheld, particularly for marginalized groups, such as persons living with disabilities. The County Government is committed to complying with this policy and increasing the representation of PWDs within our workforce. To this end, Kericho County Government is developing a more robust outreach and recruitment strategy aimed at attracting qualified persons living with disabilities. This includes working closely with relevant advocacy groups, increasing the visibility of job opportunities for PWDs, and ensuring that our recruitment processes are accessible and supportive to all</p>			
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		candidates, including those with disabilities			
8	<p><b>Non-Adherence to the One-Third Basic Salary Rule</b></p> <p>During the year under review two hundred and fifty-seven (257) employees received less than a-third of their basic pay.</p>	<p>The management acknowledges the auditor's observation. However, we wish to state that during the year under review, the Tax Law (Amendment) Act, 2020 which was assented on 25th April, 2020 amended various tax regulations meant to cushion Kenyans against the harsh economic effects of Covid-19 pandemic. It is also worth noting that after the tax relief a number of staffs committed their pay slips thus leading to earning below one third rule of their Basic Salary when the relief was lifted, the IPPD system could not be reverted. After identifying the same, the county requested the relevant financial institutions where commitments</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>

		<p>were made to regularize the deductions to align with the law. The management has also taken initiatives to communicate with affected staff to restructure their pay slip commitments to comply with one third rule.</p> <p>In addition, Chairman, Review of NSSF monthly contribution also contributed to staff earning below one third rule of their Basic Salary since most of them had committed their pay slip. Furthermore, during month of July 2023 there was an introduction of mandatory deduction on Housing Levy fund on staff salary which also led to earning below one third rule of their Basic Salary.</p> <p>Chairman it is worth noting that the county government has moved from IPPD to HRIS. a key feature of HRIS is</p>			
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		<p>deferment of loans and other commitments the moment a third basic is reached. This is evidence by a list of differed loans summary in Annex 17a.</p>			
9	<p><b>Construction of the Kericho County Aggregated Industrial Park</b></p> <p>The County Executive awarded a tender for proposed construction of the County Aggregation and Industrial parks, at a cost of Kshs.541,000,000 to a firm being the lowest evaluated bidder. The contract period was five (5) years commencing from February, 2024. The scope of works was divided into three phases namely: Main works, mechanical works and electrical works. Scrutiny of the procurement documents revealed that Bidder number 4 submitted a lower bid amounting to</p>	<p>The management notes the auditor's observation. However, we wish to clarify that Bidder 4 did not meet the evaluation mandatory preliminary and technical criteria requirements since the bidder did not submit the current and valid NCA for the sub-contractor for the mechanical works hence could not proceed to the financial evaluation phase. As such, the most responsive bidder 5 was awarded Attached are copies of the evaluation report. ANNEX 18a.</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>

<p>Kshs.321,328,945 and Kshs137,194,900 for the main works and Mechanical works, respectively, compared to that of the winning bidder of Kshs.377,986,363.13 and Kshs.141,334,316 resulting to a potential savings variance Kshs.60,796,834.</p> <p>In addition the form of tender submitted for bidding did not include the activities or parts of the works to be subcontracted contrary to Clause ITT 34.2 of the bid document which requires that Contractor's may propose subcontracting: Maximum percentage of subcontracting permitted is: ten percent (10 %) of the total contract amount. Tenderers planning to subcontract more than ten percent (10%) of total volume of work shall specify, in the Form of Tender, the activity or parts</p>				
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	<p>of the Works to be subcontracted along with complete details of the subcontractors and their qualification and experience.</p> <p>Further, the amount awarded of Kshs.541,000,000, exceeds the national framework budget of Kshs.500,000,000 allocated for similar projects across counties. However, justification for the additional Kshs.41,000,000 budgetary allocation was not provided for audit. The decision to award the contract to a higher bidder without prioritizing cost-effectiveness could not be justified.</p> <p>During the year under review, the contractor was paid a total of Kshs.32,477,063 through interim payment certificate No.1 dated 15 May, 2024.</p>	<p>The budgetary allocation was kshs.500,000,000 and the most responsive bidder was kshs.541,000,000.</p> <p>On the auditor's observation on</p>			
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	<p>Physical verification conducted on 13 September, 2024 revealed that the contractor was on site and works were ongoing. However, the following anomalies were noted;</p> <p>(i) The County Executive did not conduct an environmental impact assessment study contrary to Section 58(2) of the Environmental Management and Co-ordination Act, hence had not acquired the license required.</p> <p>(ii) The signboard did not display the names of the Sub-contractors contrary to item 3 of bill No.3 of the bill of quantity.</p>	<p>environmental impact assessment, we wish to confirm that it was duly carried out before the commencement of the project.</p> <p>NEMA fee amounting to Kenya Shillings 541,000 had not been paid to enable them issue the license since the only method that NEMA accepts is through the E-Citizen platform and not IFMIS. The management is in consultation with consultancy on payments</p> <p>The details of sub-contractors have been included in the signboard as evidenced in Annex 18b</p> <p>Finally, the physical progress report of the</p>			
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	(iii) Works amounting to Kshs.6,617,310 included in the payment certificate had not been done with others being carried out at the time of verification resulting to either advance payment or an overpayment for the works that had not been done contrary to Regulation 98(2) of the Public Finance Management Regulations, 2015.	project is at 13.2% as at 28 <sup>th</sup> January 2025. copy of progress report attached in Annex 18c.			
10	<b>Failure to Submit List of Ongoing Projects</b>  County Executive Management submitted the budget estimates to the County Assembly on 28 April, 2023. However, there was no evidence that Management submitted report on all ongoing projects that would receive	The management concurs with the Audit findings and commits to adhere to the public investment management regulations, 2022 for subsequent budget estimates which shall be forwarded to county assembly.	The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.  The Committee further observed that the County Executive admitted that it was in breach of regulation 10 (g) of the	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

	<p>funding in the succeeding year to County Executive Committee and County Assembly alongside the budget estimates</p>		<p>Public Finance Management Act (Public Investment Management) Regulations, 2022.</p>	<p>General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the County Executive strictly adheres to regulation 10 (g) of the Public Finance Management Act (Public Investment Management) Regulations, 2022.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	
11	<p><b>Misclassification of Economic Items in The Approved Budget</b></p> <p>The approved Kericho County Supplementary Appropriation Act No.2 entails Kshs.5,753,578,119 in respect to allocations for recurrent expenditures. However, included in the allocation is Kshs.47,631,699, which</p>	<p>Indeed, as per the guidelines on government budget classification and standard chart of accounts, some of the budget lines items qualifies to be capital in nature, however their usage or application makes them to be recurrent in nature. This has led to misclassification of</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p> <p>The Committee further observed that the County Executive admitted that it had misclassified some budget items.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p>	<p>Report back to the senate on the status of compliance with the recommendation s within sixty (60) days of the adoption of this report.</p>

	<p>relates to development expenditures.</p> <p>However, included in the supplementary appropriation/allocation which is a development vote is Kshs.37,187,757 which relates to recurrent expenditures.</p>	<p>either recurrent or development.</p> <p>We have taken cognizant of the auditor's observation and subsequently we will classify the budget item accordingly.</p>		<p>The Committee further recommends that the County Executive properly classifies all items in subsequent budgets.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	
12	<p><b>Failure to Undertake Procurement through E-procurement</b></p> <p>Review of IFMIS data revealed that development expenditure of Kshs.1,121,161,848.40 and Recurrent expenditure of Kshs.321,412,778 was incurred on procurement of goods, works and services outside e-Procurement contrary to Executive Order No 2 of 2018 on procurement of public goods, works and services by public entities Ref No OP/CAB39/1A that requires all procurement be</p>	<p>The management acknowledge the auditor's observation. However, we wish to state that the procurement process is currently carried out in IFMIS from sourcing to a logical end of preparation and approval of LSO as well as inspection of goods and works. this evidenced by a sample of work flow extract in Annex 21.</p> <p>In addition, chairman, the county government published all tender awards in the public</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>

	undertaken through E-Procurement.	procurement information portal.			
	<b>REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>				
1	<b>Failure to Prepare Human Resource Plan</b>  Review of the documents provided for audit revealed the County Service Board had not developed a Human Resource Plan.	We acknowledge the auditor's observation. However, we wish to state that the approved county staff establishment and organizational structure was used by the board as the basis to carry out the staff recruitment during the financial year under review. Further, Human Resource Plans are a replica of the staff establishment and organizational structure. The departments also adequately identified and budgeted for the recruitment of the staff.	The Committee observed that the County Executive did not have a Human Resource Plan.	The Committee recommends that the County Executive promptly formulates a Human Resource Plan.	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.
2	<b>Lack of Information and Communication</b>	We note the auditor's observation, the management is	The Committee observed that the County Executive admitted that the ICT	The Committee recommends that the County Executive promptly finalizes the	Report back to the senate on the status of

	<b>Technology and Strategic Plan</b>  There were no ICT and Strategic Plan in place. Lack of strategic planning means that future events are not anticipated and planned for.	developing critical policy document to help in managing and improving county service delivery. Some of these policies includes ICT Disaster Recovery Plan and ICT Strategic plan which are available in Draft Level as attached.	strategic plan is in draft level.	formulation of the ICT strategic plan.	compliance with the recommendations within sixty (60) days of the adoption of this report.
3	<b>Action on Internal Audit Reports by the County Executive</b>  1. Staff Shortage: Out of the approved 38 staff members, only 4 were present. 2. Absence of a Substantive Office Holder: 3. Lack of an Approved Budget and Workplan: Without an approved budget, 4. No Internal Audit Charter: 5. No Risk Management Reports:	<b>No Response provided.</b>	The Committee observed that the County Executive did not address the issue.	The Committee recommends that: The County Executive takes immediate corrective action to strengthen the internal audit function by addressing the following key issues: 1. Staff Shortage The County should urgently recruit additional staff to fill the 34 vacant positions to ensure effective internal audit operations. The County Public Service Board should prioritize recruitment and capacity building for the Internal Audit Unit. 2. Absence of a Substantive Office Holder	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

				<p>The County should immediately appoint a qualified and competent Internal Auditor to lead the unit.</p> <p>The appointee should meet the professional qualifications and experience required under the Public Finance Management Act, 2012.</p> <p>3. Lack of an Approved Budget and Workplan</p> <p>The County Treasury should allocate a dedicated budget for the Internal Audit Unit to enable effective execution of its mandate.</p> <p>An Annual Audit Workplan should be developed and approved by the County Executive Committee to enhance accountability and oversight.</p> <p>4. No Internal Audit Charter</p> <p>The County Executive should develop and adopt an Internal Audit Charter that defines the unit's authority, responsibilities, and</p>	
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				<p>reporting structure in line with best practices.</p> <p>The Charter should be aligned with the International Standards for the Professional Practice of Internal Auditing (IPPF) and the Public Finance Management Act.</p> <p>5. No Risk Management Reports</p> <p>The County should establish a Risk Management Framework to identify, assess, and mitigate financial and operational risks.</p> <p>The Internal Audit Unit should prepare and submit quarterly risk management reports to the County Executive and the County Assembly for oversight.</p>	
4	<p><b>Failure of the Audit Committee to Meet as Required</b></p> <p>The Audit Committee had not met since 23 June, 2023. Further, there was no evidence that the Audit Committee was in existence during the year under audit.</p>	<b>No Response provided.</b>	<p>The Committee observed that the County Executive did not address the issue.</p> <p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process</p>	<p>The Committee recommends that the County Executive ensures that the audit committee is established and meets as required by regulation 172(1) Public Finance Management (County Governments) Regulation, 2015.</p>	<p>Report back to the senate on the status of compliance with the recommendation s within sixty (60) days of the adoption of this report.</p>

				<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF KILIFI COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/24.**

**Basis for Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1	<b>Inaccurate Statement of Comparison of Budget and Actual Amounts</b>	unreconciled variances of Kshs.372,510,877, Kshs.372,510,877 and Kshs.2,610,004	The Variance of Kshs. 372,510,877 was as a result of misclassification where payment to transfer to Kilifi and Malindi municipalities had initially been erroneously treated as grants and transfers in both statements in the financial statements submitted on. This error was adjusted in the amended financial statements but the amendment was done	The Committee observed that there were several variances between the budget and the actual amounts.	The Committee recommends that; - 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public	Within 60 days after adoption of the report.

			<p>in the statement of receipt and payments, cashflow and notes to the financial statements but erroneously left out in the statement of comparison of budget and actual amounts. Journals are herein attached as Appendix 1.1</p> <p>The Variance of Kshs.2,610,004 was due to misclassification of transactions relating to acquisition of assets which were initially recorded as use of goods.</p>		<p>Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of the responsible</p>	
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					Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015.	
2	<b>Inaccurate transfers from County Revenue Fund (CRF)</b>	unexplained variance of Kshs.115,171,911 between receipts and payments and CRF financial statement	The variance of Kshs.115,171,911 is a transfer from County Revenue fund direct to Kilifi County Climate Change which is a self-reporting fund. Kindly find attached herein <b>Appendix 1.2</b>	The County Executive is taking the role of the County Revenue Fund by receiving Funds for the County Assembly and Transferring	The committee recommended that the receiver of revenue should transfer the funds to CRF directly. In addition, the separation of roles is adamant to	Within 60 days after adoption of the report.

			which is a copy of the Climate Change cashbook.	them to it, Instead of the same funds transferred to the County Assembly directly from the County Revenue Fund.	ensure accountability in the County.	
3	<b>Inaccuracies in compensation of employees</b>	<ul style="list-style-type: none"> <li>Unexplained variance of Kshs.120,076,771 between payment of basic salaries for permanent employees and IPPD.</li> <li>Kshs. 243, 948, 050 in respect of basic wages of temporary employees where the casual staff register containing the casuals' bio data was not maintained.</li> <li></li> </ul>	The financial statements were prepared under IPSAS cash basis. Variance because of unpaid June 2024 basic salaries of Kshs. 183, 932, 364.65 was paid in the month of September 2024, payment of Manual Salaries of Kshs. 9, 336, 948.20, Recovery of salaries of Kshs.478,835.80, misclassification of Kshs. 54,518,646 which relates to personal allowances paid as part of salaries erroneously charged in basic Salaries. Casual staff registers are maintained at the Departments where	The Committee observed that a variance of Kshs. 120,076,771 in basic salary payments for permanent employees was unexplained, and Kshs. 243,948,050 was paid to temporary employees without a casual staff register. This violates Section 68(1)(a) of the Public Finance Management Act, 2012, which requires proper record-keeping and	The Committee recommends that- 1. The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide documents to the auditors at the time of audit, in accordance with section 156 of the Public Finance Management Act and	Within 60 days after adoption of the report.

			the staff are stationed. The consolidated casual staff register with bio data information is herein attached	accountability for public funds.	provides a status report to the Committee within 60 days from the adoption of this report. 2. The EACC to investigate the unsupported payments with a view to cause prosecution of responsible officers in accordance with Section 62(2) of the Public Audit Act, 2015 for failure to provide the documents to the auditors and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
4	<b>Unsupported Long Outstanding Imprests</b>	<ul style="list-style-type: none"> <li>Imprest register was not provided for audit review</li> </ul>	The County Executive has been making recoveries of the outstanding imprest	The Committee noted that the County entities had substantial	1. The Committee recommends that the	Within 60 days after adoption

	<p><b>and Advances Balance</b></p>	<ul style="list-style-type: none"> <li>• Unsurrendered imprest</li> <li>• Kshs.84,736,863 receivables from KRA and loss of cash which management confirmed that it is still in court has not been disclosed under annex 8 on contingent liabilities</li> </ul>	<p>with accumulated interest at Central Bank rates. As at the 19<sup>th</sup> day of March, 2025, the sum of Kshs. 4, 076, 507.25 had been surrendered and recovered. Kenya Revenue Authority Kshs. 41, 496, 123 were funds erroneously recovered by KRA due to accounting errors which occurred at a time of integration of withholding taxes in the IFMIS system and KRA system. Kilifi County Executive moved to Court for recovery of the full amount and the case is still ongoing. The Court scheduled the matter for mention on the <b>2<sup>nd</sup> day of April, 2025</b> to confirm settlement. Loss of Cash Kshs.43,240,740 lost through fraud in the</p>	<p>amounts of outstanding imprest by the close of financial year contrary to Regulations 93(5) of the Public Finance Management (County Government) Regulations, 2015 which requires a holder of a temporary imprest to account for the imprest within seven days after returning to duty station.</p>	<p>Accounting Officer(s) recover the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Government s) Regulation.</p> <p>2. The Committee further recommends the sanction and surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation</p>	<p>of the report.</p>
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			year 2016 and the County reported the matter to EACC and Anti Banking Fraud Unit. Investigations were commenced and the suspects taken to Court. The County filed recovery proceedings against all recipient companies and both matters concluded in Court and EACC is expected to make a follow up.		93(7) of the PFM (County Government ) Regulations, 2015.	
5	<b>Inaccuracies in Deposits and Retentions Balance</b>	The balance includes contractor's retention balance held in a local commercial bank of Kshs.22,900,728 whose corresponding cashbook had a balance of kshs.1,576,079 resulting to unexplained variance of Kshs.21,324,649	Bank Account Number 0028950001 held at Diamond Trust Bank Limited in the name of the County Government of Kilifi - Projects Retention Account was closed on the 2 <sup>nd</sup> day of August, 2024. The County Executive spent Kshs.105,398,506 in the financial year 2016/2017 from the Retention account to pay July 2016 salaries		The Committee recommends that; - 1.The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act,	Within 60 days after the adoption of the report.

			<p>caused by delay in release of funds from the national treasury. Kshs.84,073,857 repaid leaving a balance of Kshs.21,324,649 to repaid before the end of the financial year 2024/2025.</p>		<p>2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <ol style="list-style-type: none"> <li>1. The Institute of Certified Public Accountants of Kenya (ICPAK) takes action(s) against the responsible officer(s) for gross negligence in the conduct of professional duties which constitutes a professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531; and</li> <li>2. That the EACC undertakes an</li> </ol>	
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					Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B.	
6	<b>Inaccurate and unsupported pending bills balance</b>	<ul style="list-style-type: none"> <li>• Kshs. 5, 953, 300, 955 relates to pending accounts payables and Kshs.138, 039, 126 relates to pending staff payables. Kshs.4, 548, 562, 713 in respect of additions for the year. Invoices and payment demand notices not provided.</li> <li>• Kshs.1,879,424,619 accounts payables paid</li> </ul>	The unexplained variance of Kshs.13,166,678 was an arithmetic error in the computation of the balance carried forward in the financial year 2022-2023. No introduction of new creditors. The invoices and payment demand notices are available. The pending bill variance of Kshs. 908, 616, 218 between Note 3 to the financial statements and Annex	The Committee observed that- 1.The County Executive had not settled all its pending bills at the time of the audit; 2.Pending payables of Kshs. 5,953,300,955 and staff payables of Kshs. 138,039,126 lacked supporting documents, with a variance of Kshs.	The Committee recommends that: 10. all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and 11. that-	Continuous

		<p>during the year while Note 3 reflects payments in respect of other creditors totalling Kshs.988,217,122 resulting to a variance of Kshs.891,207,497 .</p> <ul style="list-style-type: none"> <li>• pending staff payables of Kshs.138,039,126 includes a brought forward Kshs.97,033,925 which was restated from Kshs.83,166,678 resulting to an unexplained variance of Kshs.13,166,678</li> </ul>	<p>2 to the financial statements are pending bills which were paid during the financial year 2023/2024 charged directly to their respective economic lines which they had been charged in the previous financial year.</p>	<p>891,207,497 in accounts payables. An unexplained variance of Kshs. 13,166,678 in staff payables violated Section 68(1)(a) of the Public Finance Management Act, 2012, requiring proper record-keeping.</p>	<p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management Act (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the</p>	
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					<p>subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into consideratio n the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</p> <p>iii. County Government s shall only pay pending Bills contained in their respective procurement plans pursuant to</p>	
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					<p>Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</p> <p>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</p> <p>v. County governments, in consultation with the Controller of Budget, to</p>	
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					<p>provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>vi. County government shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the</p>	
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					supplementa ry budgets.	
7	<b>Unsupporte d Payments on Emergency Relief and Refugee Assistance</b>	<ul style="list-style-type: none"> <li>• Kshs.44,639,728 on payments on emergency relief and refugee assistance made to four companies for supply and delivery of relief food.</li> <li>• No weighbridge reports and details of delivery vehicles from the central stores to the distribution points.</li> </ul>	Central Stores used to receive goods procured for emergencies and disaster affected-populations. The Department of Special Program ordered for several food items through LPOs.	The Committee observed that payments of Kshs. 44,639,728 for emergency relief food lacked weighbridge reports and delivery vehicle details, violating Section 68(1)(a) of the Public Finance Management Act, 2012, which requires proper documentation and accountability of public funds. 4o	The Committee recommends that; - 1.The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 3. The Institute of Certified Public Accountants of Kenya (ICPAK)	Within 60 days after the adoption of the report.

					<p>takes action(s) against the responsible officer(s) for gross negligence in the conduct of professional duties which constitutes a professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531; and</p> <p>4. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the</p>	
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					Public Audit Act, Cap.412B.	
8	<b>Unsupported payments on Construction and Civil works</b>	<ul style="list-style-type: none"> <li>• Kshs.33,754,633 incurred on construction of water works not supported by status report of the contracts prepared by Project Implementation Committee and submitted to the accounting officer.</li> <li>• Evidence of reporting the contracts awarded to Public Procurement Regulatory Authority not provided.</li> <li>• Taxes deducted but not remitted</li> <li>• Implementation of projects valued at Kshs.58,798,299 inconsistent with the Bills of Quantities.</li> </ul>	<p>The project implementation committee appointed and conducted project inspection and acceptance exercise on the projects. The inspection and acceptance reports submitted to the chief officer.</p> <p>The projects in question were low and medium valued projects with no complexity since some were completed in a month or less thus monthly reporting to the PPRA wasn't a necessity. Taxes were deducted upon the validation and IFMIS payment as per the attached payment copies. This projects was partly done as at the audit period and partly</p>	<p>The Committee observed that construction expenses of Kshs. 33,754,633 lacked status reports, Kshs. 58,798,299 in projects deviated from Bills of Quantities, contracts were not reported to the Public Procurement Regulatory Authority, and deducted taxes were not remitted, violating the Public Procurement and Asset Disposal Act, 2015, and the Tax Procedures Act, 2015.</p>	<p>The Committee recommends that; -</p> <p>1.The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>5. The Institute of Certified Public Accountants of Kenya (ICPAK) takes action(s)</p>	<p>Within 60 days after the adoption of the report.</p>



			<p>paid as per Payment Certificate Number 1. Upgrading of Mwavumbo Pump Station, project was partly paid the sum of Kshs.7,000,000 out of the Kshs 13, 483, 600 contract sum. Two (2) Pumps were installed but the station has Power fluctuation challenge thus the two pumps cannot operate at the same time. The project is now complete.</p> <p>The unpaid taxes included in the pending bill payable report FY 2024-2025.</p>		<p>against the responsible officer(s) for gross negligence in the conduct of professional duties which constitutes a professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531; and</p> <p>6. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the</p>	
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					Public Audit Act, Cap.412B.	
OTHER MATTERS						
9	<b>Budgetary Control and Performanc e</b>	The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.	The under-utilization was caused by Late approval of the FLLOCA grant by the Controller of Budget, DANIDA fund was approved but credited to the wrong special purpose account No. 1000268492 therefore necessitating for the funds to be returned to CRF for onward transmission to the right account. The under-funding of 29% was caused by Non-disbursement of June 2024 exchequer of Kshs.968,736,043 from National Treasury and Unreceived allocation for mineral royalties of Kshs.950,062,289 from National treasury, Unreceived WSDP grant Kshs.292,373,481	The Committee observed that; l) the county entities did not receive exchequer releases from the National Treasury on time. m) the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementati on in the affected county entities.	The Committee recommends that; - 4) The National Treasury should ensure timely release of funds to county governments in line with the cash disbursemen t schedules approved by the Senate. 5) the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue	Continuo us

			<p>from National Treasury, Unreceived Aggregate Industrial Park Kshs.100,000,000</p> <p>from National treasury, Unreceived Leasing of medical equipment of Kshs.124,723,404</p> <p>from National treasury and Unreceived Provision of fertilizer subsidy program in the sum of Kshs.134,390,478</p> <p>from National Treasury.</p>	<p>n) Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.</p>	<p>target and address revenue shortfalls.</p> <p>6) County Assemblies to exercise their powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.</p>	
10	<b>Unresolved Prior Year Matters</b>	Various prior year audit issues remained unresolved as at 30 June, 2024.	The County Executive has not received recommendations from Senate. We shall implement the recommendations immediately we receive the same from the Senate.	The committee observed that issues from previous financial years had not been resolved.	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the	Within 60 days after the adoption of the report

					Auditor General and submits a report to the Auditor General within 60 days of the adopting this report.	
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>						
11	<b>Non-Compliance with National cohesion and</b>	Total staff of Four thousand four hundred and nine (4,409) and three thousand four hundred and ninety-six (3,496) or 79% from the dominant community.	In the financial year (2024/2025), the Kilifi County Public Service Board appointed Seventy-Six (76) officers of whom Twenty-Nine (29), 38.1% were from communities that are non-dominant in Kilifi County	The Committee observed that; - 1) there was no ethnic diversity among the County Executive employees. 2) that due to the homogeneous ethnographic population in most counties, it may not be feasible for them to attain the threshold provided under Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public	The Committee recommends that- 3) The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County Government Act on ethnic inclusivity. 4) The Standing Committee on National Cohesion	Continuo us

				establishment shall have more than one-third of the staff from the same ethnic community.	and Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.	
12	<b>Non-Compliance with the One-Third Rule on Basic pay</b>	<ul style="list-style-type: none"> <li>various employees had deductions that were more than two thirds of their basic pay</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of housing levy</li> <li>Imprest recovery</li> <li>Interdiction</li> </ul>	The Committee observed that some of the county staff were earning less than a third of their basic pay contrary to Section 19 (3) of the Employment Act 2007.	The Committee recommends that; - 1.The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate on the issue as well as comply with the requirements of law;	Continuous

					<p>4. the county should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds; and</p> <p>5. The Auditor General should continue monitoring the issue in subsequent financial years.</p>	
13	<b>Irregular promotion of staff</b>	<ul style="list-style-type: none"> <li>Eighty-seven (87) staff members promoted were not included in the list of members of staff promoted or redesignated.</li> </ul>	The detailed response to the 87 staff observed by the auditor as per the auditor's appendix is provided in the table below as appendix 3.1 c			
14	<b>Irregular Retention of Employees Beyond Retirement Age</b>	<ul style="list-style-type: none"> <li>Twenty-six (26) employees above 60 years; 65 years for persons with disabilities were</li> </ul>	After staff retirement, their names still remain in the IPPD staff register for two to three months pending clearance. During this			

		still in the staff register	period, the staff do not earn any salary.			
15	<b>Irregular payment of training expenses</b>	<ul style="list-style-type: none"> <li>• Kshs.36,193,802 in respect of training expenses not supported with training needs assessment and training plan.</li> <li>• There was no evidence of approval of course by County public service board for officers</li> </ul>	<p>The reading of Section 16 of the Office of the County Attorney Act is with respect to engagement of consultant (legal) by departments or agencies i.e. Municipalities or CPSB or any other agency/entity, directly. The import of this provision is, these entities would want to use the private consultants (legal) and not the Legal Services Providers (Advocates) procured under the Office of the County Attorney. Management acknowledges the presence of two professional opinions dated 8<sup>th</sup> January 2021 and 24<sup>th</sup> June 2014. The legal professionals; advocates, should not</p>	<p>The Committee observed that training expenses of Kshs. 36,193,802 were incurred without a training needs assessment, training plan, or evidence of course approval by the County Public Service Board, violating Section 5(1) of the Public Service Commission Act, 2017, which requires merit-based training and development programs.</p>	<p>The Committee recommends the sanction and surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015.</p>	<p>Within 60 days after adoption of the report.</p>

			participate in any bidding process relating to public procurement for legal services as this is contrary to the Advocates Act and the Advocates (Remuneration) Order which standardized the fees payable and discourages soliciting or touting for legal services			
16	<b>Irregular procurement of works on Construction of Roads</b>	<ul style="list-style-type: none"> <li>• Kshs. 46, 428, 927 incurred in road grading and upgrading services where the signed contracts did not specify the procurement number</li> <li>• funds drawn from recurrent expenditure.</li> <li>• Road drawings issued during the procurement process were similar to those</li> </ul>	<ul style="list-style-type: none"> <li>• Shall in the future be specifying the procurement numbers in the signed contracts.</li> <li>• The funds used for these road works were drawn from the recurrent expenditure, the work is recurrent in nature under the Vote item 2220207 Maintenance of Roads, Ports and Jetties.</li> <li>• It is true that the road drawings</li> </ul>	The committee observed that Road works totaling Kshs. 46,428,927 lacked procurement numbers, Kshs. 171,474,043 lacked supporting documents, and Kshs. 182,069,861 in contracts had omitted Bill of Quantities items, violating the	The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties	Within 60 days after adoption of the report.



		<p>used in other road works projects.</p> <ul style="list-style-type: none"> <li>• Kshs.171,474,043 were not supported by filled certificate of measured works, site inspection minutes, instructions and detailed report by the inspection and acceptance committee.</li> <li>• Nine (9) road and bridge projects with a total contract sum of Kshs.182,069,861 revealed that items which were in the Bill of Quantities were omitted</li> </ul>	<p>issued during the procurement process for the nine (9) roads were similar to those used in other road works projects; tender documents have sample drawings which are standard as provided for by the Public Procurement Regulatory Authority.</p> <ul style="list-style-type: none"> <li>• All the road works were done in accordance with the Bills of Quantity. Some of the signages including the one on Chidongo, Mbungoni, Kwas Bengoja to Maereni, etc. were vandalized</li> </ul>	Public Procurement and Asset Disposal Act, 2015, which mandates transparency and proper documentation in procurement.	which constitutes a professional misconduct.	
17	<b>Irregular procurement of</b>	<ul style="list-style-type: none"> <li>• Kshs.6,503,243 was paid for consultancy</li> </ul>	<ul style="list-style-type: none"> <li>• The purpose of separating tender opening and</li> </ul>		The Kenya Institute of Supplies Management	Within 60 days after adoption

	<p><b>Consultancy Services</b></p>	<p>services to three (3) companies with all the tender opening committee members were involved in tender evaluation</p> <ul style="list-style-type: none"> <li>• payment vouchers and project file were not supported with an evaluation report. In addition, payment was not supported with work plan and project manager relevant experience</li> <li>• payment voucher and project file not supported with audited accounts for two (2) years as per the technical</li> </ul>	<p>evaluation committees in the manual procurement process was to ensure that no new tender documents will be introduced in the evaluation stage.</p> <ul style="list-style-type: none"> <li>• No tender opening committee is required IFMIS system; only have the tender scoring and unsealing stages.</li> <li>• The tender scoring is equivalent to the tender Evaluation and comes immediately after the tender closure. Unsealing which proceeds after scoring is not equivalent to tender opening. <ul style="list-style-type: none"> <li>• The provision of the audited financial account was not</li> </ul> </li> </ul>		<p>(KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>	<p>of the report.</p>
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		evaluation report	<p>a mandatory requirement but a technical requirement.</p> <ul style="list-style-type: none"> <li>• The work plan and project experience maintained in the procurement file.</li> </ul>			
17	<b>Irregular payments on procurement of Internet Services</b>	Kshs.6,461,245 on procurement of internet services whose contracts lack end date, failure to clarify who will act as the data controller and the data processor, failure to mention data security measures.	<ul style="list-style-type: none"> <li>• In agreement</li> <li>• We shall put in measures to comply with the provisions of Section 25 of the Data Protection Act, 2019.</li> <li>•</li> </ul>	The Committee observed that the management did not abide to the provision of Section 25 of the Data protection Act 2019.	The Committee recommends that; - 3. The EACC initiates an investigation with view of prosecuting the Head of Procurement for failing to comply with the various provisions of the Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of	Within 60 days after adoption of the report.

					<p>goods and services</p> <p>4. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>	
18	<b>Irregular payments to the Council of Governors</b>	Kshs.3,000,000 was paid to the Council of Governors.	This was an annual contribution and legal fees to the Council of governors.	The Committee noted that payments made to the Council of	The Committee recommends that the irregular payments to the	Immediate

				<p>Governors from County Revenue Funds were irregular and unlawful since the Intergovernmental Relations Act specifies that funding for the COG shall be drawn from the Consolidated Fund.</p>	<p>Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.</p>	
19	<p><b>Failure to Mobilize Resources for Construction of County Aggregation and</b></p>	<ul style="list-style-type: none"> <li>The County entered into a contract for the construction of County Aggregation</li> </ul>	<p>The County Executive allocated 50 million in the FY 2023/2024 and the National Treasury allocated 250 million in FY 2024/25. The balance of</p>		<p>1) The County Executive establishes a project management and monitoring System to help</p>	<p>Within 60 days after adoption of the report.</p>

	<b>Industrial Park</b>	<p>and Industrial Park with a contractor at a contract sum of Kshs.515,077,919; the National Government was to raise an amount of Kshs.250,000,000 and the County was to contribute an amount of Kshs.250,000,000 thus the source of the excess cost of Kshs.15,077,919 not be established.</p> <ul style="list-style-type: none"> <li>the site not secured with a gate and sign board had not been erected</li> </ul>	<p>215,077,919 will be provided for by the County Executive. The site is now secured with a gate and the sign board is available as per the photos</p>		<p>in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a</p>	
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					<p>budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
20	<b>Irregular Payments for construction of Mtwapa Law Courts</b>	<ul style="list-style-type: none"> <li>• The County Executive spent funds on a mandate that belongs to the National Government as outlined in the 4th Schedule of the Constitution</li> <li>• Agreement with the Judiciary on how the judiciary will provide judges,</li> </ul>	<ul style="list-style-type: none"> <li>• The Management acknowledges that Courts are classified as functions of the National Government under Part 1, Paragraph 8 of the Fourth Schedule of the Constitution</li> <li>• The promulgation of the</li> </ul>	The committee observed that the County Executive spent funds on a National Government mandate per the Fourth Schedule of the Constitution without an agreement with the Judiciary, violating Article 6(2).	<p>1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money</p>	Within 60 days after adoption of the report.

		Registrar and court clerks.	<p>Constitution of Kenya, 2010 paved the way for the devolution of government.</p> <ul style="list-style-type: none"> <li>• The National Council for Administration of Justice and the Council of Governors as established under Section 34 of the Judicial Service Act, 2011 and Section 19 of the Intergovernmental Relations Act, 2012 respectively on 10<sup>th</sup> March 2016 entered into a Memorandum of Understanding on Framework on the Administration</li> </ul>	40	<p>as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p>	
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			<p>of Justice within the Context of Devolution across Kenya.</p> <ul style="list-style-type: none"> <li>• To reduce travel time to Kilifi and Malindi courts</li> <li>• Minutes of CUC Meeting held on 30<sup>th</sup> October, 2020, Minutes of CUC Meeting held on 22<sup>nd</sup> February, 2022 and Judiciary Internal Memo dated 5<sup>th</sup> July 2023 from Chief Registrar of Judiciary to All Head of Stations and All Court Administrators on Transitioning of County Court Cases to the Judiciary</li> </ul>		<p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
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			and Registration of the Cases on the Case Tracking System (CTS) to demonstrate the proof to justify the new court premises and evidence of agreement with the Judiciary on how Judiciary will provide Judges, Registrar and Court Clerks availed			
21	<b>Failure to fully implement County Integrated Hospital Management Information System</b>	<ul style="list-style-type: none"> <li>• Kshs.31,644,827 paid to a supplier for supply, delivery, training and commissioning of County Integrated Hospital Management Information System. The system has five</li> </ul>	<ul style="list-style-type: none"> <li>• Inpatient and financial modules are implemented.</li> <li>• scaling up and utilization of these modules to all service delivery points has not been completed due to inadequate computer hardware.</li> </ul>	The Committee observed that payment of Kshs. 31,644,827 for the County Integrated Hospital Management Information System was made despite the non-implementation of inpatient and	1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well	Within 60 days after adoption of the report.

		<p>(5) Modules; the inpatient and financial modules have not been implemented.</p> <ul style="list-style-type: none"> <li>• Service level agreement and handing over report were not Provided.</li> </ul>	<ul style="list-style-type: none"> <li>• The handing over report is not yet ready since the handing over has not yet been done because the software is under six (6) months for monitoring and observation before handing over.</li> </ul>	<p>financial modules, and the lack of a service level agreement and handing-over report, violating Section 68(1)(a) of the Public Finance Management Act, 2012, which requires accountability and proper documentation of public funds.</p>	<p>as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days</p>	
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					<p>of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
22	<p><b>Irregular Advance payment for supply and delivery of computed Tomography (CT) scan machine</b></p>	<ul style="list-style-type: none"> <li>• Kshs.75,920,000 for supply and delivery of CT scan machine</li> <li>• The contract amount was paid in full on 30 June, 2024 as advance payment exceeding twenty percent (20%) of the price of the tender.</li> </ul>	<ul style="list-style-type: none"> <li>• The Department of Health and Sanitation Services conducted a survey and after several engagements and consultations found out that Siemens Healthneers AG in Germany was the best option in the market to provide this particular standard of equipment.</li> </ul>	<p>The Committee observed that the full contract amount of Kshs. 75,920,000 for a CT scan machine was paid as an advance payment exceeding 20% of the tender price, violating Section 147(1) of the Public Procurement and Asset Disposal Act, 2015, which limits advance payments to 20%.</p>	<p>1. The EACC initiates an investigation with view of prosecuting the Head of Procurement for failing to comply with the various provisions of the Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of goods and services amounting to</p>	<p>Within 60 days after adoption of the report.</p>

			<ul style="list-style-type: none"> <li>• Procurement done through their licensed dealer in Kenya Elsmmed Kenya Ltd</li> <li>• Dealer insisted on payment of 100%</li> <li>• The CT Scan Machine was delivered in the county on 3<sup>rd</sup> January 2025 and has since been Installed; commissioned the CT Scan Machine on the 6<sup>th</sup> day of March 2025. The Machine is now full operational and in use.</li> </ul>		<p>Kshs. 10,553,811</p> <p>2. The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>	
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23	un utilized incinerator and X-ray machine	<ul style="list-style-type: none"> <li>• Kshs.33,499,810 paid to supplier for supply and delivery of incinerator, the incinerator was delivered on 5 March, 2024 but had not been put into use in October, 2024.</li> <li>• Kshs.14,499,630 was paid for supply and delivery of digital x-ray machine, delivered on 22 February, 2024 but in use in October, 2024</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Dormant Incinerator:</b> The housing of the machine is dependent on the type of the machine. Machine procured before the designs and BQs were developed.</li> <li>• The incinerator house is presently 95% complete.</li> <li>• <b>Digital X-Ray Machine:</b> the delay in utilization of the Digital X-ray machine was occasioned by procurement and delivery of imaging machines happened at different times in the procurement process. The</li> </ul>	The Committee observed that payments totaling Kshs. 47,999,440 were made for an incinerator and a digital X-ray machine, but both remained unused months after delivery, violating Section 68(1)(a) of the Public Finance Management Act, 2012, which requires efficient use of public resources.	1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;	Within 60 days after adoption of the report.
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			<p>delivery and installation of the CT scan took a bit of time and delayed the entire process. The Radio-Diagnostic Centre is fully equipped and operational.</p>		<p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
24	<b>Irregular Payments on Other Transfers, Grants and Subsidies</b>	<ul style="list-style-type: none"> <li>• Kshs.18,344,184 made to various companies and individuals in respect of suppliers for Sub County</li> </ul>	There was an error that occurred during the uploading of the budget to the various budget vote book lines which resulted in a shift of funds allocated for the Purchase of	The Committee observed that payments of Kshs. 18,344,184 for Sub County Level IV Hospitals equipment were	The Committee recommends that The County Executive should ensure that all payments are correctly charged to their respective	Within 60 days after adoption of the report.

		<p>Level IV Hospitals equipment.</p> <ul style="list-style-type: none"> <li>The payments were wrongly charged to other grants and transfers</li> </ul>	<p>Medical Equipment into Other Current Transfers, Grants and Subsidies. This necessitated the charging of the same under the vote of other current transfers worth Kshs 7, 668, 371.25 for the purposes of Purchase of Medical Equipment.</p>	<p>wrongly charged to other grants and transfers, violating Section 40(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires accurate budget classification.</p>	<p>budget votes in compliance with Section 40(1) of the Public Finance Management (County Governments) Regulations, 2015, which mandates proper budget classification. Additionally, financial controls should be strengthened to prevent misallocation of funds, and all expenditures should align with approved budget estimates to enhance accountability and transparency.</p>	
25	<b>Unserviceable Motor vehicles and Equipment</b>	<ul style="list-style-type: none"> <li>seven hundred and fifty-eight (758) motor vehicles but one hundred and sixty-four (164) were grounded</li> </ul>	<p>As at the time of audit, the disposal plan had not been prepared because the devolved motor vehicles and machinery had not been verified and</p>		<p>1) The EACC initiates an investigation with view of prosecuting the Head of Procurement for</p>	<p>Within 60 days after adoption of the report.</p>



		and unserviceable. Management did not provide the Annual Disposal Plan.	valued by the Intergovernmental Relations Technical Committee (IGRTC). Copies of ownership documents (log books) were handed over to the County Government of Kilifi by the Intergovernmental Relations Technical Committee (IGRTC) on the 8 <sup>th</sup> day May 2024.		<p>failing to comply with the various provisions of the Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of goods and services amounting to Kshs. 10,553,811</p> <p>2) The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management</p>	
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					Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.	
26	<b>Irregular payments on Office Furniture and General Equipment</b>	<ul style="list-style-type: none"> <li>• Kshs.634, 685 relates to purchase of office furniture.</li> <li>• fifty-five (55') inch TV valued at Kshs.151,450 was not functional, eight (8) office chairs and four (4) desks had not been issued while two (2) chairs and office desks were not verified and the assets were not recorded in the assets register.</li> </ul>	<ul style="list-style-type: none"> <li>• The 55'' inch TV was functional, only that the power cable was faulty.</li> <li>• Office of the Governor was under renovation, the chairs and the office desks could not be issued to the particular officers. The 2 chairs and the 2 office desks which had not been verified at the time of audit had been</li> </ul>		1) The EACC initiates an investigation with view of prosecuting the Head of Procurement for failing to comply with the various provisions of the Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of goods and services amounting to	Within 60 days after the adoption of the report.

			<p>issued to the communication office to be used by the secretaries to the chief officer.</p> <ul style="list-style-type: none"> <li>Furniture had been recorded in the asset register</li> </ul>		<p>Kshs. 10,553,811</p> <p>2) The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>	
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
27	FAILURE TO ACT ON INTERNAL	<ul style="list-style-type: none"> <li>No responses and action plans from</li> </ul>	Agrees with the observation	The Committee observed that accounting	The Committee recommends that the County	Within 60 days after adoption

	AUDIT REPORTS	<p>accounting officers to prove that recommendations had been implemented</p> <ul style="list-style-type: none"> <li>• Several departments did not respond to issues raised by Internal Audit Unit</li> <li>• Only two meetings by the inter</li> </ul>	<p>Going forward, the County Executive will ensure that all departments have come up with a plan of how they will fully implement the recommendations. Members were appointed in May 2024 and inducted into office in July 2024, indicating that the committee would be operational by the beginning of the financial year 2024/2025.</p>	<p>officers did not provide responses or action plans on recommendation implementation, several departments failed to address internal audit issues, and only two meetings were held, violating Section 155(2) of the Public Finance Management Act, 2012, which mandates timely audit follow-ups.</p>	<p>Executive should ensure timely responses and action plans for audit recommendations, with departments addressing internal audit issues as required by Section 155(2) of the Public Finance Management Act, 2012, to enhance accountability and compliance.</p>	<p>of the report.</p>
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF TANA RIVER COUNTY EXECUTIVE  
FOR THE FINANCIAL YEAR 2023/2024.**

**Basis for Qualified Opinion**

No	Audit Query	Audit Findings	Management Response	Committee Observations	Committee Recommendations	Timeline
1	<b>Variance between Financial Statements and IFMIS</b>	-Financial Statements and IFMIS amounts do not agree -Nature of errors, amounts corrected and restatements made have not been disclosed or supported by Journal vouchers	<ul style="list-style-type: none"> <li>The variance is largely occasioned by the expenditures that are classified as ‘Other Payments’ which relate to pending bills. On the Financial Statement, expenditure on pending bills is distributed to the specific expenditure category, which in this case is largely ‘Acquisition of Assets’</li> </ul>	No Journal vouchers and approvals for correcting errors provided	4. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the	60 Days from the date of adoption of this report.

2	<b>Inaccuracies in the Financial Statements</b>	<p>-Financial statement reflect several amounts that are inconsistent with recomputed amounts</p> <p>-Note 20 reflect Pending bills balance carried forward of Kshs.4,152,618,916</p>	<ul style="list-style-type: none"> <li>The Budget for the FY 2023/24 was Kshs.6,706,881,710 (excluding bal b/f from the FY 2022/23 of Kshs.1,119,178,403). Out of this amount, the County Executive spent Kshs.6,402,768,835 as per the audited financial statements. As such, the County spent within the approved budget.</li> <li>In the financial statements, the analysis of pending bills was provided as an annex. The same is hereby availed for audit review.</li> </ul>	Summary of Approved Budget and Analysis of pending bills schedule not provided	<p>Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>5. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p>	
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3	<b>Inaccurate Compensation of Employees</b>	<p>-Financial statement reflect Compensation of employees expenditure of Kshs.1,945,696,586 against payroll amount of Kshs.1,907,249,206 resulting to unreconciled variance of Kshs.38,447,380</p>	<ul style="list-style-type: none"> <li>• Compensation of employees of amount Kshs.1,945,696,586 comprised of Gross pay from employees, Employer Pension Contributions, Employer NSSF Contributions, Employer Housing Levy Contributions, casual employees, airtime and other salary related cost.</li> <li>- Gross pay from employees, Employer Pension Contributions, Employer NSSF Contributions, Employer Housing Levy Contributions amounted to Kshs.1,907,249,206</li> <li>- The variance between the compensation of employees (Kshs.1,945,696,586) and the Gross Pay (Kshs.1,907,249,206) is Kshs.38,447,380. This variance comprised of casual employees, airtime and other salary related cost</li> </ul>	Causal employee payroll and public service Board approvals not provided.		
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4	<b>Unaccounted for Fuel, Oil and Lubricants</b>	<ul style="list-style-type: none"> <li>Fuel, oil and lubricants expenditure of Kshs.29,500,000 not supported by motor vehicle work tickets, list of authorized vehicles, bulk fuel register, detailed orders and vendor statements</li> </ul>	<ul style="list-style-type: none"> <li>The management has noted the auditor's observation on the above subject matter and attributes the lack of support for expenditure on fuel, oil and lubricants to the delay in mobilizing the documents from the various county departments within the timelines provided during the audit.</li> </ul>	Work tickets not availed List of authorized vehicles Fuel register and detail of orders is not provided		
7	<b>Undisclosed Bank Balances</b>	<p>The Bank Balance of Kshs.105,513,302 excludes balances held in thirty-one (31) bank accounts which have not been disclosed.</p> <p>The bank account for Galole Farmers Training Center reflect a negative balance amounting to Kshs. (4,420).</p>	<ul style="list-style-type: none"> <li>The undisclosed bank accounts relate to bank accounts for self-reporting entities like County public funds and dispensaries.</li> <li>The negative balance in the Galole Farmers Training Centre was brought about by bank charges applied on the account. To remedy this, the County Treasury wrote to the bank to request that the account should be classified as government accounts</li> </ul>	Details of Bank Accounts for the said entities are not provided	1. The Office of the Auditor General conducts a special inquiry on all bank accounts belonging to the county government, to confirm all statuses of the accounts relating to deposits and withdrawals and report to	60 days from the date of adoption of this report.

			which does not attract bank charges.		the Committee within 60 days of the adoption of this report.	
<b>8</b>	<b>Unsupported Deposits and Retentions Balance</b>	Deposits and retentions balance of Kshs.55,705,587 whose movement schedule showing opening balance, additions and payments in the year to arrive at the closing balance was not provided.	This was occasioned by competing demands on the responsible officer during the audit. The movement schedule is hereby availed for audit	Support schedule availed has no details of the suppliers paid and contract details	2. The Office of the County Governor undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012;	
<b>9</b>	<b>Unsupported Pending Bills</b>	<ul style="list-style-type: none"> <li>The detailed schedule relating to pending bills of Kshs.4,152,618,916 was not provided.</li> </ul>	<ul style="list-style-type: none"> <li>A detailed pending bills schedule amounting to Kshs.4,152,618,916</li> </ul>	Schedule supporting the variance amount has not been provided	The Committee recommends that: 1. all County Governments pay verified pending bills	60 Days from adoption of this report.

		<ul style="list-style-type: none"> <li>Unreconciled variance of Kshs.544,746,327 could not be confirmed.</li> </ul>	is availed for review.		amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and	
<b>3.1</b>	<b>Failure to Pay Pending Bills as First Charge</b>	Kshs.4,128,424,305 did not form a first charge on the County Revenue Fund.	<p>The amount of pending bills (both the Kshs. 4,128,424,305 in respect of balance brought forward and Kshs. 3,760,704,212 as at 30 June, 2024) includes a Kshs. 1.6 billion of ineligible pending bills for the FYs 2018/19 and 2019/20 which have been committed to the Ineligible Pending Bills Verification Committee.</p> <p>In the FY 2023/24, the County utilized all the budgetary provision to settle the eligible pending bills (for FYs 2018/19 and 2019/20) and for later years based on the assessment of need to secure the realization of</p>		<p>2. that-</p> <p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;</p> <p>ii. the Controller of Budget takes into</p>	

			<p>planned results or critical services. In the FY 2023/24 and in subsequent years, the County has maintained a pending bills payment plan.</p>		<p>consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases; iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations; iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates; v. County governments, in</p>	
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					<p>consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</p> <p>vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.</p>	
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>						
<b>1.1</b>	<b>Irregular Payments of Hospitality Expenses</b>	<ul style="list-style-type: none"> <li>Kshs.3,850,000 made to Jumuiya Ya Pwani Economic block not supported by any law or policy guidelines</li> </ul>	The Constitution of Kenya (2010); the IGRTC and the Intergovernmental Relations Act 2012, Section 6(3) of the County Government Act 2012 provides:	Supporting documents not included in annex provided	1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide	60 Days from the date of adoption of this report

		<ul style="list-style-type: none"> <li>Seminars of Kshs.6,827,435 not supported by program event or timetable</li> </ul>	A county government may enter into partnerships with any public or private organization in accordance with the provisions of any law relating to public or private partnerships for any work, service or function for which it is responsible within its area of jurisdiction.”support documents for payments are availed.		<p>documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p>	
1.2	<b>Irregular Procurement of</b>	Unsupported purchase of non-pharmaceuticals from	Supply of non-pharmaceutical items does not require registration	Supporting documents availed	1. The Office of the County Governor undertakes	60 Days from the date of

	<b>Non-Pharmaceuticals</b>	suppliers not registered with Medical and Pharmacy Board of Kshs.26,204,500	<p>with the Kenya Medical and Pharmacies. Dentists Council. For the supply of pharmaceutical items (drugs), the County Government contracted KEMSA and Bibo Pharmaceutical Limited, all that are registered with Medical and Pharmacy Board.</p> <p>The agreement was for one (1) year and ran from 15th Nov 2023 to 15th November 2024. This procurement was done within the duration of the framework agreement. Market survey for prices to ensure the terms designated in the framework agreement remain competitive</p> <p>Professional opinion was dated 30th October 2023</p> <p>The LPO for non-pharmaceuticals worth Kshs 3,973,005 was issued to Spindle Kenya Limited on 07th February 2024. Subsequently, the</p>	Authenticity to be verified	<p>administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Kenya Institute of Supplies Management (KISM) takes action(s) against the responsible procurement officer (s) pursuant to</p>	adoption of this report
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			goods were received on 19th February 2024.		Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct; 3. The Office of the Auditor General to keep the matter in view in the subsequent audit cycle.	
<b>1.3</b>	<b>Poor Management and Storage of Drugs</b>	<ul style="list-style-type: none"> <li>- Expired drugs of unknown value were yet to be disposed.</li> <li>- The health facility (Holo level four hosp) lacked an electronic system, processes, and procedures for maintaining drug inventories.</li> </ul>	The installation of an incinerator is completed and disposal of waste is ongoing, the County plans to purchase a medical waste management truck. Deployment of a Store Manager who is responsible for maintaining updated stores records to facilitate tracking, movement and	Budget and Bin cards availed are for 2024/2025 financial year	The County Executive should ensure that the hospital's drug management system be automated with controls that restrict drug expiration dates to those exceeding one year, thereby minimizing losses	60 Days from the date of adoption of this report



			monitoring of drug conditions. Procurement of an electronic Health Management Information System. Included in the system is a module on inventory management.			
1.4	<b>Irregular Procurement of Animal Vaccines and Drugs</b>	<ul style="list-style-type: none"> <li>- Purchase of animal vaccines and drugs of Kshs. 5,898,187 by the department of livestock from a supplier not registered with the Kenya Veterinary Vaccines Production Institute.</li> <li>- Deliveries were made after the Local Purchase Order validity period of thirty (30) days had lapsed and, in some instances, Local Purchase Orders were raised way after the goods were supplied.</li> </ul>	<p>KEVEVAPI operates through a network of authorized agents and direct sales, rather than a formal membership structure.</p> <p>To ensure the quality and legitimacy of the procured vaccines, we rigorously verified the supplier's partnerships with licensed professional partners. These partners are duly registered with the Kenya Veterinary Board and hold valid licenses to handle and distribute veterinary pharmaceuticals, in accordance with the Veterinary Medicines Directorate Regulations of 2015.</p> <p>This demonstrates that, while the supplier may not</p>	Suppliers did not meet the set criteria hence there was irregularity in the procurement process	1. The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the	60 Days from the date of adoption of this report

			<p>have direct KEVEVAPI membership, they operate within a legitimate and regulated supply chain, ensuring the quality and safety of the vaccines.</p> <p>All LPOs were generated and approved prior to the delivery of the vaccines and drugs</p>		<p>adoption of this report;</p> <p>2. The Kenya Institute of Supplies Management (KISM) takes action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct;</p> <p>3. The Office of the Auditor General to keep the matter in view in the subsequent audit cycle.</p>	
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<b>1.5</b>	<b>Unsupported and Irregular Payments on Domestic Travel and Subsistence</b>	<ul style="list-style-type: none"> <li>- Payment schedules, motor vehicle work tickets or bus tickets or boarding pass, attendance registers, reports of the meetings and the purpose of the travel were not provided at the time of audit.</li> </ul>	The support documents have been availed	Key documents were not provided during the audit.	<p>1. The Committee recommends that the Accounting Officer(s) recover the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation.</p> <p>2. The Committee further recommends the sanction and surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government)</p>	60 Days from the date of adoption of this report
<b>1.6</b>	<b>Irregular Payment of Overseas Meeting Allowances</b>	<ul style="list-style-type: none"> <li>- Support documents- invitation letters to participants, back-to-office report documenting the outcome of the mission, lessons learned and experience gained by participants in regard to foreign travel and subsistence expenses were not provided.</li> <li>- No justification was provided for holding a local economic block</li> </ul>	<p>Invitation letters and back-to-office reports are hereby availed for your review</p> <p>The Trade Investment and Education Exchange Mission is a vehicle to the actualisation of PPP arrangements as a bloc for the assurance of a collective responsibility and approach in investment promotion, research and skills development under Education, Employment creation and Investor onboarding for the Coast Region Counties. (refer to TIEEMS Concept Note).</p>	The indicated annex does not have the supporting documents		

		event outside the country.			Regulations, 2015.	
<b>1.7</b>	<b>Advance Payment of Insurance Expenses</b>	<p>Lack of utilization monitoring mechanism for staff medical insurance of Kshs.170,895,999.</p> <p>Unsupported insurance expenditure relating to motor vehicle insurance of Kshs.10,900,000.</p> <p>Unsupported National Health Insurance Fund to provide social health cover for the elderly and people leaving with</p>	<p>Staff Medical Insurance The Directorate of Human Resource Management and Development is in communication with the insurer on the utilization of the cover.</p> <p>Motor Vehicle Insurance The list of vehicles to be insured, the valuation report, premium per vehicle and the insurance policy document is hereby provided for audit review.</p> <p>NHIF Documents to support the payment to NHIF to provide social health cover for the elderly and PWDs are hereby availed for review</p>	Supporting documents not provided during the audit period.	<p>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified</p>	60 Days from the date of adoption of this report

					<p>Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B.</p>	
<b>2.0</b> <b>2.1</b>	<b>Proposed Construction of</b>	-Contract sum of Kshs.489,899,000 of	The MoU was signed at the Council of Governors	Mou on CAIP, Allotment letter	1) The County Executive	60 Days from the

	<p><b>Tana River Aggregation and Industrial Park in Chifiri.</b></p>	<p>which fifty percent (50%) co-funding by eNational and county Government.</p> <ul style="list-style-type: none"> <li>- MOU between the two (2) levels of government was not provided</li> <li>- Land acreage required ten (10) hectares, however no title provided.</li> <li>-Tender requirements amended from NCA 2 to NCA4 without authorization.</li> <li>- environmental impact assessment and approved drawings not provided and the project implementation committee was not yet to be constituted.</li> <li>-Winning bidder was a Clearing and Forwarding company that may not have the technical expertise to undertake the Construction.</li> </ul>	<p>level,attached the agreement for your review.</p> <p>The industrial park does not have a title deed, we do possess an allotment letter and the Part Development Plan (PDP) which provide 60.75Ha of land. The County continues to coordinate with the Ministry of Trade and Industry and within the County Government to address the remaining requirements</p> <p>The lowest evaluated bidder did not meet all the conditions set out in the technical evaluation and therefore his bid was not considered at the financial evaluation stage.</p> <p>The Environmental and Social Impact Assessment study was carried out. The CAIP Project Implementation Committee was duly constituted.</p> <p>Capricorn Freight Forwarders Limited is</p>	<p>and part Development plan, ESIA and NEMA report not included in the annex presented</p>	<p>establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise</p>	<p>date of adoption of this report</p>
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			registered with the National Construction Authority (NCA) as a Building Works Contractor under NCA category 2		completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;	
2.2	<b>Delayed Completion of County Headquarter</b>	<p>-Contract cost Kshs.495,268, 750 with commencement date of 18 June,2019 for a period of 75weeks.</p> <p>- County Government has accumulatively paid Kshs.152,541,605 whereas National Govt has paid Kshs.117,312,669 - Accumulated payments of Kshs.269,854,275 differ with recomputed amount of Kshs.377,132,976 resulting to unreconciled variance Kshs.118,135,774.</p>	<p>- Contract sum of Kshs.495,268,750 is to be financed on a 70:30 basis between the National Government and the County Government (Kshs. 348,688,125.00 and Kshs. 148,580,625.00 respectively).</p> <p>-County Government, has paid Kshs. 152,541,605 out of which retention of Kshs.10,301,473.20 is maintained in a deposit account. The excess payment of Kshs. 3,960,980 will be recovered from the retention amount during the final summary statement.</p> <p>- Project status report of 16th October 2023, reflect Kshs.346,688,125 of which Kshs. 117,216,070.32 has been</p>	Implementation status report not provided	<p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	

			<p>paid and a balance of Kshs. 229,375,455.29 remains unfunded.</p> <p>-the County Government opened a Special Purpose Account and captured the Kshs. 95,045,250 expected from the National Government.</p>			
2.3	<b>Delayed Construction of the Deputy Governor Residence</b>	<p>-Deputy Governor house contract Kshs.39, 836,215 of which Kshs.25,489,597 was paid in the year.</p> <p>- project extended without recommendation of the evaluation committee.</p> <p>-land ownership documents,project implementation status report, all certificates and payments processed not provided.</p> <p>-Physical verification established that the contractor was not on site.</p>	<p>-land owned by the County Government (specifically Office of the Governor).</p> <p>-The project implementation status report, practical completion and payment certificate are hereby availed for audit review.</p> <p>-contractor has since resumed works on the site. This is after the lapse of 21 days for slab curing. According to an inspection done on 13th March, 2025, the project is 60% complete.</p>	Physical verification established that the contractor was not on site		



<b>2.4</b>	<b>Construction of Madogo Water Supply Improvement Works</b>	Kshs.29,226,210 incurred out of a contract sum of Kshs.34,300,000 -completion date extended to 26 August 2024 but works incomplete	No response from the Management	
<b>2.5</b>	<b>Construction of Kamudhe-Dukanotu Cluster Water Project</b>	Kshs.9,675,600 incurred on project out of a contract sum of Kshs.10,000,000. -contract extended to 26 august 2024 but remained incomplete.	The project was completed within the extension after the original work plan and what had not been done during the time of audit was the commissioning and handing over the project to Tana Water and Sanitation company for operations and management. The project has since been opened to the public and is really changing lives.	Completion certificate not provided during the audit review
<b>2.6</b>	<b>Rehabilitation of B89-Sera Road in Garsen North Ward</b>	- Kshs.17,209,040 incurred on rehabilitation works. - Contract signed before lapse of 14	The project was procured using the IFMIS e-procurement platform as evidently on the advert attached. As such, there is minimal risk, if any, of manipulating the tender	Management did not provide the details of the project implementation team, contract value, payments

		<p>mandatory days after award.</p> <ul style="list-style-type: none"> <li>- Bills of quantity and status report not provided</li> <li>- Performance security not provided by contractor.</li> </ul>	<p>opening process unlike the manual process - the system automatically locks out any bid submission once the tender closes. This notwithstanding, going forward we will ensure that all pages of the opening minutes shall be initialized</p> <p>Evaluation of the tender took place on the IFMIS e-procurement platform and ended on 20th March,2024 and on the same date, the professional opinion was issued. Consequently, the letter to notify the successful bidder and the unsuccessful bidders were issued on the same day.</p> <p>M/s Grasma Limited submitted acceptance letter on 22nd March, 2024 and performance bond on 11th April which were requirements for contract agreement. The agreements were signed on 18th April,2024.</p>	<p>to date and current status report of the project.</p>		
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			<p>The contract period for the projects is 3 months as indicated in the contract agreement and communicated in the commencement letter and the project signboard erected at site</p> <p>The inspection and acceptance certificate, tender documents with the bills of quantities and the project implementation status report are hereby availed for audit review</p>	
2.7	<b>Rehabilitation of JCT B89-Makere Road at Kinakomba Ward</b>	<p>-Contract sum Kshs.14,573,196 of which Kshs.7,085,253 was incurred.</p> <p>-contract signed before lapse of 14 days period after award</p> <p>-Project completion date not indicated</p> <p>-Status report, bills of quantity and performance security not provided.</p>	<p>The project was procured using the IFMIS e-procurement platform as evidently on the advert attached. As such, there is minimal risk, if any, of manipulating the tender opening process unlike the manual process - the system automatically locks out any bid submission once the tender closes. This notwithstanding, going forward we will ensure that all pages of the</p>	<p>Management did not provide the details of the project implementation team, contract value, payments to date and current status report of the project.</p>

			<p>opening minutes shall be initialized</p> <p>Evaluation of the tender took place on the IFMIS e-procurement platform and ended on 20th March,2024 and on the same date, the professional opinion was issued. Consequently, the letter to notify the successful bidder and the unsuccessful bidders were issued on the same day.</p> <p>The winning bidder, Ms. Joyeln, wrote back on 21st March, 2024 to accept the offer and the contract was signed on 18th April, 2024, outside the window of 14 days</p> <p>The contract period for the projects is 3 months as indicated in the contract agreement and communicated in the commencement letter and the project signboard erected at site</p> <p>The inspection and acceptance certificate, tender documents with the</p>		
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			bills of quantities and the project implementation status report are hereby availed for audit review	
<b>2.8</b>	<b>Uninstalled Equipment</b>	Equipment's valued at Kshs.73,376,300 were still in boxes awaiting construction of building and therefore not use.	Some of the equipment was to be distributed to the sub-county hospitals and some to be retained at the Hola County Referral Hospital. There was a delay in readying the health facilities to receive the equipment. However, the equipment has now been distributed to the health facilities	The Management did not provide a list of all equipment's valued at Kshs.73,376,300 and their serial number, make, model, quantity, cost and location of use to facilitate
<b>2.9</b>	<b>Supply, Installation and Testing of Solar Street Lights in Hola Town</b>	<ul style="list-style-type: none"> <li>-Kshs.9,978,879 incurred.</li> <li>-inadequate quantities installed.</li> <li>-provisional sum of Kshs.500,000 utilized without approval from the Accounting Officer.</li> <li>-4G surveillance cameras installed relied on network connectivity without</li> </ul>	The number of street lights that were installed were based on the assessment report from the engineers. The 500,000 provisional sums had a breakdown of 400,0000 project management fees (which was accounted for through the signed payment schedules by the technical team in their site visits during project implementation). The	Management did not provide assessment report and the breakdown of the provisional sum was not included in the annex provided

		formal contracts with service providers. -	100,000 was for contingencies The smartphone supplied and delivered was a 4G-compatible device which meets the requirements for hosting and operation of the surveillance system as required			
<b>2.10</b>	<b>Stalled Construction of Early Child Development Centre at Chamwanamuma at Kipini West Ward</b>	-Contract sum Kshs.4,099,125 of which Kshs.1,682,696 was incurred in the year. -Project status report, works certified, certificates issued and paid not provided for audit. -No extension authority	The project file with all relevant documents for the construction of Chamwanamuma ECD centre in Kipini by Chakuadhima Youth Co. Ltd is hereby availed for audit review	Project implementation report and payment certificates not provided during the audit period		
<b>2.11</b>	<b>Delayed Provision of Consultancy Services</b>	Contract sum Kshs.33,999,300 of which Kshs.26,500,000 incurred during the year. -No practice certificate for the surveyor and evidence of ten year experience	The lead consultant employed by Obbe Construction and General Distributors K. Limited, who was responsible for the survey work, holds a valid practicing certificate from the Land Surveyors Board	the consultancy report was not provided for audit and there was no evidence that the service provider was a licensed land surveyor with a valid practicing	4) The EACC initiates an investigation with view of prosecuting the Head of Procurement for failing to comply with the various provisions of the	60 Days from the date of adoption of this report

		<p>-Lack of clear terms of reference</p>	<p>The lead consultant has extensive experience in land surveying and boundary registration, exceeding the ten-year experience requirement. While the company itself may not have a ten-year history in land surveying, the individual qualifications of the lead consultant, who brought this experience to the firm, were considered during the evaluation process. We recognize the importance of fully aligning the service provider's experience with the evaluation criteria and will ensure more comprehensive verification of both company and individual qualifications in future procurements. We acknowledge the failure to prepare formal Terms of Reference (ToR) in the procurement documentation. This was an oversight, and we</p>	<p>certificate from the Kenya Land Surveyors Board, which was one of the evaluation criteria. Further, the service provider did not demonstrate the required ten-year experience in similar work, as stipulated by the tender evaluation criteria</p>	<p>Public Procurement and Asset Disposal Act, 2015 that led to irregular procurement of goods and services</p> <p>5) The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.</p>	
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			<p>accept the responsibility for not providing a comprehensive ToR during the tendering process. However, the work was successfully completed according to the scope of the consultancy. We have attached the finalized report and the work plan and the ToR that was followed during the execution of the project, which reflects the milestones and activities carried out during the consultancy.</p> <p>In the future, we will ensure that a detailed ToR is attached during the tendering process, clearly outlining performance benchmarks and timelines, as required by the Public Procurement and Asset Disposal Act, 2015.</p> <p>Use of Private Consultancy Firms Instead of County Staff</p> <p>While the department's staff may have had the</p>			
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			potential to undertake the work, the decision to contract a private firm was based on the need for specialized equipment, technical expertise, and capacity that the department staff currently lacks. The work required specialized land surveying skills and equipment that were not available within the department. The contract ensured that the work was completed efficiently and within the necessary time frame.			
<b>2.12</b>	<b>Procurement of Consultancy Services</b>	-Kshs.10,300,000 incurred consultancy services for preparation of land use advisory. -No final report and TORs	-Report prepared but was unfortunately not submitted at the time of the audit. - payment made based on the milestones achieved and the contract terms, which included the submission of interim reports and deliverables.. Regarding the absence of Terms of Reference (ToR) outlining performance benchmarks, milestones,	At the time of audit, the survey remained uncompleted.		

			activities, and timelines for the consultancy services, we acknowledge that this documentation was not initially included. However, the ToR was internally developed and verbally communicated to the consultants at the time of engagement.			
<b>2.13</b>	<b>Nugatory Expenditure</b>	tax arrears payments of Kshs.176,312,28 could have been avoided.	The arrears are as a result of a reconciliation exercise for unpaid tax obligations for the period 2018 – 2022. At the end of the exercise, the County committed to a payment plan in which Kshs. 176,312,278 was to be paid in the FY 2023/24. This amount consists of principal tax and the County obtained an amnesty (a waiver of interest and penalties).	The Management did not provide details of assessment from KRA and payments schedule to-date for confirmation and follow up	The Committee recommends that the County Executive make budget provisions to clear the outstanding payments and submit a status to the Auditor General within sixty days from the adoption of this report.	60 Days from the date of adoption of this report
<b>2.14</b>	<b>Non submission of Financial Statements for Level Four Hospitals</b>	The financial statements for three level four hospitals were not prepared and submitted to the	County Government of Tana River did not prepare and submit financial statements to the Auditor General for audit due to the absence of a	Financial statement has not been prepared	1. The Office of the County Governor undertakes administrative action against the responsible officer(s)	60 Days from the date of adoption of this report

		Office of the Auditor General	functioning Board of Management for the hospitals. Further, the Facility Improvement Fund Bill, 2023 (FIF Bill 2023) was passed into law by the County Assembly of Tana River.		who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; 2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.	
<b>4.0</b> <b>4.1</b>	<b>Imprest Management</b>	Kshs.7,225,000 incurred without	The holders of the standing imprests in	The Management did	1. The Committee	60 Days from the

4.2	<p><b>Standing Imprests Without Memorandum Cash Books</b></p> <p><b>Long outstanding Imprest</b></p>	<p>Memorandum cash books being maintained.</p> <p>Imprest balance of Kshs.19,890,396 includes Kshs.10,066,200 relating prior financial years.</p>	<p>various departments had not been trained on how to maintain memorandum cashbooks. As a result of the audit finding, the County Treasury has procured the cashbooks from Government Printers and has trained the imprest holders on how to maintain the cashbooks.</p>	<p>not provide a list of all approved standing imprest holders, their appointment letters and approved imprest limit for each for follow up in the next audit including the training materials used.</p>	<p>recommends that the Accounting Officer(s) recover the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation.</p> <p>2. The Committee further recommends the sanction and surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015.</p>	<p>date of adoption of this report</p>
5.1	<p><b>Budget Credibility</b></p> <p><b>Budget Variations above Threshold</b></p>	<p>approved budget revealed that expenditure items valued at Kshs.2,737,038,922 were adjusted in</p>	<p>we acknowledge that some sub-votes had the budget variation exceed this threshold. This is to respond to circumstances that were unforeseen at the</p>			<p>60 Days from the date of adoption of this report</p>

		excess of ten (10%) percent limit.	time of the formulation of the budget which include emergencies like floods.			
<b>6.0</b>	<b>Supplementary Budget and Exchequer Releases</b>	The statement of receipts and payments reflects total payments of Kshs.6,402,768,835 out of which seven (7) transactions valued at Kshs.57,791,191 were paid but the specific line items had not been budgeted for in the respective appropriation account	The management wish to note that all the expenditures that were reported in the financial statements were budgeted for. Further, we take note that the audit observation was not supported by a schedule/appendix of the transactions. Therefore, we could not determine the expenditure being questioned.			60 Days from the date of adoption of this report
<b>6.1</b>	<b>Payments of Unbudgeted Transactions</b>					
<b>7.0</b>	<b>Audit of Performance Information Incomplete Project Implementation Status Report</b>	The County Executive did not provide a complete project implementation status report (PIS) for all the projects undertaken to confirm the status of all the reported projects in the year under review	The incidence of missing information was due to delays in coordinating with the implementing departments in obtaining information on the status of the projects. Document availed.	County Executive did not provide a complete Project Implementation Status Report (PIS) for all the projects undertaken to confirm the status of all the reported projects in the year under review	3. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money	60 Days from the date of adoption of this report
<b>7.1</b>						

					<p>as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>4. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>5. The OAG to keep the matter in view and provide a</p>	
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					status update to the Committee in the subsequent audit cycle.	
<b>8.1</b>	<b>Non-Implementation of Audit Recommendations</b>	Records provided for audit revealed that the County Senate Public Accounts and Investment Committee (CPAIC) had deliberated on the Auditor-General's reports for Tana River Executive for the financial years 2019/2020 and 2020/2021. However, the senate recommendations have not been formally received by the Management and as such no recommendations have been implemented.	The management has noted the auditor's observation on the above subject matter. Following the reconstitution of the County Audit Committee, the implementation matrix for the external and Internal Audit reports was prepared.	The Committee noted that the management did not submit the status report of pending bills and other audit issues raised in the previous years under audit.	<ol style="list-style-type: none"> <li>1) The County Executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adoption of this report.</li> <li>2) The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes</li> </ol>	60 Days from the date of adoption of this report

					disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report	
<b>9.1</b>	<b>Non-Conformity with Law on Recruitment of Persons with Disabilities</b>	During the year under review, the County Executive recruited one hundred and sixty-two (162) new employees, out of which no persons with disability were recruited in breach of Section 13 of the Persons with Disabilities Act, 2003 and paragraph B.23(2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.	In the year under review, the Executive placed two advertisements in the Newspapers that has wide circulation, county website and social medium platforms. The County Executive also made deliberate effort to encourage Persons with disability to apply; by placing promotional messages in the advertisements, as an affirmative action measure. However, during the year under review, the adverts attracted a small number of Persons with	There was a non-conformity with the law on recruitment of persons with disabilities:	The county executive should work progressively towards attaining the requirement of the provisions of Section 13 of the Persons with Disabilities Act, 2003 and paragraph B.23(2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.	60 Days from the date of adoption of this report



			Disability; who did not meet the minimum requisite qualifications.			
9.1	<b>Irregular Engagement of More than thirty percent (30%) of Employees from One Ethnic Community</b>	<p>-thirty-eight percent (38%) of total employees from one community in excess of the recommended limit of thirty percent (30%) threshold.</p> <p>-seventy nine percent (79%) of the total employment positions were shared among four (4) ethnic groups within the County.</p> <p>-eighty six percent (86%) of the one hundred and sixty-two (162) new employees recruited in the year under review only included the four (4) dominant ethnic groups.</p>	<p>Tana River is a cosmopolitan with majority of the 44 Kenyan tribes residing in the County, that, when combined they form the second largest population of the staff establishment. Minority and Marginalized ethnic communities like who are only native of Tana are also being considered in employment across the County Government. However, it is imperative to note Tana River being a rural and hardship area remains unattractive to skilled personnel from non-dominant ethnic groups. While the County has made efforts to bring the none dominant groups in the county, unfortunately majority of these communities that manage to join the county</p>	<p>The Committee observed that there was no ethnic diversity among the County Executive employees. The Committee also observed that due to the homogeneous ethnographic population in most counties, it may not be feasible for them to attain the threshold provided under Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment</p>	<p>1) The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County Government Act on ethnic inclusivity.</p> <p>2) The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.</p>	60 Days from the date of adoption of this report

			public service initiate transfer of service back to their home counties.	shall have more than one third of the staff from the same ethnic community.		
<b>9.3</b>	<b>Violation of One Third Rule on Basic Salary</b>	(331) employees had salary deductions in excess of two thirds of their basic pay in breach of Section 19(3) of the Employment Act, 2007	Reversed COVID 19 enhanced tax allowances. -Increased deductions on SHIF, NSSF rates and Affordable Housing Levy.	The Committee observed that one hundred and seventeen (331) employees drew net salary that was below one-third of their basic pay contrary to Section 19(3) of the Employment Act, 2007	<p>1. The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate the issue of non-compliance with the two-third basic salary rule as well as comply with the requirements of law;</p> <p>2. The county should configure its IPPD system such that it can lock out commitments beyond the accepted thresholds; and</p> <p>3. The Auditor General should continue monitoring</p>	60 Days from the date of adoption of this report

					the issue in subsequent financial years.	
<b>10.1</b>	<b>Irregular Payments of Legal Expenses</b>	<p>-Expenditure not supported by approvals of the County Executive Committee and recommendation of the County Attorney</p> <p>-Lack of framework for monitoring advocate performance and court attendance</p> <p>- Role of legal officer and legal advisor on litigations.</p>	<p>-County Attorney may procure the services of such other persons as may be reasonably necessary for the purposes of assisting the County Attorney in the performance of the functions of the County Attorney.</p> <p>-Legal services being a specialized service, the firms are in the panel of legal service providers for the County Government</p> <p>- fee notes, based on Advocates Remuneration Order.</p> <p>-all payments supported by documentation, Prequalification letter, Executed Framework agreement, Letter of instructions</p> <p>-Copies of the court files, pleadings ,court attendance notes and the outcome of the said matter</p>	Register of legal cases Framework agreements, letter of instruction Prequalification letter were not provided	<p>1) The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2) That the EACC undertakes an Investigation of the responsible Officer(s) with a view of recommending their prosecution for committing the</p>	60 Days from the date of adoption of this report

			i.e. ruling, judgment or consents.		<p>offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of Regulations 210 (k) of the Public Finance (County Governments) Regulations, 2015; and</p> <p>3) The County Executive utilizes the Office of the County Attorney to provide legal advice and court representation and should provide evidence of compliance with the County Attorneys Act within 60 days of the adoption of this report.</p>	
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
<b>1</b>	<b>Incomplete Asset Register</b>	HDU equipment Kshs,84,913,536, dehuller machines Kshs.23,566,551 and motor vehicles	County has taken several steps to strengthen the asset management system. This includes formulation of the Asset Management	The County Executive lacked an updated Fixed Asset Register	The Committee recommends that the; - 1. County should expedite the process	60 Days from the date of adoption

		Kshs.79,463,930 omitted from the asset register.	Policy, capacity building of officers with responsibility on asset management, following up with Accounting Officers to maintain updated asset registers		of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report; 2. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and	of this report
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					3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.	
<b>2</b>	<b>Lack of Risk Management Policy</b>	County Executive revealed that the Management has not developed a risk management policy and there were no fraud prevention mechanisms put in place. Further, operational and disaster recovery plans were also not provided	The County has formulated the risk management policy in the current financial year (FY 2024/25) and has planned to formulate the remaining documents in the subsequent years.	The Management did not provide evidence of formulated policy	The Committee recommends that the County Executive should expedite development of a Risk Management Policy and ICT Policy and should submit to the Auditor General for verification.	60 Days from the date of adoption of this report



**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF HOMA BAY COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/24.**

Basis for Qualified opinion

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
REPORT ON THE FINANCIAL STATEMENTS					
Basis for Qualified Opinion					



<b>1.0. Unexplained Variance in Transfers from County Revenue Fund</b>	The statement of receipts and payments reflects transfers from County Revenue Fund of Kshs.7,920,960,720 as disclosed in Note 1 to the financial statements. However, the County Revenue Fund statement of receipts and payments for the financial year reflects transfers to the County Executive amount of Kshs.6,921,646,432. The resultant variance of Kshs.999,314,288 has not been reconciled or explained.	The Management wishes to state that transfers from County Revenue Fund of Kshs. 7,920,960,720 includes Transfer to Recurrent and Development accounts (Note 6) of Kshs. 6,921,646,432 and Transfer to Special Purpose Accounts (Other Transfers; Conditional Grants –Note 8) of Kshs 999,314,288 as follows;		The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.	The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.  The Committee further recommends that the Auditor General audits the outstanding matter	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.
		Description	2023/24			
			Kshs.			
		National Value Chain Project(NAVCDP)	199,803,473			
		Kenya Urban Support Programme- Udg	1,194,559			
		Universal Health Care Project				
		National Agricultural Growth Inclusive Project (NARIGP)	4,374,252			
		DANIDA	-			
		Homa Bay Primary Healthcare Support Programme	25,520,063			
		Agriculture Sector Development Support Programme (ASDSPII)	3,159,580			

Paragraph	Key Issue	Management Response		Committee Observations	Committee Recommendations	Timelines										
		<table><tr><td>Financing Locally - Led Climate Action Programme(Floca)</td><td>241,617,006</td></tr><tr><td>Kenya Informal Settlements Improvement Programme</td><td>460,000,000</td></tr><tr><td>Kenya Urban Support Programme- UIG</td><td>1,145,355</td></tr><tr><td>Aggregated Industrial Parks Programme</td><td>62,500,000</td></tr><tr><td>Total</td><td>999,314,288</td></tr></table>	Financing Locally - Led Climate Action Programme(Floca)	241,617,006	Kenya Informal Settlements Improvement Programme	460,000,000	Kenya Urban Support Programme- UIG	1,145,355	Aggregated Industrial Parks Programme	62,500,000	Total	999,314,288			in the subsequent audit cycle.	
Financing Locally - Led Climate Action Programme(Floca)	241,617,006															
Kenya Informal Settlements Improvement Programme	460,000,000															
Kenya Urban Support Programme- UIG	1,145,355															
Aggregated Industrial Parks Programme	62,500,000															
Total	999,314,288															
		<p>The total Forms Receipts in the Executive (transfers from CRF) as reflected in Note 1 of the Executive Financial Statement. Therefore, the transfer from County Revenue Fund of Kshs 7,920,960,720 as reflected in Executive Financial Statement is the true position.</p> <p>Extracts for the CRF and Executive Financial statements indicating the transfers has been attached for verification.</p> <p>Appendix 1a- Extracts of Audited CRF and Executive Financial statement Fy 2023/2024 Appendix</p>														

<b>Paragraph</b>	<b>Key Issue</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
		1b- Bank Statement Extracts showing transfers .			

<p><b>2.0. Expenditure Misclassification on Use of Goods and Services</b></p>	<p>Expenditures totalling Kshs.7,305,000 comprising Kshs.1,505,000 and Kshs.5,800,000 spent on rent and purchase of a motor vehicle were misclassified under contracted professional services instead of rentals of produced assets and purchase of motor vehicles respectively.</p>	<p>The Management concurs with the auditor's observation that amounts of Kshs. 5,800,000 and kshs. 1,505,000 that were utilized to pay for purchase motor vehicle and rent respectively were improperly classified as contracted professional services. Upon realizing this error, journal entries were passed to regularize the misclassification of the purchase of motor vehicle and rent. However, the Financial Statements erroneously still captured the payments under Contracted Professional Services. This error will be corrected in the subsequent Financial Year and the management endeavors to ensure that such misclassification do not reoccur in subsequent Financial Years.</p> <p>Journal Entries and Payment voucher have been attached for your verification. Appendix 2- Journal entries</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process. The Committee further observed that the County Executive admitted that it had presented its financial statements with errors.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Auditor General audits the outstanding matter in the</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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<b>Paragraph</b>	<b>Key Issue</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
				subsequent audit cycle.	

<p><b>3.0. Unsupported Payments of Non-Practicing Allowances</b></p>	<p>The statement of receipts and payments reflects compensation of employees amount of Kshs.4,205,707,306, as disclosed in Note 3 to the financial statements. The amount includes personal allowances paid as part of salary of Kshs.129,817,300, out of which Kshs.2,192,000 paid to fifty-eight (58) officers in the month of June, 2024 as non-practicing allowances. However, Management did not provide supporting documents to confirm staff eligibility for the allowances.</p>	<p>The Management wishes to state that following SRC Circular Ref. No: SRC/TS/CGOVT/3/61 Vol. III/ (136) dated 14<sup>th</sup> September 2015 the management had to adhere to the instruction as per the circular support the eligibility of the above payment of Non-Practicing Allowances to Medical Officers, Dental Officers &amp; Pharmacists leading to Payment of Kshs2,192,000 to the 58 officers who qualified for the non-practicing allowances.</p> <p>The Management has since attached the SRC Circular and the List of Qualified Offices to confirm the Eligibility.</p> <p>Appendix 3a-List of officers eligible for Non-Practicing Allowance Appendix 3b-SRC Circular</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report. The Committee further recommends that the Auditor General audits the outstanding matter in the</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
				subsequent audit cycle.	
Emphasis of Matter					

<b>1.0. Budgetary Control and Performance</b>	<p>The summary of statement of appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis amounts of Kshs.9,962,208,395 and Kshs.7,967,540,682 respectively, resulting in under-funding of Kshs.1,994,667,713, or 20% of the budget. Further, the County Executive spent Kshs.7,629,345,969 against actual receipts of Kshs.7,967,540,682 resulting in an under-expenditure of Kshs.338,194,713 or 4% of the actual receipts.</p>	<p>The management concurs with the auditor's observation on the under-funding of the County Revenue and disbursement by 20% respectively. However, the management wishes to state that the Under-funding of the County Budget was as a result of delay by the National Treasury to disburse in time Funds allocated from the National Government as follows;</p> <ol style="list-style-type: none"> <li>Equitable share of Kshs. 650,270,979 was not received by the County Government as at 30th June, 2024 as Budgeted.</li> <li>Conditional Grants of Kshs. 528,748,137 was not received by the County Government as at 30th June 2024 as budgeted</li> <li>Own Source revenue of Kshs. 815,648,597 was not received as at the end of the financial year.</li> </ol> <p>This consequently resulted to under-funding of the County Budget by 20% as observed by the Auditor. It is uncontestable that the shortfall in revenue (against the budgeted) negatively impact planned development projects and efficiency in service delivery for the people of Homa Bay. However, as tabulated above, it is important to note that the</p>	<p>The Committee Observed that;</p> <ol style="list-style-type: none"> <li>the county entities did not receive exchequer releases from the National Treasury on time.</li> <li>the Committee noted that the county executive did not meet its own source revenue collection targets. This challenge hampered budget implementation in the county.</li> </ol>	<p>The Committee recommends that; -</p> <ol style="list-style-type: none"> <li>The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</li> <li>the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.</li> </ol>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
		<p>revenue shortfall was mainly attributed sub- optimal performance of unconditional grants, equitable share of sharable national revenue, and equalization fund; whose ceilings are provided by laws like the DORA, CARA, and County Governments Additional Allocation Act. On its part, the county instituted adequate revenue collection and administration measures which contributed to more than +40% improvement index in own source revenue realized. However, the county had limited direct control over revenues expected from the National Treasury, which accounted for three-quarters of the expected revenues.</p>			

2.0. Pending Accounts Payable	<p>Note 19.1 Under Other Important Disclosures and Annex 3 to the financial statements, reflect pending accounts payable totalling Kshs.955,548,525 in respect to accounts payables brought forward from the year 2022-2023. During the year under review, pending bills, the County Executive incurred pending bills of Kshs.1,098,628,645 bringing the total pending bills for the year to Kshs.2,054,177,170, out of which, Management settled an amount of Kshs.861,909,354 leaving a balance of Kshs.1,192,267,816. This is indicative of the County Government's failure</p>	<p>The management wishes to state that, for the pending accounts payable of ksh. 1,192,267,816 as at 30<sup>th</sup> June 2024, remained unpaid due to late disbursement of funds from the exchequer. However, comprehensives repayment plan has been drawn by the County Government of Homa Bay for the payment of the remaining amount as a first charge to the Budget for the financial year 2024/2025</p> <p>Following the Repayment plan the County has so far paid Kshs.620,478,914 Between July 2024 to February,2025 and is committed to continue paying the remaining Bills of Kshs571,788,903 before the end of the Financial year 2024/2025 as per the summary tabulated below:</p>				<p>The Committee observed that the County Executive attributed the presence of pending bills to delayed disbursements from National Treasury.</p>	<p>The Committee recommends that:</p> <p>1. all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and</p> <p>2. that-</p> <p>i. pursuant to the provisions of Regulation 41(2) &amp; (3) of the Public Finance Management (County Governments) Regulations, 2015, County</p>	Continuous
		<table><tr><td></td><td>Outstanding Pending Bills Amount As At 30th June 2024 (Kshs)</td><td>Amount Paid During F/Y 2024/25 (Kshs)</td><td>Outstanding Pending Bills Amount As Of 28th</td></tr><tr><td>Department</td><td></td><td></td><td></td></tr></table>		Outstanding Pending Bills Amount As At 30th June 2024 (Kshs)	Amount Paid During F/Y 2024/25 (Kshs)			
	Outstanding Pending Bills Amount As At 30th June 2024 (Kshs)	Amount Paid During F/Y 2024/25 (Kshs)	Outstanding Pending Bills Amount As Of 28th					
Department								

Paragraph	Key Issue	Management Response				Committee Observations	Committee Recommendations	Timelines
	to settle the pending bills as a first charge to the budget contrary to the requirement of Regulation 41 of the Public Finance Management (County Governments) Regulations, 2015.				February, 2025 (Kshs )		Government s prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done; ii. the Controller of Budget takes into consideration the efforts made by a	
		Department Of Finance And Economic Planning.	57,793,903.20	53,715,683	4,078,220			
		County Public Service Board	15,374,468.00	6,000,000	9,374,468			
		Homa Bay Municipal Board	4,699,960.00	3,023,280	1,676,680			

Paragraph	Key Issue	Management Response				Committee Observations	Committee Recommendations	Timelines
		Office Of The Deputy Governor And Department Of Agriculture And Live stock .	59,757,490.90	22,144,943	37,612,547		county government to clear inherited pending bills when approving exchequer releases; iii. County Government s shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Government s) Regulations;	
		Department Of Gender Equality And Inclusivity, Yout	27,260,883.40	10,179,000	17,081,883			

Paragraph	Key Issue	Management Response				Committee Observations	Committee Recommendations	Timelines
		h, Sports, Talent Development, Cultural Heritage And Social Services.					iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;	
		Department Of Roads, Public Works, Transport And Infra	322,203,031.85	98,134,668	224,068,364		v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that	

Paragraph	Key Issue	Management Response				Committee Observations	Committee Recommendations	Timelines
			structure				initiation of new projects to cease until completion of the existing projects; and	
			Department Of Blue Economy, Fisheries, Mining And Digital Economy	14,293,480.00	8,000,000	6,293,480		
			Department Of Education, Human Capital	92,130,813.00	84,081,592	8,049,221		

Paragraph	Key Issue	Management Response				Committee Observations	Committee Recommendations	Timelines
			tal Deve lopment And Voca tiona l Trai ning					
			Depa rtme nt Of Publi c Heal th And Medi cal Servi ces	314,911, 461.18	220,62 7,272	94,28 4,190		
			Depa rtme nt Of Land s, Phys ical Plan	10,042,2 35.00	4,300,0 60	5,742, 175		

Paragraph	Key Issue	Management Response				Committee Observations	Committee Recommendations	Timelines
			ning, Hous ing And Urba n Deve lopm ent					
			Depa rtme nt Of Trad e, Indu stry, Tour ism, Co- oper ative Deve lopm ent And Mar ketin g.	88,499,7 20.54	16,897, 925	71,60 1,796		



Paragraph	Key Issue	Management Response				Committee Observations	Committee Recommendations	Timelines
		Department Of Water, Sanitation, Irrigation, Environment, Energy And Climate Change	67,481,659.80	20,988,080	46,493,580			
		Executive Office Of The Governor	51,033,318.01	35,821,613	15,211,705			

Paragraph	Key Issue	Management Response				Committee Observations	Committee Recommendations	Timelines
			Gov erna nce, Adm inistr ation Com muni cation & Dev oluti on	66,785,3 91.49	36,564, 797	30,22 0,594		
			Total	1,192,26 7,816.37	620,47 8,914	571,7 88,90 3		
		Appendix 4a- Pending bills repayment plan for the financial year 2024/2025 Appendix4b-Current status of the Pending bills as at 28 <sup>th</sup> February, 2025.						
Other Matter								

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
<b>1.0. Unresolved Prior Year Matters</b>	In the report of the Auditor-General for the financial year 2022/2023, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Management has indicated that almost all the prior year audit issues as resolved in the Progress on Follow Up on Prior Year Auditor's Recommendations section of the financial statements.	The Management wishes to state that the prior year issue have been addressed. However, we have only responded to matters related to the Financial Year 2023-2024 as per your invitation letter	The committee observed that issues from previous financial years had not been resolved. The Committee further observed that the County Executive was in breach of section 53 of the Public Audit Act (Cap. 412B) and had also ignored the PSASB reporting templates.	The Committee recommends that the County Executive complies with section 53 of the Public Audit Act (Cap. 412B) by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adoption of this report.	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>					

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
<b>1.0. Regularity of Human Resource Management Practices</b>	The statement of receipts and payments, and as disclosed in Note 3 to the financial statements, reflects an amount of Kshs.4,205,707,306 in respect to compensation of employees. The following unsatisfactory matters were however noted:				

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
<b>1.1. Employees on Acting Capacity for Prolonged Durations</b>	Analysis of the payroll revealed that a total of twenty-seven (27) employees were in acting capacity for periods exceeding six (6) months. This was contrary to Section C.14(1) of the Public Service Commission Human Resource Policies and Procedures Manual for the Public Service, 2016, which states that an employee who has successfully and continuously acted in a vacant position for a period of six (6) months and meets the job requirements will be deemed to have been confirmed in that position.	The Management concurs with the Auditors observation on employees on acting capacity for prolonged duration. However, pursuant to adhere to fiscal responsibility principle on compensation of employees, the County Government of Homa bay froze confirmations to positions to allow it to develop optimal number of staffing, through development of staff establishment for the county, since this has now been achieved, the management is working towards confirming staff through a competitive process in the next financial year for those who merit. Appendix 5- Resolutions on Employees on Acting Capacity	The Committee observed that the County Executive admitted that it had appointed staff in acting capacity for more than six (6) months in breach of section 34(3) of the Public Service Commission Act (Cap. 185).	The Committee recommends that the County Executive promptly complies with section 34(3) of the Public Service Commission Act (Cap. 185).	Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
<b>1.2. Non-Adherence to One Third of Basic Rule</b>	<p>Analysis of the payroll of permanent staff revealed that eight hundred and thirty-one (831) staff in July, 2023, six hundred and twenty-five (625) in December, 2023, eight hundred and thirty-one (831) in March, 2024 and eight hundred and forty-seven (847) in June, 2024 received net pay that were less than a third of their respective basic salaries. This was contrary to Section 19 (3) of the Employment Act, 2007, which states that the total amount of deductions from the wages of an employee shall not exceed two third (2/3) of such wages.</p>	<p>The Management concurs with the Auditors observation on Non adherence to one third of basic rule.</p> <p>This was occasioned by implementation of the new statutory deductions in the form of Housing Levy, Revised rate of NSSF, implementation of County Pension Fund, Disciplinary Issues, Interdictions, Prioritized deductions.</p>	<p>The Committee observed that the County Executive is in breach of section 19(3) of Employment Act (Cap. 226).</p>	<p>The Committee recommends that the County Executive forthwith ensures compliance with section 19(3) of Employment Act (Cap. 226). The Committee further recommends that the Auditor General provide status of compliance with section 19(3) of Employment Act (Cap. 226) in the subsequent audit cycle.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>

<b>1.3. Non-Compliance with Provisions on Ethnicity Diversity, Affirmative Action on Gender and Persons Living with Disabilities</b>	<p>Examination of the personnel records provided for audit revealed that as at 30 June, 2024, the County Executive had six thousand nine hundred and eighty-six (6,986) employees on its payroll. This staff complement is composed of 83% male and 17% female for support staff, and 75% male and 25% female for technical staff. The persons living with disabilities translated to 8% of support staff and 4% of technical staff. Further, the dominant ethnic community in the County comprised of 83% and 75% of the support and technical staff respectively. This was contrary to the provisions of Section 7 (1) and (2) of the National Cohesion and</p>	<p>The Management wishes to state that, the total number of employees in Homa Bay County Government Public Service as of September 2024 is seven thousand five hundred and fifty-four (7554). The number of male employees is three thousand, five hundred and thirty-one (3,531) which translates to 46.8%, while the number of female employees is four thousand and twenty-three (4,023), which translates to 53.2%.</p> <table><tr><th colspan="3">Gender of Employees in Homa Bay County Government Public Service</th></tr><tr><th>Gender</th><th>Number</th><th>Percentage</th></tr><tr><td>Male</td><td>3,531</td><td>46.8%</td></tr><tr><td>Female</td><td>4,023</td><td>53.2%</td></tr><tr><td>Total</td><td>7,554</td><td>100%</td></tr></table> <p>Homa Bay County Government is committed to compliance and adherence to laws and regulations in pursuit of national and inter-community cohesion, equalization of opportunities and improvement in the quality of life and status of all persons in the county public service,</p>	Gender of Employees in Homa Bay County Government Public Service			Gender	Number	Percentage	Male	3,531	46.8%	Female	4,023	53.2%	Total	7,554	100%	<p>The Committee observed that the County Executive was in breach of section 65(1)(e) of County Government Act.</p>	<p>The Committee recommends that-</p> <p>1) the County Executive should work progressively towards attaining the requirement of the provisions of section 65(1)(e) of County Government Act on ethnic inclusivity.</p> <p>2) The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with section 65(1)(e) of County Government Act, 2012.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
Gender of Employees in Homa Bay County Government Public Service																				
Gender	Number	Percentage																		
Male	3,531	46.8%																		
Female	4,023	53.2%																		
Total	7,554	100%																		

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community.</p>	<p>and has progressively ensured that this is achieved whenever recruitment opportunities are available.</p> <p>However, it is important to note that the recruitment process has a standard procedure and qualifications for appointment are guided by schemes of service for Public Service, whereby only applied and qualified candidates are considered for advertised opportunities. Persons with disabilities and applicants who apply and qualify for advertised job opportunities are few.</p> <p>Further, through public participation forums, the County Public Service Board has continuously been encouraging those qualified to apply whenever job opportunities are advertised, and also encouraged bodies governing people living with disability to encourage them to apply. A total of fifty-one (51) employees, which is 0.67% of the total number of employees are persons with disabilities. Forty (40) have physical disabilities, five (5) have visual</p>			



Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines																																				
		<p>disabilities, four (4) have hearing disabilities, and two (2) have multiple disabilities.</p> <table><tr><th colspan="3">Persons with Disabilities in Homa Bay County Government Public Service</th></tr><tr><th>Type of Disability</th><th>Number</th><th>Percentage</th></tr><tr><td>Physical</td><td>40</td><td>78%</td></tr><tr><td>Visual</td><td>5</td><td>10%</td></tr><tr><td>Hearing</td><td>4</td><td>8%</td></tr><tr><td>Multiple</td><td>2</td><td>4%</td></tr><tr><td>Total</td><td>51</td><td>100%</td></tr></table> <p>Outlined below is a demographic on the age distribution of the 7554 employees in Homa Bay County Public Service.</p> <table><tr><th colspan="3">Age of Employees in Homa Bay County Government Public Service</th></tr><tr><th>Age</th><th>Number</th><th>Percentage</th></tr><tr><td>19-26</td><td>441</td><td>5.8%</td></tr><tr><td>27-34</td><td>2235</td><td>29.6%</td></tr><tr><td>35-42</td><td>2612</td><td>34.6%</td></tr></table>	Persons with Disabilities in Homa Bay County Government Public Service			Type of Disability	Number	Percentage	Physical	40	78%	Visual	5	10%	Hearing	4	8%	Multiple	2	4%	Total	51	100%	Age of Employees in Homa Bay County Government Public Service			Age	Number	Percentage	19-26	441	5.8%	27-34	2235	29.6%	35-42	2612	34.6%			
Persons with Disabilities in Homa Bay County Government Public Service																																									
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Paragraph	Key Issue	Management Response			Committee Observations	Committee Recommendations	Timelines
		43-50	1492	19.8%			
		51-60	740	9.8%			
		61 and above	34	0.5%			
		Total	7554	100%			
		It is important to note that the age group of 61 and above includes persons with disabilities whose age group is extended by exceptions by five (5) years as per the Persons with Disabilities Act 2003.					

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
2.0. Regularity of Procurement and Award of Contracts					

<b>2.1. Payment for Consultancy Services - Payroll and Personnel Census</b>	<p>Note 4 to the financial statements reflects expenditure of Kshs.808,337,760 in respect to use of goods and services which further includes an amount of Kshs.53,753,975 in respect to contracted professional services. Included in the contracted professional services amount is Kshs.7,700,000 being payment to a firm in respect to part payment of the contract sum of Kshs.32,457,380 relating to a payroll and personnel census audit of county public service. The contract had been awarded in the financial year 2022-2023 under contract number HBC/OG2/007/10837 40/2022-2023.</p>	<p>The Management wishes to state that, Price water house Coopers (PWC) gave various recommendations on the audit, in the draft report. The County Government was tasked to further investigate the recommendations and verify them.</p> <p>The process has taken longer than expected. However, through the management commitment the final report will be out by April, 2025 and the implementation of the recommendations shall realize the value for money as was employed at the inception of the contract. The Draft report of the PWC is hereby attached for the Auditors verification Appendix 6: The Draft report of the PWC</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process. The Committee further observed that the County Executive did not provide evidence of contract extension with the consultant.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>According to clause 14.1 of the special conditions of the contract, the contract was to run for twelve (12) weeks upon signing of the agreement. In addition, clause 40.2 of the special conditions of the contract, required 30% of the contract sum to be paid upon submission of the inception report, 40% upon submission of the draft report and the remaining 30% to be paid upon submission of a consolidated final report.</p> <p>However, review of the expenditure confirmed that the contract period had elapsed and there is no evidence of the contract period by</p>			in the subsequent audit cycle.	

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	having been extended. In addition, Management did not provide any output inform of a report submitted by the consultant to evidence the work done.				

2.2. Unauthorized Budget Reallocations	During the year under review, Management undertook unauthorized reallocation of budgets by charging the inappropriate budget codes as detailed below:			<p>The Management concurs with the auditors’ observation on the Budget Reallocation between programs and sub programs. However, the reallocation was authorized by a formal request to the County treasury for approval by the CEC-M finance explaining the reasons for reallocations. Further, the management ensured that the reallocations did not exceed 10percent of the total expenditures. In addition, management endeavors to ensure that the reallocation of votes will not reoccur in the subsequent financial years, by ensuring proper budgeting and implementation Appendix7a-Request for Reallocation Appendix7b-Authorization for reallocation</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
	S/No.	PV No.	Description				
	1	29306	Payment to Department of Education and ICT				
	2	29573	Homa Bay County Salaries				
3	29573	Homa Bay Count					

Paragraph	Key Issue				Management Response	Committee Observations	Committee Recommendations	Timelines
			y Salarie s				in the subsequent audit cycle.	
	4	29330	Payme nts for Supply of Laptop	520,000				
			<b>Total</b>	<b>9,052,700</b>				
	Although Management has indicated the mispostings have been regularized by passing Journal vouchers, this is irregular and is contrary to Section 2 of the Public Finance Management Act, 2012 that requires an accounting officer for a county government entity may reallocate funds between programs, or between Sub-Votes, in the							



Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>budget for a financial year, but only if a request for the reallocation has been made to the County Treasury explaining the reasons for the reallocation and the County Treasury has approved the request; and the total of all reallocations made to or from a program or Sub-Vote does not exceed ten percent (10%) of the total expenditure approved for that program or Sub-Vote for that year.</p>				

<b>2.3. Proposed Construction of County Aggregation and Industrial Park</b>	<p>The statement of receipts and payments, reflects expenditure of Kshs.333,198,009 on other grants and transfers which as disclosed in Note 9 to the financial statements includes an amount of Kshs.36,194,302 in respect to Homa Bay County Aggregation and Industrial Parks.</p> <p>During the year under review, the County Executive entered into a contract with a Joint Venture of three companies to construct County Aggregation and Industrial Park at a contract sum of Kshs.498,338,151. This was preceded by an intergovernmental agreement between the National Government through</p>	<p>The Management concurs with the findings and observation and would wish to respond as follows: The extensions have been occasioned by adverse climatic conditions as the project area experiences adverse floods during rainy seasons. In order to mitigate the perennial flooding, the Department in collaboration with the National Youth Service has commenced the construction of dykes along the two rivers of Tende and Riwa. Consequently, late disbursement of funds is another factor as the county government is unable to honor payment certificates on time.</p> <p>The management wishes to state further that the original drawings and designs provided were template drawings and did not take into account site specific conditions. Upon geotechnical survey and topographical surveys, the need arose to revise the project structural and architectural designs. The changes however will not drastically affect the estimated timelines. The current project implementation status and pictorials is hereby provided</p> <table><tr><td>Item</td><td>Current Status as at 10<sup>th</sup> March 2025</td></tr></table>	Item	Current Status as at 10 <sup>th</sup> March 2025	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Executive promptly ensures that the project is finalise to facilitate value for money.</p> <p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
Item	Current Status as at 10 <sup>th</sup> March 2025						

Paragraph	Key Issue	Management Response		Committee Observations	Committee Recommendations	Timelines
	<p>the Ministry of Investments, Trade and Industry and the County Government. Under this framework, the National Government was to contribute an amount of Kshs.250,000,000 and the County Government Kshs.250,000,000, which the County Executive allocated Kshs.100,000,000 in the 2022/2023 and Kshs.150,000,000 in the 2023/2024 financial year. Review of documents and the project inspection conducted on 5 September, 2024 revealed the following:</p> <p>i. The contract was to run for seven (7) months to 6 April, 2024, with an extension of the</p>	<p>Construction of Value 4 No. addition houses were</p>	<ul style="list-style-type: none"> <li>❖ Murram fill ongoing,</li> <li>❖ Rock filling done</li> <li>❖ Erection of Universal beams ongoing with 26 U/Beams done</li> </ul>		<p>adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	
		<p>Construction of 2 No, Aggregation warehouses @ 1,000 M/Square</p>	<ul style="list-style-type: none"> <li>❖ Super structure walling ongoing, 6m high done with tie beams placed after every 3m</li> <li>❖ All trusses are fixed</li> <li>❖ Alignment of Z-purlins done using antisagrades</li> <li>❖ Roof structure completed</li> </ul>			
		<p>Construction of 2 No. cold storage warehouses</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Foundation walling complete</li> <li><input type="checkbox"/> Alignment of Z-Purlins done</li> </ul>			

Paragraph	Key Issue	Management Response		Committee Observations	Committee Recommendations	Timelines
	contract period of one hundred and eighty (180) days being granted to 6 October, 2024. The basis of the extension was adverse climatic conditions (floods) which had led to work stoppages in November 2023. On 31 July, 2024 the contractor sought a second extension of eighty-eight (88) calendar days up to 9 January, 2025. The extension was however, granted to 13 October, 2024. Field verification conducted on 5 September, 2024 and one month before the expiry of the contract revealed the		<input type="checkbox"/> Roof structure complete Construction of borehole and pump house Boundary Wall Construction of office block, power house and ablution block.	Borehole complete but pump house not done Complete ❖ Excavation of bases completed, casting of bases and starter columns done. ❖ Strip Excavation of 200mm to be done before fixing of ground beams. ❖ Excavation of trenches ongoing		
		Appendix 8: Current status of the project to date and Photographs				

Paragraph	Key Issue		Management Response	Committee Observations	Committee Recommendations	Timelines
	following status on key components in the priced bills of quantities:					
	Item	Current Status as per Audit Verification on 4 September, 2024				
	Construction of four (4) Value addition warehouses	Digging of column bases was in progress. The construction was approximately at 8% based on engineers estimate.  The construction had been impacted				

Paragraph	Key Issue		Management Response	Committee Observations	Committee Recommendations	Timelines
		by flooding at the foundation level and setting out of column bases.				
	Construction of two (2) Aggregation warehouses @ 1,000 M/Square	<p>Digging of column bases was in progress. The construction was approximately at 8% based on engineers estimate.</p> <p>The construction had been impacted by flooding at the foundation level.</p>				
	Construction	Not started				

Paragraph	Key Issue		Management Response	Committee Observations	Committee Recommendations	Timelines
	of two (2) cold storage warehouses					
	Construction of borehole and pump house	Borehole complete but pump house not done.				
	Completion of boundary wall	Complete				
	Construction of office block, power house and abluti	Not started.				

Paragraph	Key Issue		Management Response	Committee Observations	Committee Recommendations	Timelines
	on block.					
	<p>i. Out of the National Government’s agreed contribution of Kshs.250,000,000 to the project, an amount of Kshs.62,500,000 had been received during the year under review. Part of these funds were used to settle the first certificate of Kshs.40,212,881 dated 7 June, 2024.</p> <p>ii. The project structural and architectural designs are the generic ones from the National Government and formed the basis of the procurement decisions (tender</p>					



Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>sum). However, due to the topography and nature of soil structure, the structural drawings have had to be revised at the County level. This is likely to have cost escalations on the project which is yet to be determined. This impact was also cited by the contractor in a letter dated 31 July, 2024 while requesting for extension of time.</p>				

<p><b>2.4. Rehabilitation of Kapana - Sombro Earth Dam</b></p>	<p>The County Executive awarded the contract for the rehabilitation of Kapana - Sombro Earth dam in Kanjira and Korokoth Kataa Locations, at a contract price of Kshs.22,894,018 on 28 October, 2022. The project's targeted completion date was 30 December, 2022. During the year under review, the contractor was paid an amount of Kshs.6,240,976 being the final payment and retention money. Physical verification on 5 September, 2024 revealed that although the project was complete and in use, the dam had a lot of idle water which ought to have been distributed to the community to realize the optimal utilization of invested funds.</p>	<p>The management wishes to state that the contract was awarded and the project completed as per the scope of work and Bill of Quantities as per the physical verification done by the Auditor on 5th September 2024.</p> <p>The management concurs with the Auditor's observation that the dam had a lot of idle water which ought to have been distributed to the community. However, this was not in the initial scope of work and bill of quantities as per the contract agreement. In subsequent years, the management is considering allocating funds for the distribution of water.</p> <p>Appendix 9- Copy of BoQ and Contract documents</p>	<p>The Committee noted with concern that the County Executive embarked on a project without including its use in the contract. This led to loss of value for money that could have been avoided with proper planning. It makes no sense to contract for the rehabilitation of a dam and ignore the distribution of water to the community.</p>	<p>The Committee recommends that the County Executive promptly ensures that the project is utilized to realize value for money.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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<p><b>2.5. Idle Projects - Solar Pump Kits and Farm Ponds</b></p>	<p>The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.333,198,009 in respect to other grants and transfers, out of which Kshs.119,390,851 was transferred to the National Agricultural and Rural Inclusive Growth Project (NARIGP). During the year under review, the County Executive, through the NARIGP purchased fifty (50) solar pumps for Kshs.5,600,000 and constructed twenty-three (23) farm ponds for Kshs.1,050,000 to be used for irrigation by the farmers in various sustainable land management groups. The supply, delivery and construction were</p>	<p>The management concurs with the Auditors observation that the dam liners for the project had not been procured. This was because the projects were done in phases due to lack of funds in the year under review. In this regard, the management is considering including purchase of dam liners in the subsequent Financial Years Budgets.</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Executive promptly ensures that the project is finalise to facilitate value for money. The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	completed in October, 2023. However, physical verification conducted on 5 September, 2024, revealed that the Project was idle as the County Government had not purchased dam liners which are essential components before the equipment can be used. Management did not give a timeline for the purchase of the dam liners for the project to be into use.			adoption of this report.  The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.	

<p><b>2.6. Demolition of the Arujo Animal Feeds Milling Plant (Structure) in Arunjo Ward</b></p>	<p>As previously reported in 2021/2022, the Department of Trade and Industrialization awarded a contract to a local contractor for the construction and completion of an animal feeds factory and a godown at a contract sum of Kshs.45,160,064 in the financial year 2014/2015.</p> <p>The contract period was for eight (8) months with an initial expected completion date of 4 January, 2016. Review of records revealed that the contractor had cumulatively been paid an amount of Kshs.36,712,000 as at 30 June, 2022 before termination. The contract was re-tendered and awarded to a new contractor at a contract sum of</p>	<p>The management would like to state that all the machinery and equipment valued at Kshs. 74,212,711 are safely kept in the containers. The Photographical evidence is hereby attached for Auditor verification. Appendix 10- Documentation and Photographs of the Machinery and Equipment</p>	<p>The Committee observed that whereas the County Executive Management provided photos of the machinery, it did not indicate the custody and whereabouts of the machinery. The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Executive promptly ensures that the project is finalise to facilitate value for money. The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>Kshs.24,239,267 on 24 May, 2022. However, physical inspection of the structure revealed that the project was incomplete and had stalled at the lintel level.</p> <p>Further review of documents confirmed that, Management resolved to convert the land under Arujo Animal Feed and utilize it to establish the County Headquarters. The main reason given was the resumption and expected expansion of the Kabunde Airport, where having an animal feed factor will be a flight risk due to flying birds.</p> <p>Verification of the Project on 9 September, 2024 revealed that the</p>			<p>adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>animal feed building was demolished and the construction of the County Headquarters was underway. However, the following anomalies were noted on the Project:</p> <p>i. The County Government chose demolition method as a way of disposal which resulted in loss of value of the capital asset otherwise than by way of putting it into other usage.</p> <p>ii. Evidence of whether the Executive Committee Member for Trade published the process and procedures for the demolition of the Project in</p>				

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>accordance with Section 7 of the Public Finance Management (County Governments) Regulations, 2015, that is public participation, was not provided for audit review the County Assembly involvement or approval of the demolition method as a way of disposal was not provided for audit.</p> <p>iii. The existence and location of machinery and equipment valued at Kshs.74,212,711 as detailed below could not be confirmed:</p>				



Paragraph	Key Issue			Management Response	Committee Observations	Committee Recommendations	Timelines
	<b>Particulars</b>	<b>Date</b>	<b>Amount (Kshs.)</b>				
	Delivering the Machines to Homa Bay County		18,430,825				
	Installation and Commissioning		6,143,608				
	First Payment	24/12/2014	1,266,726				
	Second Payment	04/03/2015	10,000,000				
	Third Payment	28/05/2015	3,127,414				

Paragraph	Key Issue			Management Response	Committee Observations	Committee Recommendations	Timelines
	Fourth Payment	10/07/2020	15,244,138				
	Fifth Payment	06/08/2021	20,000,000				
		<b>Total</b>	<b>74,212,711</b>				

<p><b>2.7. Construction of JNC B2 - Lake Front Access Road Phase 1 and 2</b></p>	<p>The statement of receipts and payments reflects an amount of Kshs.1,197,293,186 in respect to acquisition of assets, which as disclosed in Note 7 to the financial statements, includes an amount of Kshs.263,654,743 spent on the construction of major roads, access roads and bridges.</p> <p>During the year under review, the County Executive invited tenders for upgrade to pavement standards of JNC B2 - Lakefront Access Road Phase 1 and 2 on 15 December, 2023 through restricted tendering. The two tenders were opened on 22 December, 2023. Ten (10) firms submitted bids for Phase 1, while nine (9)</p>	<p>The management wishes to state that pursuant to section 102(b) of the PPDA which provides that the procuring entity shall invite tenders from at least ten persons selected from the list maintained by the entity, the County found that the time required to examine and evaluate a large number of tenders would be disproportionate to the fact that there was Homa Bay County Investment Conference (HOBIC) which was soon approaching, since the tender documents were available for issue on 15<sup>th</sup> December 2023 and we needed the access road to be done by 27<sup>th</sup> of February 2024 which was the start day of the conference and we only had 73 days left inclusive of the project implementation period, this was found not to be practically possible to have the lake front accessible through an open tender method. Therefore, the department resorted to use of restricted tendering method by inviting the registered contractors.</p>	<p>The Committee observed that the County Executive used restricted tendering to facilitate prompt procurement in time for the Homa Bay County Investment Conference (HOBIC). The justification is however not contained under section 102(1) Public Procurement and Asset Disposal Act (Cap. 412C) and was therefore in breach of the Act. The time and cost of open tender was not disproportionate to the value of the goods, works or services to be procured.</p>	<p>The Committee recommends that the Directorate of Criminal Investigations investigate breach of section 102(1) Public Procurement and Asset Disposal Act (Cap. 412C) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution. The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>bids were received for Phase 2. The tender evaluation was conducted and the report was issued on 27 December, 2023 recommending that a firm to be awarded the Phase 1 contract at a price of Kshs.9,240,970.12 and another be awarded the Phase 2 contract at a price of Kshs.7,031,737.56. Both tenders were awarded on 12 January, 2024 and payments were effected on 27 June, 2024.</p> <p>However, it was noted that the works were not complex and not specialized in nature as envisaged in Sub-section 102 (a) of the Public Procurement and Asset Disposal Act, 2015. There was</p>				

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	also no time constraint as envisaged under Sub-section (b) and no evidence was provided to allude to the fact that only a few suppliers of the works were available to warrant consideration under Sub-section 102 (c).				

<b>Paragraph</b>	<b>Key Issue</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>2.8. Construction of Buildings – Non-Residential</b>	Note 7 to the financial statements discloses expenditure on the construction of buildings – non-residential amount of Kshs.200,230,130. However, the following unsatisfactory observations were made:				

<p><b>2.8.1. Incomplete Landscaping and Drive Way Works at Kigoto Milling Plant</b></p>	<p>As previously reported, an expenditure of Kshs.6,329,138 was incurred on landscaping and driveway works at Kigoto Milling Plant. However, physical inspection conducted on 30 October, 2024 revealed that the works were incomplete and the surface water drainage and vegetation works with bill of quantities valued at Kshs.710,230 were undone while the contractor was not on site.</p>	<p>Management is in agreement with the auditor's observation and has since made a formal communication to the contractor to return to site and complete the work as per the contract agreement before the balance payment can be made.</p> <p>The letter to the contractor is hereby attached for Audit verification.</p> <p>Appendix 11– Letter to Contractor to Return to Site</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Executive ensures the prompt finalization of the project to realise value for money. The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
				<p>adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	



<p><b>2.8.2. Incomplete Drilling and Equipping of Borehole , Installation of Underground Water Tank, Installation of Overhead Water Tank and Water Pump at Kigoto</b></p>	<p>As previously reported, an amount of Kshs.4,503,017 was paid to a contractor for drilling and equipping of the borehole, installation of the underground water tank, installation of overhead water tank and water pump works at Kigoto at a contract sum of Kshs.7,382,054. However, physical inspection conducted on 30 October, 2024 revealed that the project was incomplete due to the non-installation of the solar system. In addition, the four (4) water tanks each of ten thousand (10,000) litres, that were installed on the water tower were blown off due to lack of guard rails which were not placed to secure the water tanks.</p>	<p>Management is in agreement with the auditor's observation and has since made a formal communication to the contractor to return to site and complete the work. The contractor vide letter Ref: 43CG/OCA/13/VOL1/01 confirmed to return to site and complete the project. The letter has been attached for auditor's verification Appendix 12- Acceptance Letter by Contractor to return to site and complete works</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Executive ensures the prompt finalization of the project to realise value for money. The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
				<p>adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	

<p><b>2.8.3. Incomplete Fencing and Construction of Gate at Kigoto Maize Milling Plant</b></p>	<p>As previously reported, an amount of Kshs.4,728,786 was paid to a contractor for fencing and construction of Gate at Kigoto Maize Milling Plant. Records provided for audit revealed that the contractor was further paid an amount of Kshs.3,455,067 vide payment dated 12 January, 2024. Further, examination of the supporting documents revealed that three (3) members of the Inspection and Acceptance Committee did not append their signatures to the report. In addition, physical inspection of the works on 30 October, 2024 revealed that the two (2) pedestrian gates and one sliding truck gates were not done,</p>	<p>The management has noted with concerns the findings of the audit and wishes to respond as follows:</p> <ul style="list-style-type: none"> <li>- The contractor who was awarded the tender for Fencing and Construction of Gate at Kigoto Maize Milling Plant at a contract sum of kshs. 4,728,786.00 has only been paid kshs. 3,455,302.00 based on the interim certificate raised for the work that was already completed.</li> </ul> <p>The contract was however terminated due to failure by the contractor to return to site and complete the project and the procurement process to get another contractor to finish the job is ongoing Further, the Signed list of Inspection and acceptance Committee report is hereby attached.</p> <p>Appendix 13a: Signed Inspection and acceptance Report</p> <p>Appendix 13b: Appointment letters of the Inspection Committee</p> <p>Appendix 13c: Letter of contract Termination</p>	<p>The Committee observed that the County Executive did not provide the signed Inspection and acceptance Report and Appointment letters of the Inspection Committee.</p> <p>The Committee further observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	and the contractor was not on site.			in the subsequent audit cycle.	

<p><b>2.8.4. Incomplete Construction of Sentry House, Changing Rooms, Generator Room and General Repairs at Kigoto Maize Milling Plant</b></p>	<p>As previously reported, an amount of Kshs.3,523,481 was paid against the contract sum of Kshs.4,979,700 for the construction of sentry house, changing rooms, generator room and general repairs. However, physical inspection on the 30 October, 2024 revealed that the sentry house and main gate works were incomplete, and the contractor was not on site.</p>	<p>The management wishes to state that the contractor abandoned the site and was terminated. The management is considering procurement of the remaining works. Appendix 14-Copy of termination letter</p>	<p>The Committee further observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
				in the subsequent audit cy cle.	

<b>3.0. Non-Compliance with Fiscal Responsibility Principle on Development</b>	<p>The summary statement of appropriation: recurrent and development combined reflects total actual expenditure of Kshs.7,629,345,969, while the summary statement of appropriation: development indicates total actual expenditure of Kshs.1,922,220,129 representing 25% of the total expenditure. This is contrary to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that the county government actual expenditure on development shall be at least thirty percent (30%) in conformity</p>	<p>The management concurs with the auditors' observation and states that the budget absorption on some of the development programs and priorities fell short of the 30% as required by law, which in turn impacted the effectiveness and efficiency in service delivery for the people of Homa Bay. Whereas the county government is committed to maximizing output and results, the extent to which such is attainable is directly dependent on resource availability and particularly, revenue realized during the period. However, it is essential to note that the County Treasury is guided by the provisions of the law relating to public finance including the PFMA {(Sec.38(3-4))}, which clearly states that expenditure must be matched with revenue to avoid accumulating pending bills and operating a deficit budget. In light of the above context, the County Government of Homa Bay complied with the law by ensuring that only realized revenues are spent but within the approved budget estimates for the period. Since there was a significant shortfall in revenue realized during the FY 2023/24, it was impossible to achieve 100</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Executive adheres to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015. The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	with the requirement under Section 107(2)(a) of the Act.	percent budget absorption rate in many of the expenditure items/lines and programs as originally planned and budgeted. With a budget turnout of less than 100 percent due sub-optimally revenue performance in the FY 2023/24, it was unattainable to absorb the funds that were not realized without increasing our pending bills; a vice that our county is struggling with currently. Therefore, the County Treasury had to ensure that our expenditures balance with our actual revenue realized during the period. Complying with this fiscal discipline called for re- assessing our financial soundless and matching our expenditures. We had no otherwise but to cut our coat according to our size while ensuring services and development projects are provided to the people of Homa Bay.		within sixty (60) days of the adoption of this report.  The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.	



<p><b>4.0. Non-Compliance with the Fiscal Responsibility Principle on Compensation of Employees</b></p>	<p>The statements of receipts and payments reflects compensation of employees amount of Kshs.4,205,707,306, representing 53% of the County total revenue of Kshs.7,967,540,682. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which provides that the County Government expenditure on wages and benefits should not exceed thirty-five (35%) of the total County Revenue.</p>	<p>In compliance with fiscal responsibility a few factors influenced by the need to improve on staff welfare, this included, the confirmation of ECD teachers Promotion of Health Workers as per the Collective Bargaining Agreement, integration of officers into the automated payroll system from manual payroll to end use of manual payroll, and increased number of staff through recruitment to help curb imbalances in demographic, ethnic, and gender imbalances.</p> <p>Appendix 15a-Confrimation of ECDE teachers</p> <p>Appendix 15b-Collective bargaining agreement</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Executive adheres to regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015. The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
				<p>within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.</p>	

<p><b>5.0. Unsupported Payments on Legal Expense</b></p>	<p>The statement of receipt and payments reflects an expenditure of Kshs.808,337,760 on use of goods and services as disclosed in Note 4 to the financial statements. Included in the expenditure is an amount of Kshs.53,753,975 for contracted professionals' services, out of which, an amount of Kshs.11,001,015 was paid as legal fees to various firms for representing the County Executive in various legal disputes/court cases during the year under review.</p> <p>However, records obtained from the Homa Bay County Law Office indicate that there were three</p>	<p>The management wishes to state that the following are citations for the matters that have been raised are as follows:</p> <p>13.1 LEGAL LAWFIRM: WILBERFORCE AKELLO &amp; CO ADVOCATE CITATION: HOMABAY CMELRC NO. 008 OF 2023 CALEB OUMA OCHOLA &amp; 27 OTHERS VS COUNTY GOVERNMENT OF HOMA BAY &amp; COUNTY PUBLIC SERVICE BOARD AMOUNT AS PER FEE NOTE: KSHS. 3, 712, 000/=</p> <p>STATUS: SUIT WAS DISMISSED ON 6<sup>TH</sup> OCTOBER 2023 AMOUNT PAID: KSHS. 3, 712, 000/=</p> <p>13.2 LEGAL LAWFIRM: OJIENDA &amp; CO ADVOCATE CITATION: NAIROBI CAUSE NO. 5234 OF 2015 DT DOBIE (K) LTD VS COUNTY GOVERNMENT OF HOMA BAY</p> <p>AMOUNT AS PER FEE NOTE: KSHS. 2, 900,000/=</p> <p>STATUS: IN ABEYANCE AMOUNT PAID: KSHS. 1, 450,000/=</p>	<p>The Committee observed that whereas the County Executive provided a status report of all the cases, the financial implication of these cases is unclear.</p> <p>The Committee further observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>hundred and fifty (350) court cases against the County Executive some were still ongoing, and others still pending before the courts dating back to the year 2020. However, the details of the court cases such as the subject matter, case files, period taken to complete the case, fee notes and the financial implication such cases may have on the County Executive were not provided for audit. Further, all the three hundred and fifty (350) court cases and matters were being handled by external law firms even though the County Executive has a County Legal Unit with relevant</p>	<p>13.3 LEGAL LAWFIRM: WESONGA MUTEMBEI &amp; CO ADVOCATE CITATION: HOMABAY CMELC NO. E006 OF 2022 ZEDEKIA OKEYO(ADMIN OF THE ESTATE OF JACOB WANJARE VS COUNTY GOVERNMENT OF HOMA AMOUNT AS PER FEE NOTE: KSHS. 6, 960,000/= STATUS: SUIT DISMISSED ON 5<sup>TH</sup> MARCH 2024 AMOUNT PAID: KSHS. 1, 000,000/=.</p> <p>13.4 LEGAL LAWFIRM: MUMO &amp; KANJAMA CO ADVOCATE CITATION: HOMABAY CMELRC NO. E048 OF 2021 MOSES OKEYO KIDEW VS MINISTRY OF LANDS, OCS OF HOMABAY AND COUNTY GOVERNMENT OF HOMA BAY</p> <p>AMOUNT AS PER FEE NOTE: KSHS. 5, 800, 000/= STATUS: SUIT WITHDRAWN AMOUNT PAID: KSHS. 2, 600,000/=</p>		<p>in the subsequent audit cycle.</p>	

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	human resources. No satisfactory explanation was given for outsourcing the legal services. In addition, it was not possible to ascertain the status of the court cases or legal fee and the potential financial impact that may result therefrom.	<p>13.5 LEGAL LAWFIRM: MAUWA &amp; CO ADVOCATE  CITATION: KISUMU ELRC JR.NO. E042 OF 2023 KMPDU VS CHIEF FINANCE OFFICER AND COUNTY GOVERNMENT OF HOMA BAY.  AMOUNT AS PER FEE NOTE: KSHS. 445, 015/=</p> <p>STATUS: MATTER PENDING IN COURT  AMOUNT PAID: KSHS. 445, 015/=</p> <p>13.6 LEGAL LAWFIRM: OTIENO OJURO &amp; CO ADVOCATE  CITATION: KISUMU CACA. NO. 126 OF 2020 COUNTY ASSEMBLY OF HOMABAY VS DANIEL OMONDI &amp; 2 OTHERS.</p> <p>AMOUNT AS PER FEE NOTE: KSHS. 1, 760, 000/=</p> <p>STATUS: IN ABEYANCE  AMOUNT PAID: KSHS.1, 760, 000/=</p> <p>We have also attached herewith the following copies of documents in respect of the above matters in response to audit queries:</p>			

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
		<p>a) Framework contract (service level agreements) between the County Government and the legal firms;</p> <p>b) Plaints/claim, ruling/judgment, fee note as and payment vouchers</p> <p>The Advocates were prequalified through procurement where they conformed to prequalification requirement upon submission of requisite documents. Hence, threshold before applying framework contracting were met.</p> <p>The approval to engage private law firm was sought and approved by the Executive Committee way back in the year 2013 at the inception of the County. The approval was done based on the need to address legal representation of cases, many of which were historical and stem from periods long before 2023, prior to the establishment of the office of the County Attorney and there was need for representation.</p> <p>The Auditor has referred to the status of on-going legal proceedings including the current status matters. At the time of the audit we had 350 cases at various stages of litigation.</p>			

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
		Appendix 16a: Status of concluded matters Appendix 16b: Status of pending matter			

<p><b>6.0. Non-Submission of Municipal Financial Statements</b></p>	<p>The County of Homa Bay has four (4) established Municipalities of Mbita, Oyugis, Kendu Bay and Ndhiwa. However, the financial statements for all the municipalities for the 2022/2023 and 2023/2024 financial years were not prepared and submitted to the Auditor-General for audit. This was contrary to Section 180 of the Public Finance Management Act, 2012, which requires that, at the end of each financial year, the accounting officer of the City or Municipality established by the Urban Areas and Cities Act, 2011 shall prepare financial statements in accordance with the</p>	<p>The Management Concurs with the Auditors observation that the Four (4) Municipalities (Mbita Municipality, Oyugis Municipality, Kendu Bay Municipality and Ndhiwa Municipality) should prepare financial statement. However, this was not possible during the year under review since the four municipalities did not receive funds as they were in the process of being fully inaugurated and operationalized. However, for the Current FY,2024/2025 the Municipalities have been made fully operational and will therefore be able to prepare financial statements at the end of the Financial year.</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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<b>Paragraph</b>	<b>Key Issue</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
	standards and formats prescribed by the Public Sector Accounting Standards Board and the provisions of the Urban Areas and Cities Act, 2011.			in the subsequent audit cycle.	

<p><b>7.0. Late Submission of Financial Statements for Sub-County Hospitals</b></p>	<p>The financial statements for four (4) Sub-County Hospitals of Kabondo, Ndhiwa, Rangwe and Tom Mboya Memorial Sub-County Hospital for the year ended 30 June, 2024 were submitted late in December, 2024 to the Auditor-General for audit. This was contrary to Section 164(4)(a) of the Public Finance Management Act, 2012, which provides that within three months after the end of each financial year, the accounting officer for an entity shall submit the entity's financial statements to the Auditor-General.</p>	<p>The management concurs with the auditor's observation on late submission of Sub county Hospitals Financial statements for the year under review. However, the reports were submitted and audited. Further, the Management endeavors to comply with the provisions of PFM Act, 2012 on timely preparation and submission of financial statements in the subsequent Financial Years.</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
				in the subsequent audit cycle.	

<p><b>8.0. Failure to Prepare Financial Statements for Financing Locally-Led Climate Action (FLLoCA) Program</b></p>	<p>During the year under review, the County Executive received funding under Financing Locally-Led Climate Action (FLLoCA) Program. However, the financial statements were not prepared and submitted for audit contrary to Section 164(4)(a) of the Public Finance Management Act, 2012, which provides that within three months after the end of each financial year, the accounting officer for an entity shall submit the entity's financial statements to the Auditor-General.</p>	<p>The management concurs with the Auditors observation that at the time of Audit the Financial Statement of Climate change had not been Prepared. However, the management later prepared annual report and financial statements for Homa bay County Climate Change Fund for the year ended 30 June 2024 and submitted for Audit. The Audited financial statements are hereby attached for your Review. Appendix 17-Audited Financing Locally –Led climate change action Financial Statement</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
				in the subsequent audit cy cle.	

<p><b>9.0. Failure to Submit of Climate Change Progress Reports</b></p>	<p>The statement of receipts and payments and as disclosed in Note 8 to the financial statements reflects capital grants and transfers of Kshs.391,728,933 which further includes Kshs.109, 113,464 in relation to Financing Locally-Led Climate Actions (FLLoCA) programme. Review of documents provided for audit revealed that the County Executive has put in place a climate change action plan to guide the implementation of the Homa Bay County Climate Change Policy, 2021 and the Homa Bay County Climate Change Risk Assessment and Vulnerability</p>	<p>The management wishes to state that at the time of the audit, the management had prepared climate change progress report and submitted to the County Assembly. The report has been availed for audit verification. Appendix 18a-Copy of climate change progress report. Appendix 18b-Homabay county climate change act extract.</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	Assessment Report, 2022. Among key elements of the Homa Bay Climate Change Policy is a requirement that the County shall prepare Annual Climate Change Progress Reports and submit them to the County Assembly . However, Management had not prepared Annual Progress Reports and submitted them to the County Assembly in line with the policy as at 30 June, 2024.			in the subsequent audit cycle.	
REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE					

<p><b>1.0. Employees with Duplicate Bank Account Numbers</b></p>	<p>Review of the payrolls revealed various officers shared bank accounts during the year under review; July, 2023 – four (4) officers, December, 2023 – twenty-two (22) officers, March, 2024 – fourteen (14) officers and June, 2024 – fourteen (14) officers. This is indicative of irregularities and internal control weaknesses over the payroll management processes.</p>	<p>The management wishes to state that there are few cases where individual SACCO's FOSAs have provided our officers with similar bank account numbers. These are FORTITUDE (SUBA), SHIRIKA, HAZINA amongst others. We have since taken up the observation and communicated the same to the individual officers and the financial institution with a view to providing the correct account numbers to minimize this anomaly. Appendix 19- Management Action Plan on Duplicate Accounts</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Executive promptly reviews its payroll to correct all anomalies. The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
				The Committee further recommends that the Auditor General audits the outstanding matter in the subsequent audit cycle.	

<p><b>2.0. Lack of Approved Organization Structure and Human Resource Management Instruments</b></p>	<p>During the year under review, the County Government did not have in place an approved organizational structure, staff establishment and human resource policies.</p>	<p>The management concurs with the Auditors Observation on lack of Approved Organization structure. However, Currently the Staff Establishment has been developed and approved by the cabinet and adopted by the Public Service Board.</p> <p>In the Staff Establishment and Human Resource Manual we clearly indicate the optimal level of staffing and also have an effective tool for governance system. Both documents are available. Appendix 20- Approved Staff Establishment (See separate file)</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p> <p>The Committee further observed that the County Executive did not provide the approved staff establishment as indicated in the response.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
				in the subsequent audit cy cle.	

<p><b>3.0. Engagement of Community Health Promoters (CHPs)</b></p>	<p>During the year under review, the County Executive engaged two thousand nine hundred and fifty-four (2,954) Community Health Promoters (CHPs) through the Department of Public Health to work as a link between the community and formal health facilities. This was under the formal arrangement between the National Government and County Governments. The County Government contributes an amount of Kshs.2,550 covering stipend (Kshs.2,000), NHIF (Kshs.500) and bank charges (Kshs.50). However, review of the engagement process</p>	<p>The Management wishes to state that the Acts allow the county Government to select PHOs through public participation by the community, this is based on Primary Health Care Act 2023 and community health policy of 2020-2023. They do not have job description or schemes of service but have roles well stipulated in the above legislation.</p> <p>In addition, a community health volunteer is selected at a community meeting or baraza called by the area leader or the community health committee. Once selected, the community health volunteers undergo training to prepare them to serve households that would be organized as a community health unit. Each community health unit should meet the minimum number of Workers required to serve a certain size of households/ population, as stipulated in the most Current guidelines/strategy, and subject to contextual factors such as population density and geographical coverage.</p> <p>Scope of Duties of CHPs are as follows;</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>revealed that the identification criteria for the CHPs were not structured in a formal way posing the risk of engaging incompetent and non-committed persons to the program.</p> <p>In addition, there was no evidence of the scope of duties and the management controls of the activities of the CHPs hence likelihood of not achieving the intended objective.</p>	<ul style="list-style-type: none"> <li><i>a.</i> Deliver key health messages to households as outlined in the Kenya Essential Package of Health (KEPH)</li> <li><i>b.</i> Registration of households at frequencies stipulated in current guidelines</li> <li><i>c.</i> Guide community on health improvement and disease prevention</li> <li><i>d.</i> Treat common ailments and minor injuries with support and guidance from CHAs including the implementation of Community-based Maternal and New-born Health (CMNH) and Integrated Community Case Management of Common Childhood diseases (iCCM).</li> <li><i>e.</i> Diagnose, treat, manage or refer accordingly, common childhood illnesses such as diarrhea, malaria, malnutrition and pneumonia.</li> <li><i>f.</i> With support from the CHA, stock the CHV kit with supplies provided through the respective link facility or other mechanisms outlined in the</li> </ul>		<p>in the subsequent audit cycle.</p>	

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
		<p>guidelines/strategy g. Refer cases to respective link facilities</p> <p>h. Promote care seeking behavior and compliance with treatment and advice</p> <p>i. Visit homes to determine the health situation and initiate dialogue with household members to undertake the necessary action for improvement</p> <p>j. Recognize danger signs among household members and refer as appropriate</p> <p>Appendix 21- Kenya Community Health Policy 2020-2030</p>			

<p><b>4.0. Failure to Establish an Audit Committee</b></p>	<p>During the year under review, the County Executive had an internal audit unit. However, an Audit Committee had not been established. Further, contrary to Regulation 159(2) of the Public Finance Management (County Governments) Regulations, 2015, there were no published annual report on the review of the independence, performance, and competence of the Internal Audit Unit.</p>	<p>The management concurs with the Auditors observation on Establishment of an Audit Committee. However, the audit committee has since been appointed and gazetted. Further, the Head of Internal Audit undergoes annual performance contracting and performance review in line with the PFM Regulations 159 (1) which in a broad sense addresses the concerns of independence, performance, and competence. Compliance to regulations 159 (2) has been addressed following the appointment and gazette of the Audit Committee. Appendix 22- Audit Committee Gazette Notice extract</p>	<p>The Committee observed that the County assembly concurred with the Auditors observation that the audit committee was not in place during the year under review and had since been gazetted on 12<sup>th</sup> March, 2025. The Report on the performance of internal audit was however not provided. The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
				in the subsequent audit cy cle.	



<p><b>5.0. Lack of Information Communication Technology Policy</b></p>	<p>As previously reported, review of ICT environment and its controls revealed that there is no ICT Policy in place to govern ICT environment. The Management had not approved draft ICT Policy to govern ICT environment and address areas of concern such as;</p> <ul style="list-style-type: none"> <li>i. Information Technology Governance to ensure ICT strategic committee is in place.</li> <li>ii. ICT security Management to ensure data confidentiality, integrity and availability and to ensure there is patch management process on all systems software's.</li> <li>iii. ICT Program change</li> </ul>	<p>The management concurs with the auditor's observation on Lack of ICT Policy as at the time of audit. However, the Management has since put in place an ICT policy to govern IT environment and address the areas of concern.</p> <p>Appendix 23- ICT policy.</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>management to ensure that there is formally documented and approved processes to manage upgrades made to all information systems.</p> <p>iv. Physical access controls to ensure physical access to sensitive areas like server rooms, storage rooms and network rooms are properly controlled.</p> <p>v. Environmental control to cover environmental controls like fire suppression system, ups and air conditioning systems especially in server rooms.</p> <p>vi. Logical Access Control to document and approve user</p>			in the subsequent audit cycle.	

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	management standards and procedures in the organization.				

<p><b>6.0. Lack of an Assets Register</b></p>	<p>Annexure 4 to the financial statements reflects non-current assets with a historical cost balance of Kshs.8,797,568,719 as at 30 June, 2024. However, as previously reported, review of records revealed the following anomalies:</p> <p>i. Management did not maintain a fixed asset register in the prescribed format contrary to Regulation 136 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or</p>	<p>The management wishes to state the following:</p> <p>i. The management through the department of finance and economic planning is in the process of updating the County's asset register as per the copies provided.</p> <p>ii. The management has budgeted for the procurement of asset tags and tagging of the county's asset in the third quarter of 2024-2025 financial year.</p> <p>iii. To complement the softcopy registers, the management has approved the printing of the eleven classes of asset registers as per the national treasury guidelines on asset management.</p> <p>iv. The management has put in place an Asset Disposal Committee currently in the process of verification and valuation of all County assets including the ones inherited from the defunct local authorities.</p> <p>Appendix 24- Draft Asset Register</p>	<p>The Committee observed that the County Executive did not provide the documents to the Auditor-General during the audit process.</p>	<p>The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.</p> <p>The Committee further recommends that the Auditor General audits the outstanding matter</p>	<p>Report back to the senate on the status of compliance with the recommendations within sixty (60) days of the adoption of this report.</p>
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Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>possession as prescribed by the relevant laws. The register in place lacked identification or serial numbers, acquisition date, description of asset, location, class and cost of acquisition.</p> <p>ii. The register of land and buildings did not have a record of each parcel of land and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms, maintenance contracts and other pertinent management details as required</p>			in the subsequent audit cycle.	

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	<p>under Regulation 136(2) of the Public Finance Management (County Governments) Regulations, 2015.</p> <p>iii. Management did not report on assets taken over or inherited from all the defunct Local Authorities.</p> <p>iv. Management is yet to establish policies and procedures on assets management as required under Part XII of Public Finance Management (County Governments) Financial Regulations, 2015.</p> <p>v. The assets were also not tagged for ease of identification and tracking.</p>				

Paragraph	Key Issue	Management Response	Committee Observations	Committee Recommendations	Timelines
	vi. No evidence was provided indicating that the assets were regularly inspected to confirm existence, condition and location of the assets.				

**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF SIAYA COUNTY EXECUTIVE FOR THE  
FINANCIAL YEAR 2023/2024**

**Basis for Qualified Opinion**

<b>SUMMARY OF UNRESOLVED ISSUES</b>						
<b>No</b>	<b>Audit Query</b>	<b>Audit Findings</b>	<b>Management Response</b>	<b>Committee Observations</b>	<b>Committee Recommendations</b>	<b>Timelines</b>
<b>REPORT ON FINANCIAL STATEMENTS</b>						
1	<b>Compensation of Employees</b> i. The County Executive made salary payments amounting to Kshs.14,509,755 to two hundred and	Evidence provided for issue nos ii,iii,and iv. Roman i not fully addressed.	Included in the figure of Kshs. 14,509,755 is Kshs.649,431.8 in respect of funeral expenses (Kshs 50,000) baggage allowances (kshs 3,618) unremitted gratuity (Kshs.595,813,8).Kshs. 13,860,323.20 represents salary payments for staff who are yet to be issued with Unified Personal Numbers and are	The Committee observed that Salary payments totaling Kshs.14,509,755 were made outside the Integrated Payroll and Personnel Database (IPPD), Kshs.76,608,000 was spent on community health workers	The Committee recommends that- 1. The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide	Within 60 days after adoption of the report.



	<p>forty (240) members of staff in the month of June, 2024 outside the Integrated Payroll and Personnel Database (IPPD) through vouchers. Management attributed the payments to funeral expenses, baggage</p>		<p>therefore paid outside the IPPD.</p> <p>The letter from the Director Public Health and Sanitation dated 8<sup>th</sup> March, 2011 on the Resolutions of the Health Sector Coordinating Committee held on 7<sup>th</sup> July 2010 at AFYA HOUSE stated that Recruitment of Community Health Workers (CHWs) and formation of the Community Units will be based on Country Zoning per population density where Western Kenya the ration of Community Health Workers (CHWs) per population will be 1: 500.</p> <p>Community Health Policy 2020-2030 Chapter 3.1 Leadership and Governance guide that in a Barraza setting, Community Health</p>	<p>without recruitment records, and twenty staff members shared a bank account for salary payments, raising concerns over the completeness and accuracy of the Kshs.2,872,515, 819 compensation cost, contrary to Section 96 of the Public Finance Management (County Governments) Regulations, 2015, which requires proper payroll management and accountability.</p>	<p>documents to the auditors at the time of audit, in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.</p> <p>2. The EACC to investigate the unsupported payments with a view to cause prosecution of responsible officers in accordance with Section 62(2) of the Public Audit Act, 2015 for failure to provide the documents to</p>	
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	<p>allowances and unremitted gratuity. The County Executive made salary payments amounting to Kshs.14,509,755 to two hundred and forty (240) members of staff in the month of June, 2024 outside the Integrated Payroll</p>		<p>Committee (CHCs) are selected then trained and CHC members organize a Baraza for the selection of the CHWs using the set criteria. CHWs are then trained on their roles and responsibilities using the nationally approved CHW training Curriculum.</p> <p>The Community Health Policy 3.2.2 further guide that a Community Health Promoter will be selected at a community meeting or Baraza called by the Area leader or Community Health Committee.</p> <p>Once selected the CHW would undergo training to prepare them to serve households that would be organized as a Community Health Unit. The Minutes would be prepared by the CHA and forwarded by the SCMOH.</p>		<p>the auditors and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	
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	<p>and Personnel Database (IPPD) through vouchers. Management attributed the payments to funeral expenses, baggage allowances and unremitted gratuity. The County Executive engaged the services of two</p>		<p>The CHW recruitment and Certification guidelines gives guidance on the process, criteria, training and Certification.</p> <p>The Revenue collectors were duly recruited by the County Public Service Board. Details of the same are herewith annexed.</p> <p>The Fosa account in reference is a holding account at the Cooperative Bank of Kenya for all staff who earn from the Shirika FOSA Account, hence sharing the same account Number. The employer remits their earnings to the clearing Bank (Equity Bank) then it's wired to Cooperative Bank who is the Banker to all Saccos, which is then wired to respective Saccos including Shirika Fosa Sacco.</p>			
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	<p>thousand one hundred and twenty-eight (2,128) community health workers and had spent Kshs.76,608,000 on their wages in the year. Each of the Health Worker is paid an amount of Kshs.3,000 per month. However</p>					
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	iv. r, records on how the workers were recruite d were not provide d for audit. It is therefor e not possible to confirm their existenc e. In addition , review of payroll for months of July and Decemb er, 2023					
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	and January and June, 2024 revealed that twenty (20) member s of staff were sharing a bank account number. Manage ment explaine d that the Account was held at Shirika Fosa account and it is a member 's holding					
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	<p>account at the bank which the respective bank receives and dispatches net earnings to their members, upon recovery of loans advances. It was however not clear how the Executive would be paying net salaries to a joint</p>					
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	<p>account instead of remitting amounts owing to the FOSA.</p> <p>In the circumstances, the completeness and accuracy of the compensation of employees cost of Kshs.2,872,515,819 could not be confirmed.</p> <p>v.</p>					
2	<p><b>Use of Goods and Services</b></p> <p>The statement of receipts and payments and as indicated in Note 4 to the financial statements reflects an amount of Kshs.1,466,219,8</p>		<p>The management did not respond to the issue.</p>		<p>The Committee recommends that the Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide</p>	<p>Within 60 days after adoption of the report.</p>



	<p>71 relating to use of goods and services. However, the following unsatisfactory matters were noted:</p>				<p>documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p>	
3	<p><b>Domestic Travel and Subsistence Allowances</b> Included in the use of goods amount is Kshs.348,443,387 expenditure on domestic travel and subsistence. Review of expenditure records revealed the following;</p>					

4	<p><b>Amounts Paid to the County Government</b></p> <p>Review of the domestic travel and subsistence allowance revealed that an amount of Kshs.3,360,000 was paid as domestic travel and subsistence allowance described as payment to the Siaya County Government. It is not clear and Management did not explain the purpose for and the beneficiary of the payment.</p> <p>In the circumstances, the validity and occurrence of the expenditure totaling Kshs.3,360,000</p>	<p>- Payments of Kshs.3,360,000 not supported by a signed list of beneficiaries and tickets from outstations to confirm actual travel and no explanation has been provided to show why the per diems were not paid to the bank accounts of the beneficiaries</p> <p>- Further, the payments were made directly through a voucher instead of imprest warrants.</p>	<p>The payments of Kshs.3,360,000 were allowances paid to officers of the County Government of Siaya attending the same activity. The supporting documents indicated the reasons for payments and the beneficiaries to be paid. A single payment voucher is raised to pay activities attended by several officers. The three (3) payments totaling to Kshs.3,360,000.00 were for three activities as per the attached payment vouchers.</p> <p>Annex 5: Sample Payment vouchers</p>	<p>The Committee observed that payments of Kshs.3,360,000 were not supported by a signed list of beneficiaries or travel tickets, and were processed through vouchers instead of imprest warrants, contrary to Regulation 93(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires proper documentation and accountability in public expenditure.</p>	<p>The Committee recommends that;</p> <p>-</p> <ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</li> </ol>	<p>Within 60 days after adoption of the report.</p>
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	could not be confirmed.				2. The Institute of Certified Public Accountants of Kenya (ICPAK) takes action(s) against the responsible officer(s) for gross negligence in the conduct of professional duties which constitutes a professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531; and	
5	<b>Irregular Payment of Sitting Allowances to Members of County Assembly</b>		The payments to Members of County Assembly were reimbursements for activities / meetings that had taken place. The County Executive	The Committee observed that the payment of Kshs.2,903,600 as sitting allowances to Members of the	The Committee recommends that; - 1. The Office of the County Governor undertakes	Within 60 days after adoption of the report.

	<p>Further, included in the domestic travel and subsistence expenditure is an amount of Kshs.2,903,600 paid to Members of the County Assembly of Siaya in respect of interrogation of the audit reports. However, the County Assembly has its own approved budget for appropriations of these meetings and oversight roles. Further, the allowances were directly expensed before surrender hence not accounted for which was irregular.</p> <p>In the circumstances, the propriety,</p>		<p>conformed to the applicable accounting and procedures standards.</p>	<p>County Assembly for interrogation of audit reports was irregular, as the Assembly has its own approved budget for such activities, and the allowances were directly expensed before surrender, contrary to the Public Finance Management Act, 2012, which requires proper accountability and transparency in the use of public funds.</p>	<p>administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) takes action(s)</p>	
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	regularity and value for money from the expenditure of Kshs.2,903,600 could not be confirmed.				against the responsible officer(s) for gross negligence in the conduct of professional duties which constitutes a professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531; and	
6	<b>Unsupported Training Expenses</b> Included in the use of goods and services amount is Kshs.14,596,631 incurred on training expenses. However, review of the supporting documents including payment vouchers, revealed	Management in agreement with the observation made. And Training needs assessment report not in place. Issue not addressed	A consolidated Training Needs Assessment Report is not yet in place, However, the departments identify and propose trainings for staff through the departmental training committee and this is processed through the County Human Resource Advisory Committee where the	The Committee observed that		

	<p>that the expenditure was not supported by training need assessments from individual staff trained as required by Section H.3(1) of the Public Service Commission Human Resource manual of May, 2016 which states that training in the Public Service shall be based on training needs assessment.</p> <p>Further, Section H.3(3) states that selection of trainees for all training programme will be based on identified needs and will emphasize on training for performance improvement that</p>		<p>requests are vetted and approved.</p> <p>Under the Kenya Devolution Support Programme II, the department of Governance, Administration &amp; ICT has initiated the process of preparing a comprehensive Training Needs Assessment for all the departments. This will provide baseline for future training needs.</p>			
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	address individual, organizational and national goals.					
7	<p><b>Unsupported Legal Fees</b></p> <p>The County Executive had pending bills relating to decretal fees totaling Kshs.33,117,621.</p> <p>In the circumstances, the completeness, occurrence and accuracy of the reported legal fees could not be confirmed</p>	<p>Although a provision through budget allocation has been made in the financial year 2024/2025, the pending bills are still outstanding. Issue not addressed.</p>	<p>The pending bills arising from court awards and fee notes has largely been occasioned by insufficient budgetary allocation. In the current Financial Year, we have a budgetary allocation of Kshs. 22,682,880.00 the amount will be topped up in the Supplementary Budget FY 2024/2025.</p>	<p>The Committee observed that the management pending bills for decretal fees totaling Kshs.33,117,621 lacked supporting documentation, raising concerns over the completeness, occurrence, and accuracy of the reported legal fees, contrary to the Public Finance Management Act, 2012, which requires transparency and accountability in public expenditure.</p>	<p>The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</p>	<p>Within 60 days after adoption of the report.</p>

8	<p><b>Inaccuracies in Bank Balances</b> The statement of assets and liabilities reflects bank balances of Kshs.89,024,823 as disclosed in Note 13A to the financial statements. Included in the bank balances are County recurrent and development accounts bank balances of Kshs.6 and Kshs.256 respectively. However, the bank reconciliation statements for the recurrent account includes receipts in bank not recorded in cash book amounting to Kshs.392,025,630 that took place in the month of July, 2024 outside the</p>	<p>Regulation 97(4) of the Public Finance Management (County Governments) Regulations, 2015 provides that actual cash transactions taking place after 30 June shall not be treated as pertaining to the previous financial year even though the accounts for that year may be open for end of year procedures and adjustments.</p>	<p>During the year under review, County received exchequers as late as July 2024. At the closure of financial year and considering that these funds were meant to fund operations for the year ending June 2024, these late receipts were treated as revenue receipts in our Amended Financial statements for both Recurrent and Development bank accounts. It is upon these adjustments that the correct bank balances were arrived and reported in our Financial Statements. We can therefore confirm that the recurrent account balance was Kshs.6.35 while Development Bank Account balance was Kshs.256.20 as reported in our Amended Financial Statements. In regards to receipts amounting Kshs.279,096,435</p>	<p>The Committee observed that the accuracy and fairness of the reported bank balances of Kshs.89,024,823 could not be confirmed due to unrecorded receipts, transactions occurring outside the accounting period, and missing date details in the bank reconciliation statements, contrary to the Public Finance Management Act, 2012, which requires accurate financial reporting and adherence to accounting periods.</p>	<p>The Committee recommends that; - 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p>	<p>Within 60 days after adoption of the report.</p>
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	<p>current accounting period.</p> <p>Further, the bank reconciliation statements for the development account includes receipts in cash book not recorded in bank statement amounting to Kshs.230,096,435 that took place in the Month of July, 2024 outside the accounting period. In addition, receipts amounting Kshs.279,096,435 had no date details indicated against it in the bank reconciliation statements. This is indicative of non-adherence to the cut-off period.</p> <p>In the circumstances, the</p>		<p>which had no date details indicated in the reconciliation statements, we wish to confirm that we have revised our bank reconciliation statement to clearly indicate the date, details and amount as per the attached bank reconciliation statement in Annex 10</p>		<p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) takes action(s) against the responsible officer(s) for gross negligence in the conduct of professional duties which constitutes a professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531; and</p>	
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	accuracy and fair statement of the reported bank balances of Kshs.89,024,823 could not be confirmed.					
9	<p><b>Unsupported Acquisition of Assets</b></p> <p>The statement of receipts and payments reflects an amount of Kshs.1,949,578,355, which includes Kshs.32,970,000 for the acquisition of parcels of land. Review of documents provided for audit revealed that County Departments acquired nine (9) parcels of land through the Department of Lands, Housing and Physical</p>	Process of survey, beacon and transfer of ownership process started.	The parcels of land are surveyed. The acreage of the plot was verified/surveyed during purchase process. However, during the financial year under review, there was no budgetary allocation for beaconing and fencing of the parcels but for purchase of execution of transfer documents from all the vendors of the purchased parcels. The department will ensure such provisions are made in the subsequent budget. Transfer of ownership to the County Government is in process.	The Committee observed that the Ownership and valuation of land acquired for Kshs.32,970,000 could not be confirmed as the parcels were not surveyed, fenced, or beacons, posing a risk of encroachment. No documentation was provided to verify registration in favor of the County Government or the basis for the payments,	The Committee recommends that; - 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a	Within 60 days after adoption of the report.

	<p>Planning as shown in Annex 6 to the financial statements under summary of non-current asset register. However, physical inspection of the parcels of land revealed that the land was neither surveyed, fenced nor beacons making it difficult to determine the boundaries. This poses risk of encroachment. Further, no documentary evidence was provided for audit verification to show that registration of the said land in favour of the County Government as well as the basis for the value paid as consideration.</p>		<p>Annex 11 (ii): Survey reports/transfer of ownership</p>	<p>contrary to Section 149 of the Public Finance Management Act, 2012.</p>	<p>status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) takes action(s) against the responsible officer(s) for gross negligence in the conduct of professional duties which constitutes a professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531; and</p>	
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	In the circumstances, the rightful ownership and the valuation of land valued at Kshs.32,970,000 could not be confirmed.					
10	<p><b>Non-Adherence to End of Period Cut-Off Procedures</b></p> <p>The statement of receipts and payments reflects an amount of Kshs.7,095,447,929 in respect of transfers from County Revenue Fund (CRF) and as disclosed in Note 1 to the financial statements. However, review of Central Bank of Kenya (CBK) bank statements revealed transfers from exchequer</p>	According to Regulation 97(4) of the Public Finance Management (County Governments) Regulations, 2015, any cash transactions occurring after 30 June should not be recorded as part of the previous financial year, even if the accounts remain open for end-of-year procedures and adjustments.	The disbursing funds to the County Revenue Fund delayed, which subsequently delayed requisitions by the County hence the requisitions past the cut-off date. Kshs 710,018,02 was approved by the Controller of Budget on 2 <sup>nd</sup> July 2024 evidenced by Payment Instruction to the Central Bank of Kenya (Form B) attached for your perusal.	The Committee observed that the County Executive did not adhere to end-of-period cut-off procedures as required by Regulation 97(4) of the Public Finance Management (County Governments) Regulations, 2015. Transfers from the County Revenue Fund (CRF) were overstated by Kshs.710,018,02	<b>The Committee recommends that the National Treasury ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</b>	Continuous

	<p>included transfers of funds totaling Kshs.710,018,028 received between 2 July to 5 July, 2024 which was outside the cut off period of 30 June, 2024.</p> <p>In the circumstances, transfers from County Revenue Fund (CRF) is overstated by Kshs.710,018,028 .</p>			8 due to funds received between 2 July and 5 July, 2024, which falls outside the financial year ending 30 June, 2024.		
1 1	<p><b>Unexplained Voided Transactions</b></p> <p>Review of the IFMIS transactions revealed that one thousand five hundred (1,500) transactions valued at Kshs.560,626,783 were voided.</p>	<p>Management have not provided Approval by the COB for the voided transaction.</p> <p>Also, no current status report for the voided transaction.</p>	<p>As at the closure of the financial year the County had not received exchequer of Kshs.581,041,559 and therefore could not have paid all processed payments hence the clearing of transactions and,</p> <p>The transactions were cleared pursuant to</p>	<p>The Committee observed that the review of IFMIS transactions revealed that 1,500 transactions totaling Kshs.560,626,783 were voided without satisfactory explanation from</p>	<p><b>The Committee recommends that; -</b></p> <p><b>1) The Controller of Budget to liaise with the Auditor General to confirm whether the payments were canceled after the approval and there was no</b></p>	<p>Within 60 days after the adoption of the report.</p>

	<p>Management did not explain satisfactorily why the payments were voided yet they had been approved. Further, no evidence was provided for audit review to confirm that the Controller of Budget approved the voiding of the payments and how the proceeds of the voided transactions have been applied.</p> <p>In the circumstances, the regularity of voided payments amounting to Kshs.560,626,783 could not be confirmed.</p>		<p>closure of financial year circular Ref:AG.3/88/Vol.II(31) dated 15<sup>th</sup> May 2024 issued by The National Treasury</p>	<p>management, despite prior approval of the payments. Additionally, no evidence was provided to confirm that the Controller of Budget approved the voiding of these transactions or how the funds were subsequently utilized. This lack of transparency raises concerns over the regularity and accountability of the voided payments.</p>	<p><b>notification or due process and provide a status update to the Senate within 60 days of adoption of this report.</b>  <b>2) The Office of the County Governor undertakes administrative action against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of Finance for voiding payments without approval and diverting funds</b>  <b>3) Within six months of adoption of this report the CS National Treasury to ensure IFMIS</b></p>	
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					reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved. 4) The Committee recommends that the EACC should expedite investigations on the matter in line with the Controller of Budget Act.	
<b>OTHER MATTERS</b>						
1 2	<b>Budgetary Control and Performance</b> The statement of comparison of budget and actual amounts (recurrent and development combined) reflects final receipts budget and actual	Lack of an updated valuation roll -Partial automation of revenue collection.	In order to reduce under-funding of its budget, the County has put effort to ensure 100% collection of its Own Source Revenue (OSR). Currently the following revenue streams have fully automated' SBP, Market fee, Market rent, Bus park fee, Cess fee and parking fee while	The Committee noted that; 1. there was under-utilization of appropriated funds by the County Executive as a result	<b>The Committee recommends that;</b> 1. <b>The National Treasury should ensure timely release of funds to county</b>	Continious

<p>on comparable basis of Kshs.8,622,296,906 and Kshs.7,095,447,929 respectively, resulting in an underfunding of Kshs.1,526,848,377 or 18% of the budget. Further, the County Executive incurred an expenditure of Kshs.713,951,475 on other grants and transfers without having a budget for it. No explanation has been provided why the Management failed to budget for it.</p> <p>The budget underfunding affected the planned activities and may have</p>		<p>the following revenue streams are on piloting Hospital fee, Liquor license, Plot rates, Advertisement, Plan approval and Public health revenue. Note that we anticipate that by end the Financial Year, all revenue streams will have been automated. The valuation roll is currently at 40% and is envisaged to cover Siaya,Bondo and Ugunja Municipality, Segwa Town,Yala Town,Usenge Town and Ukwala Town for ratable properties at market rates for rents and rates. The expenditure on other grants and transfers are budgeted either under use of goods or Acquisition of assets as reported in the statement of comparison of Recurrent and Development combined.</p> <p><b>Annex 14: Valuation Roll status</b></p>	<p>of delay in exchequer releases by The National Treasury; and</p> <p>2. The County did not meet its own source revenue targets.</p>	<p><b>governments in line with the cash disbursement schedules approved by the Senate.</b></p> <p><b>2. the County executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.</b></p>	
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	impacted negatively on service delivery to the residents of Siaya County.					
1 4	<b>Pending Bills</b> Information available indicate that the Executive had pending bills amounting to over Kshs.1,186,014,495, which remained unsettled as at time of audit. This is contrary to Regulation 150(1) of the PPAD Act Regulations, 2020 which requires that subject to availability of funds and after proper certification of goods, works or service prompt payments are made within 60	Outstanding pending bills now at Kshs.599,591,261.	It is true that the County accumulated pending bills due to delays and non-receipt of exchequers. However, the County government is committed to ensure that all long outstanding pending bills are cleared by end of the Financial Year 2024/2025 as per the attached payment plan. Please note that despite cashflow challenges, the county is implementing the plan and reduced the pending bills as per the attached status report.	The Committee observed that the county Executive had pending bills that had been outstanding for several years. Further, they continued to incur further bills without prioritizing payment of verified pending bills as a first charge in the subsequent financial year as required by law.	<b>The Committee recommends that:</b> 1. <b>all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and</b> 2. <b>that-</b> i. <b>pursuant to the provisions of Regulation 41(2) &amp; (3)</b>	Within 60 days after adoption of the report.

	<p>days from date of receipt of invoice.</p> <p>Further, review of Annex 2 to the financial statements revealed that some of the pending bills relates to constructions of roads and civil works and supply of goods and services which were incurred between 2015-2023 financial years but had not been settled. The County Executive therefore is at risk of incurring significant unquantified interest's costs and penalties with the continued delay in settling invoiced bills.</p>				<p><b>of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter</b></p>	
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					<p><b>budget releases will not be done;</b></p> <p><b>ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;</b></p> <p><b>iii. County Governments shall only pay pending Bills contained in their respective procurement plans</b></p>	
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					<p><b>pursuant to Regulation 50 (2) &amp; (3) of the Public Finance Management (County Governments) Regulations;</b></p> <p><b>iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;</b></p>	
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					<p>v. <b>County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects; and</b></p> <p>vi. <b>County governments shall conduct public participation while formulating</b></p>	
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					g supplemen tary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplemen tary budgets.	
1 5	<b>Unresolved Prior Year Matters</b> In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of	PAIC report now obtained for implementation.	The management noted that at the time of Audit, the County Assembly had not adopted PAIC report for financial year 2022/2023. The County Government received the findings between 7 <sup>th</sup> and 11 <sup>th</sup> February, 2025. The County Executive shall implement the report accordingly. We affirm that by implementing the recommendations of the county assembly, we	The committee observed that issues from previous financial years had not been resolved.	The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the	Within 60 days after adoption of the report.

	Internal controls, Risk management and governance. However, the Management had not resolved the issues as at 30 June, 2024.		shall have addressed effectiveness of internal controls, risk management and governance issues contained in the audit report		adopting this report.	
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>						
1 6	<b>Failure to Construct Governor's Residence and Irregular Rental Allowance</b> Review of rental house allowance records show that the Executive incurred Kshs.3,600,000 on the Governor's and Deputy Governor's rent expenses. However, the expenditure would have been avoided had the Executive constructed and implemented		The County Government of Siaya has not constructed the Governor and Deputy Governors' residence due to budgetary constraints. However, the Kenya Gazette dated 9 <sup>th</sup> August, 2023 No.10348 on remuneration and benefits for state officers in the executive of the County Government provides for the cycle that covers for financial year 2021/2022 to 2024/2025. The said officers are currently being paid house allowance as per the attached SRC	The Committee observed that the County Executive incurred Kshs.3,600,000 on rent for the Governor and Deputy Governor instead of constructing official residences as required by SRC Circular Ref. No. SRC/TS/CoG/6/61/48 Vol.II (64) of 20 May 2017, which set a deadline of 30 June 2022. This non-compliance	The Committee recommends that; - 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as	Within 60 days after adoption of the report.

	<p>Salaries and Remuneration Commission (SRC) Circular Ref. No. SRC/TS/CoG/6/6 1/48 Vol.II (64) dated 20 May, 2017 which gave guidelines on housing benefits for Governors, Deputy Governors and County Assembly Speakers. The Commission gave a deadline of 30 June, 2022 for the commissioning of the Governor's and Deputy Governor's residence. In the circumstances, Management was in breach of the law.</p>		<p>guidelines on payment of house allowance to the Governor and Deputy Governor.</p>	<p>resulted in avoidable expenditure and a breach of the law.</p>	<p>realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for</p>	
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					<p>their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
1 7	<p><b>Failure to Pay Full Premium on Staff Medical Insurance</b></p> <p>Review of medical insurance records show that Management signed a contract for provision of employees' medical insurance services on 4 October, 2023 at a premium amount</p>	<p>Documentation for renewal and policy provided. Management to be paying contractual premium and not advance premium.</p>	<p>The audit observation are noted and state that the policy documents and letter seeking renewal of medical cover were provided at the time of audit. The documents have are hereby submitted for your verification. County Government made a payment of Kshs.105, 040,484.00 leaving a balance of Kshs. 96,929,679.00</p>	<p>The Committee observed that the Management signed a contract for employees' medical insurance on 4 October 2023 at a premium of Kshs.201,970,162 for the period 22 October 2023 to 21 October 2024. However, an advance</p>	<p>The Committee recommends that management should comply with Clause 4.2 of the contract and Section 156(1) of the Insurance Act, 2020 by making full advance payments as required. Additionally, all insurance renewals should</p>	<p>Within 60 days after adoption of the report.</p>

	<p>of Kshs.201,970,162 for the period commencing 22 October, 2023 to 21 October, 2024. However, payment records show that Management paid an advance premium amounting to Kshs.105,040,484 or (52%) instead of the contractual premium of Kshs.201,970,162 payable in advance. This is contrary to provision of clause 4.2 of the signed contract. In addition, Section 156(1) of the Insurance Act, 2020 requires that no insurer shall assume a risk unless and until the premium</p>		<p>which remained unpaid by end of the Financial Year 2023-2024 because of the late disbursement of funds. The balance will be paid off during the current financial year 2024/2025.</p>	<p>payment of Kshs.105,040,484 (52%) was made instead of the full premium, violating Clause 4.2 of the contract and Section 156(1) of the Insurance Act, 2020. No prior notice for renewal was documented, and the insurance policy document was not provided for audit, raising concerns over value for money.</p>	<p>follow proper procurement procedures, including prior written notice, and the insurance policy document should be provided for audit verification.</p>	
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	<p>payable thereon is received by the insurer.</p> <p>Further, although records indicate that renewal of the medical cover for the Executive was agreed on 4 October, 2023 by National Hospital Insurance Fund, there was no prior notice in writing seeking for renewal of insurance cover before contract agreement was entered into and signed. In addition, insurance policy document was not provided for audit review.</p> <p>In the circumstances, value for money incurred on</p>					
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	insurance premium could not be confirmed.					
18	<p><b>Failure to Adhere to One Third of Basic Salary Rule</b></p> <p>Review of the payroll revealed that the Executive had two hundred and forty-five (245) employees whose net pay was below a third (1/3) of their basic pay contrary to Section 19(3) of the Employment Act, 2007 and Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 on Salary and Allowances which states that public officers shall not over-</p>	-Issue explained reasonably but not legally addressed. Issue partially addressed.	<p>We state that the breach of law was due to the following reasons:</p> <p>Due to COVID19 scourge in the year 2021, the Government offered tax relief for all public servants. This increased the disposable income of workers and a number of them committed their earnings to loans with the hope that the tax relief would last a long period. However, the relief was withdrawn after one year.</p> <p>During the financial year 2023/2024, the employees' contribution to NSSF were changed vide notice to employers as attached below</p> <p>During the same period the government</p>	The Committee observed that some of the county staff were earning less than a third of their basic pay contrary to Section 19(3) of the Employment Act 2007.	<p>The Committee therefore recommends that –</p> <p><b>1) the County Executive should provide to the Auditor General within sixty (60) days after the adoption of this report a plan of the measures put in place to mitigate the issue as well as comply with the requirements of law.</b></p>	Continuous

	<p>commit their salaries beyond two-thirds (2/3) of their basic pay.</p> <p>In the circumstances, Management was in breach of the law.</p>		<p>introduced and implemented contribution to House Levy at the rate of 1.5% of the Gross Earnings</p> <p>The Higher Education Loans Board (HELB) subjected some officers to loans recovery when the same officers had committed their earnings to other loans. The above measures were implemented when the affected officers had already committed their earnings to loans, hence their net salaries went below 1/3 of their basic salary.</p>		<p><b>2) the county should configure its Integrated Payroll and Personnel Database (IPPD) system such that it can lock out commitments beyond the accepted thresholds.</b></p> <p><b>3) the Auditor General should continue monitoring the issue in subsequent financial years.</b></p>	
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1 9	<b>Ethnic Composition of Employees-</b>	<p>Review of the June, 2024 IPPD and compliment controls revealed that eight-nine percent (89%) of the permanent employees are from the local dominant community contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which stipulates that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community. In the circumstances,</p>	<p>The positions usually filled in the County Public Service are at the lowest level consisting mainly of revenue collectors, ECD teachers, Support Staff and Office Assistants which are low paying jobs and hence do not attract applicants from the non-dominant ethnic communities. a Despite the existing affirmative action mechanism in place to attract applicants from the non-dominant communities, only about 5% of the applicants are received from the non-dominant ethnic communities and majority do not turn up for the interviews. The Board will however endeavor to progressively comply with law on ethnic inclusivity in the new appointments.</p>	<p>The Committee observed that review of the June 2024 IPPD and complement controls revealed that 89% of permanent employees are from the dominant local community, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which limits any ethnic group to one-third of the workforce. This indicates non-compliance with legal requirements on diversity in public service appointments.</p>	<p>The Committee recommends that;</p> <p>-</p> <ol style="list-style-type: none"> <li>1) The county executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of the County Government Act on ethnic inclusivity.</li> <li>2) The Standing Committee on National Cohesion and Regional Integration to explore legal amendments to ensure progressive compliance</li> </ol>	Continuous
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		Management was in breach of the law.			with section 65(1)(e) of the County Government Act, 2012.	
20	<b>Irregularities in Imprest Management</b>	The statement of assets and liabilities reflect outstanding imprest of Kshs.5,026,471. Review of the imprest records revealed that out of this amount, Kshs.520,050 relate to 2022/2023 while outstanding imprests amounting to Kshs.5,307,721 were issued during the year. However, as at the time of audit in September, 2024, the imprests had not been surrendered. In addition, records revealed that nine (9) members of staff were issued with multiple	The management stated that the supporting schedule submitted during the audit exercise reflected outstanding imprests amount of Kshs. 5,026,471.00 as reported in our financial statement, all these imprests were issued in the financial year 2023/2024. Attached please find the imprest report for your verification. To ensure sound management of the imprest system, management has put the following measures in place; No officer is issued with more than one imprest. The County Treasury has centralized	The Committee observed that the statement of assets and liabilities reflects outstanding imprests of Kshs.5,026,471, including Kshs.520,050 from 2022/2023 and Kshs.5,307,721 issued during the year but unsurrendered as of September 2024. Additionally, nine staff members received multiple imprests totaling Kshs.1,297,900 before surrendering	The Committee recommends that;- 1. The recovery of the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation. 2. Sanction and surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015	Within 60 days after the adoption of the report.

		<p>imprest amounting to Kshs.1,297,900 before surrender of the previous imprests. This was contrary to Regulation 93(8) of the Public Finance Management (County Governments) 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.</p>	<p>management of imprest i.e. authorization, issuance, and surrender of imprest. As a result, outstanding imprest has reduced from Kshs.47,838,660 in Financial Year 2022/2023 to Kshs.5,026,471 in Financial Year 2023/2024.</p> <p>In addition, to further streamline imprest management, the County Treasury issued Imprest management circular Ref.SYACUNTY/FIN/C.CIR/4/10(66) dated 24/2/2024.It is our submission that with these interventions, the County shall have nil imprest at the closure of subsequent financial year.</p> <p>Annex 19: Imprest Circular,Imprest Report as at 30<sup>th</sup> June, 2024</p>	<p>previous ones, contrary to Regulation 93(8) of the Public Finance Management (County Governments) Regulations, 2015. This reflects weak imprest management and non-compliance with financial regulations.</p>	<p>within 60 days from the date of adoption of this report</p>	
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		In the circumstances, Management was in breach of the law.				
2 1	<b>Failure to Implement Recommendations of the County Legislative Oversight Committee</b>	It was noted that the County Public Accounts and Investment Committee (PAIC) had deliberated on the audit report for the financial year ended 30 June, 2022 and made twenty-three (23) recommendations for the Management. However, a status of implementation report for the same year revealed that only one (1) recommendation had been implemented while twenty-two (22) others remained not implemented.	In the financial year ended June 2022 the County Executive had a total of 45 audit issues as contained in OAG report. Upon discussion with the County Assembly, a total of 23 issues were resolved. This implies that 22 audit issues were recommended for County Executive action. Out of the 22 audit issues, the County Executive has implemented 19 of the County Assembly recommendations while 2 audit issues were referred to EACC for investigation. We can confirm that the investigation is ongoing. The recommendations on construction of Siaya	The Committee observed that The County Public Accounts and Investment Committee (PAIC) made twenty-three (23) recommendations on the audit report for the financial year ended 30 June, 2022. However, a review of the status of implementation report revealed that only one (1) recommendation had been implemented, while twenty-two (22) remained unaddressed. This was	The Committee recommends that management must ensure full implementation of the County Public Accounts and Investment Committee (PAIC) recommendations in accordance with <b>Section 31(1)(a) of the Public Audit Act, 2015</b> , which requires public entities to address audit findings and submit a report within three (3) months. Non-compliance may result in enforcement actions under <b>Section 68 of the</b>	Within 60 days after adoption of the report.

		<p>This was contrary to Section 31(1)(a) of the Public Audit Act, 2015 which states that within three (3) months after Parliament or the County Assembly has debated and considered the final report of the Auditor-General and made recommendations, a State Organ or a public entity that had been audited shall, as a preliminary step, submit a report on how it has addressed the recommendations and findings of the previous year's audit.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>County stadium has now been fully implemented. We affirm that by implementing the recommendations of the county assembly, we have addressed effectiveness of internal controls, risk management and governance issues contained in the audit report. We have attached status of implementation of audit recommendations for your review.</p>	<p>contrary to Section 31(1)(a) of the Public Audit Act, 2015, which requires audited entities to submit a report within three (3) months on actions taken to address audit recommendations. In the circumstances, Management was in breach of the law.</p>	<p><b>Public Finance Management Act, 2012</b>, which holds Accounting Officers personally accountable for financial mismanagement.</p>	
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2	<b>Failure to Insure the County Government Buildings</b>	During the year under review, the County Executive incurred an amount of Kshs.112,440,484 on insurance covers for motor vehicles and employees' medical scheme. Review of the expenditure revealed that the County Government buildings did not have an insurance cover to mitigate against losses in case of disaster. This is contrary to Section 79(2)(c) of the Public Finance Management Act, 2012 which requires a public officer within his area of responsibility to ensure that adequate	We are in concurrence with the Audit report and the recommendations provided. However, the County Government is yet to get the Intergovernmental Relations Technical Team (IGRT) report on Assets to be handed over to County Governments. The County government will then embark on insurance of County Government Buildings.	The Committee observed that the County Executive spent Kshs.112,440,484 on insurance for motor vehicles and employees' medical cover but did not insure County Government buildings against potential losses. This contravenes Section 79(2)(c) of the Public Finance Management Act, 2012, which requires public officers to safeguard public property, raising concerns over risk management and financial prudence.	The Committee recommends that the County Executive should ensure full compliance with Section 79(2)(c) of the Public Finance Management Act, 2012 by procuring adequate insurance cover for County Government buildings to safeguard public property and mitigate financial risks in case of disasters.	Within 60 days after adoption of the report.
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		<p>arrangements are made for the proper use, custody, safeguarding and maintenance of public property including application of best practice to prevent any damage from being done to the financial interest of the County Government.</p> <p>In the circumstances, Management was in breach of the law.</p>				
2 3	<b>Irregular Payments to Council of Governors and Lake Region Economic Bloc</b>	<p>The statement of receipts and payments reflects use of goods and services amounting to Kshs.1,466,219,870 which includes other operating expenses amounting to</p>	<p>The County Government in its budget estimates for the year 2023/2024, budgeted for the payments to LREB as per the Budget extract in Annex 19. It is our considered view therefore that the approved budget is</p>	<p>The Committee noted that payments made to the Council of Governors and Lake Region Economic Bloc from County Revenue Funds were irregular and unlawful</p>	<p>1. The Committee recommends that the irregular payments to the Council of Governors (COG) and Lake Region Economic Bloc be stopped and further recommends the</p>	<p>Immediate.</p>

		<p>Kshs.310,398,410 as disclosed in Note 4 to the financial statements. The other operating expenses includes Kshs.3,000,000 and Kshs.1,500,000 paid to the Council of Governors and the Lake Region Economic Bloc respectively. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which requires operational expenses of the institution established under the Act to be provided for in the annual estimates of revenue and expenditure of the National Government.</p> <p>In the circumstances,</p>	<p>sufficient authorization to incur expenditure hence payment to LREB.</p> <p>The Expenditure of Kshs. 3,000,000 was as result of a resolution of the Council of Governors letter dated 31<sup>st</sup> July 2023. Siaya County being a member of the Council of Governors was obliged to support the initiative. The payments were towards inter-governmental contributions for the year 2023-2024 of Kshs. 2,000,000 and legal fees of Kshs.1,000,000. We have attached council of governors meeting minutes for your review</p>	<p>since the Intergovernmental Relations Act specifies that funding for the COG shall be drawn from the Consolidated Fund.</p>	<p>surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution.</p> <p>2.The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.</p>	
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		Management was in breach of the law.				
2 4	<b>Delay in Installation of the Three-Phase Electricity Power at the Siaya Stadium</b>	<p>The County Government engaged the Kenya Power and Lightning Company to install a three-phase electricity power at a cost of Kshs.1,336,721. The requisitioning memo was done on the 23 September, 2023 while the payment was made on 16 November, 2023. However, physical inspection of the stadium revealed that the transformer is yet to be installed and thus the stadium has no power connected to it.</p> <p>It was, therefore, not clear why the</p>	<p>We note your findings and wish to respond as below: The KPLC payment was made on 15<sup>th</sup> March 2024. The Transformer has been installed complete with cabling from transformer to stadium power room and new meter commissioned and Connected.</p>	<p>The Committee observed that the management paid Kshs.1,336,721 to Kenya Power and Lighting Company for three-phase electricity installation, but as of the audit date, the transformer had not been installed, leaving the stadium without power.</p>	<p>The Committee recommends that; - 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public</p>	<p>Within 60 days after adoption of the report.</p>

		Company had delayed to install a three-phase electricity power.			<p>Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and</p>	
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					provide a status update to the Committee in the subsequent audit cycle.	
2 5	<b>Installation of Stadium VIP Seats</b>	The County Government signed a contract with M/s Fast Choice Limited on the 8 April, 2024 at a contract sum of Kshs.25,101,114 for the installation of stadium VIP seats. The seats were of two categories one being simple mounted middle backrest stadium seats 1494 (quantity) and foldable mounted middle backrest stadium seats 516(quantity).	The installation of VIP seats was done and completed on 31 <sup>st</sup> July 2024. See practical completion certificate attached for your verification. Further the project was certified complete, payment certificate prepared and signed by the supervision team (Consultants). Section 48(1) of PPADA of 2015 states that a procurement entity MAY establish an inspection team- “An accounting officer of a procuring entity MAY establish an ad hoc committee known as the inspection and acceptance committee.”	The Committee observed that the County Government awarded a Kshs.25,101,114 contract for stadium VIP seats and paid Kshs.5,020,222 as an advance, but the payment lacked an approved user department requisition and an inspection report. Additionally, physical verification revealed that only 471	The Committee recommends that; - 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in	Within 60 days after adoption of the report.



		<p>During the year under review, the contractor was paid Kshs.5,020,222, being advance payment as per clause 14.2 which has been further defined on the special conditions of the contract being 20% of the accepted contract amount. The advance was meant to be an interest free loan for mobilization and cash flow support. However, an approved requisition from the user department was not provided for audit. Further, the payment was not supported with an inspection report from the project implementation committee to</p>	<p>This particular project had appointed consultants who did the inspection and forwarded certificates for payment</p> <p>The number of foldable mounted seats in the BoQ is 516 and the physical number installed on site and can be physically verified is 516.</p>	<p>foldable seats were installed instead of the contracted 516, raising concerns over contract adherence and value for money.</p>	<p>the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the</p>	
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		<p>certify work done before payment.</p> <p>In addition, physical inspection of the seats showed that the contractor installed 1,494 simple mounted middle backrest seats as in the Bills of Quantities (BQs) and 471 foldable mounted middle backrest seats being 45 less of what was stated in the BQs. Although the Management has explained that the contractor has not been fully paid, it was not clear why fewer seats were installed.</p>			<p>adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
26	<b>Delay in Construction of Perimeter Wall at Migwena Sports Cultural Center</b>	The County Executive entered into a contract with a firm for the proposed construction of a	The management responded that keying was done on one side and the other side plastered. This was done because it's NOT	The Committee observed that the County Executive paid Kshs.28,718,584 (85% of the	The Committee recommends that; - 1. The County Executive establishes a	Within 60 days after adoption of the report.

		<p>perimeter wall at Migwena Sports Cultural Center at a contract sum of Kshs.33,841,097. Review of the status report provided for audit indicates commencement date was 31 January, 2024 for a contract period of 24 weeks. The intended completion date was indicated as 31 July, 2024. However, payment records revealed that cumulative payments amounting to Kshs.28,718,584 or 85% of the contract sum had been paid during the year under review for certificate number Nos 1 and 2.</p>	<p>practical to have construction stones which are fair faced on both sides and also of equal dimensions to the millimeter hence while constructing the side to be keyed is normally aligned and the other side plastered. Contractor was therefore instructed to do horizontal keying externally and plaster internally after site management meeting.</p> <p>i) The contract did NOT require an extension of time and renewal of Performance Bond since the works were practically complete by 26th July 2024 as per the attached practical completion certificate save for the listed snag list attached to the certificate.</p>	<p>contract sum) for the construction of a perimeter wall at Migwena Sports Cultural Center, but physical verification revealed deviations from the Bill of Quantities, an expired performance bond, lack of approval for time extension, and absence of cultural center features, raising concerns over contract compliance and project execution.</p>	<p>project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p>	
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		<p>Further, Section M of the Bill of Quantities (BOQ) required the fence to have horizontal and vertical key pointing to wall surfaces both sides c/w black paint to keyed surface. However, physical verification in September, 2024 revealed that the inner wall was plastered and the keying was only done on the outside of the wall and was only horizontal key. This was contrary to the signed BOQ.</p> <p>It Is anticipated that the changes might lead to price variations on the project. It was not clear how the changes came about as there was</p>	<p>ii) The Cultural centre has other facilities under construction and for future development as per the attached master plan</p>		<p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
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		<p>no approved documentation provided for audit supporting the changes. In addition, the following anomalies were observed;</p> <p>i. The project is yet to be completed and yet the performance bond of Kshs.676,821 had expired on 22 August, 2024. No renewal of the performance was provided for audit review.</p> <p>ii. No approval had been given by the accounting officer for extension of time.</p>				
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		<p>iii. A Cultural Center would ordinarily be expected to have integration of architectural features, forms, materials, and artwork, etc. as an active part of the future. Physical verification revealed that only a perimeter wall existed in Migwena hence, does not meet the parameters of a cultural center.</p>				
27	<b>Delay in Completion of Proposed Washroom, Gravelling Works, Waterworks, Powerhouse and Electrification at Migwena</b>	<p>The Executive signed a contract with M/s Paco Investment Limited for Kshs.18,630,456 for provision of the proposed washroom, gravelling works,</p>	<p>It is true that the intended contract completion date was 8/8/2024. The Contractor had been issued with a default notice dated 22/5/2024 due to the slow pace of the works (See attached Annex 26). The</p>	<p>The Committee observed that the County Executive paid Kshs.4,350,440 for works under a contract for washroom, gravelling, waterworks,</p>	<p>The Committee recommends that;</p> <ul style="list-style-type: none"> <li>- 1. The County Executive establishes a project management and monitoring System to help</li> </ul>	<p>Within 60 days after adoption of the report.</p>

		<p>waterworks, powerhouse and electrification at Migwena under contract No. CGS/SCM/TCSA/OT/2023-2024/017. Review of expenditure records revealed that the contractor was paid Kshs.4,350,440 for works done.</p> <p>The contract period was twenty-four (24) weeks with a commencement date of 8 February, 2024 and an intended completion date of 8 August, 2024. No approval had been given by the accounting officer for extension of time.</p>	<p>Contractor was requested again to provide a new work programme at a site meeting held on the 11/7/2024 after it became apparent the contractor would not complete by the intended completion date. request for extension of time by the contractor and recommendation of the project Manager</p>	<p>powerhouse, and electrification at Migwena; however, the project had exceeded its completion date of 8 August 2024 without an approved extension of time, raising concerns over project management and contract adherence.</p>	<p>in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise</p>	
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					<p>completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
30	<b>Irregular Escalation Project Cost and Delay in Construction of Stadium</b>	The County Executive signed a contract on 30 August, 2018 with construction company for the construction of the stadium at a	It is true that the intended contract completion date was 8/8/2024. The Contractor had been issued with a default notice dated 22/5/2024 due to the slow pace of	The Committee observed that the County Executive revised the stadium construction contract by	<p>The Committee recommends that;</p> <p>-</p> <p>1. The County Executive establishes a project management</p>	Within 60 days after adoption of the report.



		<p>contract sum of Kshs.394,661,767 starting on 1 January, 2019 to 6 December, 2019. The contract sum was revised to Kshs.488,716,823 resulting to a contract variation price of Kshs.94,055,056 or 24%. However, there was no evidence of recommendations by an evaluation committee for these variations contrary to Section 139(1) and (2) of the Public Procurement and Asset Disposal Act, 2015.</p> <p>Further, the project status report provided for audit showed that the project has had a total of nine (9) extensions as of 30</p>	<p>the worksThe Contractor was requested again to provide a new work programe at a site meeting held on the 11/7/2024 after it became apparent the contractor would not complete by the intended completion request for extension of time by the contractor and recommendation of the project Manager</p> <p>The contractor has since delivered a renewed performance as attached in annex 26</p>	<p>Kshs.94,055,056 (24%) without an evaluation committee's recommendation s and granted nine extensions without documented approval, contrary to Section 139(1) and (2) of the Public Procurement and Asset Disposal Act, 2015.</p>	<p>and monitoring System to help in proper project conceptualizati on, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County</p>	
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		August, 2024. The same could not be verified as the said extension were not provided for audit review. In addition, no documentation was provided to confirm approval of the extension by the accounting officer.			Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; 3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
3 1	<b>Proposed Construction of County Aggregation and Industrial Parks</b>	The County Executive contracted a firm vide Contract No. CGS/SCM/EID/OT	Project Brief: Works to be done under this contract involves construction of 4No. Aggregation warehouses & cold storages to	The Committee observed that the contractor for the County Aggregation and Industrial Park	The Committee recommends that; - 1. The County Executive establishes a	Within 60 days after adoption of the report.

		<p>/2022-2023/055 to construct County Aggregation and Industrial Park, a multi-year project at a sum of Kshs.483,688,922. 23. The firm took possession of site on 30 August, 2023 and was expected to take twenty-eight (28) weeks to completion from the date of possession. The Contract agreement was signed on the 18 August, 2023. The firm requested for a 15% advance of Kshs.72,553,338 vide their request letter dated 23 August, 2023. However, the Executive paid Kshs.48,368,892.20 being advance payment.</p>	<p>specifications, 4No. Value addition warehouses to specifications, Boundary wall to specifications, Office block to specifications, Power house to specifications, Sentry house to specifications, Pump house to specifications, Ablution block to specifications, Civil works to specifications, Electrical Installations and power connection works, Mechanical/Plumbing works to specifications.</p> <p>The firm took possession of the site on 31/8/2024 and was expected to take 18 months (72 weeks) to completion from the date of possession and NOT 28 weeks. The contract period is therefore expected to lapse on 31/3/2025. (Find in Annex 20 a</p>	<p>project received an advance payment of Kshs.48,368,892.20 but, despite exceeding 40% of the contract period, had minimal work done, no equipment or materials on-site, and no issued certificates, raising concerns over the contractor's capacity to execute the project.</p>	<p>project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p>	
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		<p>During the evaluation stage the firm gave a list of Property, Plant and Equipment (PPE) that would be at their disposal for the execution of the Contract and those to be hired had ownership documents confirmed as true copies of the originals by a law firm. However, no lease agreement of availability of assets for use by the firm from third party was provided for audit review.</p> <p>A physical inspection of the project on 16 September, 2024, revealed the following:</p> <p>i. The contractor</p>	<p>copy of- contract agreement)</p> <p>The list of property, plant and equipment that the contractor stated in the tender document were being hired from Ministry of Transport, Infrastructure, Housing and urban development as indicated in their letter reference No. ME/KSM/CLIENT/VO L.1/136. The Practice in Mechanical Transport Fund (The Ministry of road and Public Works) is for the regional Managers across the country to give undertaking to potential Bidders/Contractors on availability of the plants in their respective regions as indicated in the cited letter. Contractors to hire as and when in need (Find in Annex 20 a copy of- public works letter)</p>		<p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
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		<p>had done foundation and skeleton bars, high yield steel structures for two warehouses</p> <p>ii. Levelling of foundation for two (2) value addition warehouses and one (1) warehouse had been done but not completed</p> <p>iii. One warehouse and two value addition warehouses had not been started. The location where they would be built was still</p>	<p>The heavy plants and equipment were used earlier to level part of the site currently under construction. The current on-going work of is mainly steel fixing and masonry work which does not require heavy equipment.</p> <p>The contractor is also undertaking off-site fabrication of construction components. The contract has taken 67% of the completion period of 72 weeks and so far three payment certificates have been raised to that effect totaling to Kenya Shillings fifty-four million (Kshs. 54,000,000). ( Find in Annex 27 copy of payment certificate)</p> <p>On the general performance of the contractor, Contract</p>			
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		<p>uncleared and bushy.</p> <p>iv. There was no property, plant and equipment on site</p> <p>v. There was no sign of any work on-going</p> <p>vi. There were no materials on site except for some few steel bars</p> <p>vii. The contract has taken slightly over 40% of the completion period of 28 weeks with no certificate being issued.</p> <p>Management has not explained the reason why the</p>	<p>Implementation Team had raised concern during its meeting of 4<sup>th</sup> January 2024 and suggested to the contractor to submit a revised work programme to cover the four months lost as a result of formalizing agreement between national government and county government and creation of special purpose account. order to cover up for the lost period vide CIT minutes dated 24<sup>th</sup> June 2024. ( Find attached in Annex 27 a copy of -CIT minutes).</p> <p>Progres after audit : Please note that the following progress had been attained as the attached photos.</p> <p style="text-align: center;"><u>1st</u></p> <p><u>Aggregation warehouses &amp; cold storages substructure level</u></p>			
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		<p>contractor was not on site and that there were no major works that had been done. In view of these, the capacity of the contractor to handle the above works is in doubt. Further, the Management has valued the works done so far in comparison with the advance payment of Kshs.48,368,892.20.</p>	<p>Formwork on going for Suspended slab of the Washroom. 55%</p> <p>Fabrication of the Superstructures on going 98% complete done outside the site for the Value Addition Warehouse 39NO. Columns, Trusses 44No.done</p> <p>Boundary wall on going 35% done</p> <p>Ablution Block :At ring beam level formwork on going 55% complete.</p> <p>Office Block : Ring beam casted, ongoing 55% complete</p> <p>Annex 27: Copy of contract Agreement, Letter from Public Works, payment certificates and revised work plan, CIT minutes and caption photo.</p>			
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3 2	<b>Proposed Construction of Yala Cattle Ring in Yala Township Ward</b>	<p>The County Government signed a contract on 12 February, 2024 at a contract price of Kshs.4,500,962.55 inclusive of 16% VAT with a firm for completion of Yala market cattle ring in Yala township ward for a period of 12 weeks under Contract No. CGS/SCM/EID/OT/2023-2024/039.</p> <p>The firm took possession of site on 20 March, 2024 with an expected completion date on 20 July, 2024. A Physical inspection of the project revealed that the project completion date had elapsed. No reason was provided for the same and contractor not on site.</p>	The management stated that the Construction works have since been completed.	<p>The Committee observed that the Yala market cattle ring project exceeded its completion date of 20 July 2024, yet the contractor was not on-site, and no explanation was provided for the delay. Additionally, there was no evidence of an approved extension of time or justification for non-completion, raising concerns about project management and contract oversight.</p>	<p>The Committee recommends that;</p> <p>-</p> <ol style="list-style-type: none"> <li>1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government)</li> </ol>	Within 60 days after adoption of the report.
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					<p>Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update to the Committee in</p>	
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					the subsequent audit cycle.	
33	<b>Construction of Four (4) Door Flushable Toilets and Four (4) Bathrooms at Akala Health Centre</b>	The Executive awarded a firm Tender No: CGS/HEALTH/Q/2023-2024/034 for construction of four (4) doors flushable toilet and four (4) doors bathroom at Akala Health Centre in South Gem Ward. The contract was signed on 16 February, 2024 at a contract sum of Kshs.3,215,578.80. The works commenced on 7 March, 2024 with a contract duration of three (3) months, hence intended completion date was 10 June, 2024. The engineer of works certified the works at 36% complete on	The current status of the Four (4) Door Flushable Toilets and Four (4) Bathrooms as at 10 <sup>th</sup> February, indicate that the roof has also been done (see attached photo). The departments intend to provide additional funds during the financial year 2024-25 in the supplementary budget. The extension letter for the contract is hereby attached for your verification	The Committee observed that the construction of toilets and bathrooms at Akala Health Centre stalled at 36% completion, with no work since 8 April 2024. The contract period lapsed on 10 June 2024 without an approved extension, yet the contractor was paid Kshs.1,000,000, raising concerns over value for money.	The Committee recommends that; - 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance	Within 60 days after adoption of the report.

		<p>8 April, 2024 and recommended payment of Kshs.1,157,394. The contractor presented an invoice no.651 date 8 April, 2024 and was paid Kshs.1,000,000. However, project inspection conducted on 17 September, 2024 revealed that no works have been ongoing since the date of the certification. Only substructure works and walls frame were done. Further, the contract period elapsed on 10 June, 2024 and the contractor had not sought approval for extension of the contract period.</p> <p>In the circumstances, the</p>			<p>Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3. The OAG to keep the matter in view and provide a status update</p>	
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		amount of money incurred on the projects that have delayed, stalled and incomplete are a waste of public funds and the Public may not have got value for money.			to the Committee in the subsequent audit cycle.	
3 4	<b>Idle Equipment-X-Ray Machine at Got Agulu Hospital</b>	The County Executive through the Department of Health awarded a firm tender number CGS/HEALTH/OT /2023-2024/019 for supply, delivery and installation of an X-Ray machine (Quantas model) at Got Agulu Hospital. However, a physical inspection in the Month of September, 2024 revealed that the X-Ray machine was not in use due to lack of a	the radiology department of Got Agulu sub-county hospital is fully functional with the two-probe ultrasound machine and a fully digital x-ray unit. The department has also posted a radiographer to the facility to perform ultrasounds and exposures of X-rays with digital prints of images.	The Committee observed that the County Executive procured an X-Ray machine for Got Agulu Hospital at Kshs.14,760,000 , but a physical inspection in September 2024 revealed it was not in use due to the lack of a radiographer, raising concerns over value for money.	The Committee recommends that; - 1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for	Within 60 days after adoption of the report.

		<p>radiographer to operate it.</p> <p>In the circumstances, value for money for the amount of Kshs.14,760,000 spent on medical equipment could not be confirmed.</p>			<p>money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <p>2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within</p>	
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					60 days of the adoption of this report; 3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
3 5	<b>Failure to Prepare a Risk Assessment Report</b>	During the year under review, there was no documentary evidence to confirm that the Executive conducted a risk assessment to identify potential risk exposure, possibility of their occurrence and their mitigating strategies. This was contrary to Regulation 158(1) (a) and (b) of the Public Finance	the County Government of Siaya has initiated the process of developing Risk Management Policy which is in Draft stage.	The Committee observed that The Executive did not provide documentary evidence of conducting a risk assessment to identify potential risks, their likelihood, and mitigation strategies, contrary to Regulation 158(1)(a) and (b) of the Public Finance	The Committee recommends that the Accounting Officer for all county entities should put in place a risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the Auditor General. The committee further recommends that	Within 60 days after adoption of the report.

		<p>Management (County Governments) Regulations, 2015 states that an accounting officer of a County Government entity shall develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.</p> <p>In the circumstances, the effectiveness of internal controls over management of risks could not be confirmed.</p>		<p>Management (County Governments) Regulations, 2015, which require the development of risk management strategies, including fraud prevention mechanisms and internal controls. Consequently, the effectiveness of internal controls over risk management could not be confirmed.</p>	<p>the Auditor General to closely monitor the development, documentation and communication of these policies within the county entities in the subsequent audit cycles.</p>	
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**REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF NANDI COUNTY EXECUTIVE FOR THE  
FINANCIAL YEAR 2023/2024**

Basis for Qualified Opinion

<b>No</b>	<b>Audit Query</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Committee Observation</b>	<b>Committee Recommendations</b>	<b>Timeline</b>
1	<b>Presentation, Accuracy and Completeness of Financial Statements</b>	Budget execution by programs and sub-programs does not indicate programmes per vote and has been replicated (pages 8 and 9 is the same as pages 10 and 11). Further, budget execution by programs and sub-programs indicates final expenditure budget of Kshs.6,329,572 546 and a final expenditure of Kshs.5,447,556,271 which is at variance with statement of comparison of budget and actual performance (development and recurrent combined) of Kshs.8,988,667,004 and Kshs.6,971,536,463 respectively	<p>Issues stand as reported as the errors still</p> <p>Budget execution by programs and sub-programs now indicates programmes per vote and the duplication error has been corrected.</p> <p>The headers in all the pages are now rightly stated as required by the reporting template.</p>	The management did not provide documents to the OAG for verification	1. The Office of the County Governor (CEO) undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of the audit, in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of	60 days from the date of adoption of this report

		<p>b) Headers for financial and non-financial statements are not similar.</p> <p>c) Progress on follow up of prior year audit recommendations have not been signed Contingent liability register does not indicate litigations against the County Executive and their current status.</p> <p>d) Note numberings for budget execution by programs and sub-programs is not consistent.</p>	<p>Progress and follow up of prior year audit recommendations report has been signed accordingly. Litigations against the County Executive and their current status have now been indicated in the Contingent liability register</p>		<p>the Auditor General.</p> <p>2. The Institute of Certified Public Accountants of Kenya (ICPAK) takes action(s) against professional accountants who prepare financial reports that do not comply with the Public Sector Accounting Standards as it amounts to gross negligence in the conduct of professional duties which constitutes a professional misconduct pursuant to Section 8 (a) and 30 of the</p>	
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					accountants Act CAP 531	
2	<b>Inaccuracies in Financial Statements</b>	<p>The statement of cash flow is now numbered and titled in the amended financial statements.</p> <p>Note 20(6)(v) on related party disclosures, on key management compensation (Governors, CEC Members and Chief Officers) reflects Nil balances in the current year column whereas prior year audited financial statement reflects Kshs.94,380,180. This casts doubt that no payments were done in respect to management compensation during the year under review</p> <p>Note 16 to the financial statements reflects comparative fund balance of Kshs.216,785,559</p>	<p>The fund balance for the year was Ksh.214,152,483 while Kshs.216,785,559 was the fund balances brought forward from financial year 2022-2023 as indicated in the new template and not current year balances.</p>	<p>The management did not provide documents to the OAG for verification</p>	<ol style="list-style-type: none"> <li>1. The Office of the County Governor (CEO) undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of the audit, in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General.</li> <li>2. The Institute of Certified Public</li> </ol>	<p>60 days from the date of adoption of this report</p>

		<p>whereas prior year audited financial statement reflects Kshs.573,945,875.</p> <p>The statement of receipts and payments reflects under payments, other payments amount of Kshs.521,140,659 with a nil comparative amount and other grants and transfers nil balance with a prior year comparative amount of Kshs.589,372,404. However, it was noted that the same components listed under other payments were in the prior year reported under other grants and transfer</p>			<p>Accountants of Kenya (ICPAK) takes action(s) against professional accountants who prepare financial reports that do not comply with the Public Sector Accounting Standards as it amounts to gross negligence in the conduct of professional duties which constitutes a professional misconduct pursuant to Section 8 (a) and 30 of the accountants Act CAP 53</p>	
3	<b>Payment of unreconciled salaries arrears</b>	Salary arrears processed through IPPD paid to 3,346 employees across	The arrears payment was	The management did not provide	The Office of the County Governor (CEO) undertakes	60 days from the date of

		various departments totalled Kshs.40,421,632 for an eleven months (11) period excluding the month of September, 2023. The consolidated arrears paid ranged between Kshs.946,495 to Kshs.8,699,700 per month. However, the reconciled staff arrears schedule payable in each month, the nature of arrears paid and the period the arrears relate to, was not provided for review. Further, there was no aging analysis of staff arrears to support the expenditure since all salaries were remitted monthly to employees through the IPPD system	necessitated by the following; Delay in issuance of Appointment letters to staff whose contracts elapsed between August, 2023 and June, 2024 Non-Payment of allowances i.e. Disability guide Allowance. Arrears paid were as a result of IPPD SYSTEM not automatically picking	documents to the OAG for verification	administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of the audit, in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General.	adoption of this report
4	<b>Unsupported Transfers to Youth Operation Account</b>	Examination of schedules provided in support of the expenditure revealed a transfer to youth fund account of Kshs.10,000,000 which was not supported with	The transfer of Ksh.10,000,000 to Youth fund was for payment of bursaries to students under the 'Nandi	The management did not provide documents to the OAG for verification	The Office of the County Governor (CEO) undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the	60 days from the date of adoption of this report

		payment vouchers and other appropriate authority and relevant documentation	2jiajiri program' run by the County Government of Nandi in partnership with KCB. All the documents for transfer and fees payment schedule are attached herein		auditors at the time of the audit, in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General.	
5	<b>Cash and Cash Equivalents</b>	Bank certificates of balance, cash book and bank reconciliation statements for Nandi County Primary Healthcare account balance of Kshs.17,364,750 and Nandi County Nutrition International Support account balance of Kshs.13,318 were not provided for audit verification	The bank certificates of balance for the above bank accounts have now been provided for your review.	The management did not provide documents to the OAG for verification	The Office of the County Governor (CEO) undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of the audit, in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General.	60 days from the date of adoption of this report
6	<b>Voided Expenses</b>	Statement of receipts and payments reflects	One of the main reasons among	The management	1. The Controller of Budget to	60 days from the

	<p><b>Payments and Purchase Orders in IFMIS.</b></p>	<p>total payments amount of Kshs.6,971,536,463 whereas IFMIS financial statement report indicates payments of Kshs.6,970,278,000 resulting to a variance of Kshs.1,258,463.</p> <p>-IFMIS reports provided for audit review revealed that voided payments totaling to Kshs.343,381,962 and seventy-seven (77) purchase orders for department of roads and forty (40) purchase orders for department of finance and economic planning were voided and no explanation nor reconciliation was provided in this regard. It was not clear why transactions duly processed and entered in the system transactions were later voided and how the voided transactions were finally settled</p>	<p>others being inadequate or delayed funding. May funding of Ksh.584,423,520 was received after the close of the financial year while June funding was received in the subsequent financial year,2024/2025. Other items which are voided at the close of the financial year are Works in progress for tenders procured through e-sourcing.</p>	<p>did not provide documents to the OAG for verification.</p> <p>There was a variance of Kshs. 1,258,463.</p> <p>Payments totaling Kshs. 343,381,962 was voided.</p>	<p>liaise with the Auditor General to confirm whether the payments were canceled after the approval and there was no notification or due process and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>2. The Office of the County Governor undertakes administrative action against the accounting officers, particularly approvers 1 and 2 and the then County Chief Officer in charge of Finance for</p>	<p>date of adoption of this report</p>
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					<p>voiding payments without approval and diverting funds</p> <p>3. Within six months of adoption of this report the CS National Treasury to ensure IFMIS reconfiguration with CBK system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved.</p> <p>4. The EACC should expedite investigations on the matter in line with the Controller of Budget Act.</p>	
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7	<b>Outstanding Imprests as per Imprest Register</b>	Statement of assets and liabilities reflects under financial assets Nil outstanding imprests and advances. However, examination of imprest records as maintained in the Imprest register revealed outstanding imprests totaling to Kshs.6,294,745 which had not been surrendered and cleared	All the outstanding temporary imprests were surrendered within the required seven working days after return to the work station. No temporary imprest was outstanding as the close of the financial year.	Examination of the Imprest Register revealed outstanding imprests totaling Kshs. 6,294,745 that had not been surrendered or cleared.	<ol style="list-style-type: none"> <li>1. The recovery of the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation.</li> <li>2. Sanction and surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015 within 60 days from the date of adoption of this report.</li> </ol>	60 days from the date of adoption of this report
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8	<b>Unsubmitted Financial Statements for Level-Four Hospitals</b>	Four (4) level-four hospitals namely; Kaptumo Sub-County Hospital, Kabiyet Sub-County Hospital, Mosoriot Sub-County Hospital and Chepterwai Sub-County Hospital which are entities of the County Government of Nandi failed to submit financial statements to the Auditor-General for audit.	No response	Four level-four hospitals— Kaptumo Sub-County Hospital, Kabiyet Sub-County Hospital, Mosoriot Sub-County Hospital, and Chepterwai Sub-County Hospital— failed to submit financial statements to the Auditor-General for audit, contrary to financial reporting requirements.	<ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</li> <li>2. The Institute of Certified Public</li> </ol>	60 days from the date of adoption of this report
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					<p>Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.</p> <p>3. The management should comply with the Public Sector Accounting Standards Board (PSASB) regulations by ensuring timely submission of financial statements for all Sub-County</p>	
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					Hospitals to the Office of the Auditor-General.	
<b>OTHER MATTERS</b>						
9	<b>Budgetary Control and Performance</b>	<p>The statement of receipts and payments reflect final receipts budget and actual on a comparable basis of Kshs.8,988,667,004 and Kshs.7,185,688,945 respectively resulting to an underfunding of Kshs.1,802,978,059 or 20% of the budget. Similarly, the county executive expended Kshs.6,971,536,463 against actual receipts of Kshs. 7,185,688,945 resulting to an under expenditure of Kshs. 214,152,482 or 3% of the actual receipts. The underfunding and under performance affected the planned activities and may have impacted negatively on service delivery to the people.</p>	<p>The planned activities which were not executed during the financial year under review were re-budgeted for in the subsequent financial year hence no service delivery to the citizens of Nandi was affected</p>	<p>There was an underfunding of Kshs. 1,802,978,059 (20% of the budget).</p> <p>There was an under-expenditure of Kshs. 214,152,482 (3% of actual receipts). The underfunding and underperformance affected planned activities and may have negatively impacted service delivery</p>	<p>1) The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.</p> <p>2) The County executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.</p>	Continuous

10	<b>Unexplained Variances with Prior Year Comparative Amounts</b>	<p>The statement of receipts and payments and the Notes to the financial statements reflects total payments amount of Kshs.6,971,536,463. A comparison of the reported payments in the Notes against comparative amounts revealed variances between the prior year amounts and current year amounts which were either less or more than the current year amounts by 10%</p> <p>No explanations were given for the increases or decreases</p>	No response	<p>Prior year amounts revealed unexplained variances.</p> <p>No document was provided to OAG to support the fluctuations.</p>	<ol style="list-style-type: none"> <li>1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.</li> <li>2. The Institute of Certified Public</li> </ol>	60 days from the date of adoption of this report
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					Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.	
11	<b>Unresolved Prior Years Audit Matters</b>	In the audit report of the previous year, a number of issues were raised under the Report on Financial Statements, Report on lawfulness and Effectiveness in use of Public Resources and Report on the Effectiveness of Internal Control, Risk Management and Governance. However, the issues remain unresolved	No response	Prior year matters remain unresolved.	1. The County Executive should implement the Senate recommendations in the report on the Auditor General's report for the Financial Year once it's adopted by the Senate.	60 days of adoption of this report.

					2. The County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General.	
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>						
12	<b>Compensation of Employees</b>  <b>Employee with No Personal Files</b>	<p>Included compensation of employee's payments is gross salary of Kshs.6,560,559 that was remitted to one hundred and thirty-nine (139) staffs whose personal files did not contain their appointment letters</p> <p>-Included compensation of employee's payments is gross salary of Kshs.6,560,559 that was remitted to one hundred and thirty-nine (139)</p>	Every staff has a personal file which can always be retrieved when needed at the county registry	The management did not provide relevant documents to OAG for verification.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor	60 days from the date of adoption of this report

		<p>staffs whose personal files did not contain their appointment letters, academic qualification, National ID and other employee's employment records. Further, another one hundred and thirty-five (135) staffs with no personal files were paid through manual excel sheet payroll and did not equally have personal file numbers, designation, KRA pin and job group yet they drew benefits equivalent to officers in Job Group K and above.</p>			General within sixty (60) days from the adoption of this report	
13	<b>Employees on Payroll Beyond Retirement Age</b>	<p>Analysis of monthly IPPD payroll supporting the expenditure revealed that twenty-seven (27) employees who attained the mandatory retirement age of sixty (60) years were still active in payroll and were paid total gross consolidated salary of Kshs.11,121,125</p>	<p>It is true that during the period under your review there were some officers whose age was beyond the mandatory retirement age of 60 Years.</p>	<p>Twenty-seven (27) employees past the retirement age of 60 remained on the payroll, receiving Kshs. 11,121,125 in gross salary.</p>	<p>1. The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide the documents to the auditors at</p>	<p>60 days from the date of adoption of this report</p>



			<p>This is occasioned by:</p> <ul style="list-style-type: none"> <li>-Physically challenged and are registered by the National council for people with disabilities which guarantees their retirement age to be 65.</li> <li>- Other officers are officers who were appointed for fixed contract terms</li> </ul>		<p>the time of audit in accordance with section 156 of the Public Finance Management Act and submit a status report to the OAG, 60 days from the adoption of this report; and</p> <p>2. The Office of the County Governor should give a list/report of special cases, retiring and those who should not be retiring</p>	
14	<b>Irregular Appointment and Promotion of Senior Officers</b>	Compensation of employees' payment includes basic salaries and allowances paid to four (4) employees at director level totaling to Kshs.8,115,936 (average Kshs.676,328 per Month).	No senior officer was promoted irregularly. All the promotions were carried out accordingly to the law and the individual	No documents were provided	The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide the documents to the auditors at the time of	60 days from the adoption of this report

		Examination of the staffs' personal files revealed that some of the directors jumped ranks and were promoted through several cadres up to their substantive posts. However, the promotions were not competitive and they did not have the requisite qualifications for the appointments. Other officers were promoted and yet they were having pending disciplinary/integrity issues which had not been concluded and recommendations had not been made by the accounting officers as required by the Regulations.	employee personal files have been submitted for your review.		audit in accordance with section 156 of the Public Finance Management Act and submit a status report to the OAG.	
15	<b>Unprocedural Hiring of Casual Workers</b>	Included in compensation of employees' expenditure is Kshs.66,853,488 paid to five hundred and fifty-five (554) casuals' employees as wages.	It is true that during the period under review, some expenditure was incurred on compensation	Compensation of employees includes Kshs. 66,853,488 paid to 555 casual workers without	The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide	60 days from the date of adoption of this report

		<p>However, the payments to casuals were not supported sufficiently by appropriate authority to engage and documentation showing that the casuals were competitively hired. Further, it was noted that the casuals were appointed by the respective head of departments without due regard to fair competition and representation of the County diverse communities. In addition, there was no departmental master roll containing the details of specific worksite, designation and the casual attendance for specific period of time. Therefore, the casuals might have been paid monthly wages which were not commensurate to the services offered to the County Executive</p>	<p>of five hundred and fifty-four (554) casual employees, the management acknowledges that all the casuals working in various departments never went through a competitive selection process as stipulated in section 37(1) (a) (b) and (3) of the Employment act of 2007. Going forward the management shall through the County Public Service Board engage casuals on competitive selection process when</p>	<p>documentation on recruitment, authorization, or competitive hiring. There was no master roll detailing worksites, designations, or attendance, and no evidence of payments through bank accounts.</p>	<p>the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and submit a status report to the OAG.</p>	
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		and/or no services may have been rendered at all as there were no underlying records of worksites and assigned duties. It was also noted that there were no evidences provided to show how the casuals were paid through their bank accounts.	such vacant posts are declared by the respective departmental heads. The departmental heads have been tasked to maintain departmental master rolls for all casuals serving in their departments			
16	<b>Staff Being Paid in Both IPPD and Manual Payrolls</b>	Comparison of salaries paid in both the IPPD system and Manual payroll revealed that eleven (11) officers were drawing allowances in both payrolls. The officers were paid a total of Kshs.34,856,231 in the IPPD and were also paid allowances totalling to Kshs.1,782,373 in the manual payroll. It was however, not clear why the officers were being	County Executive of Nandi maintained an IPPD payroll and manual excel spreadsheets payroll. It is true that some staff were paid in both IPPD and Manual payroll. All salaries are paid through	Eleven (11) officers received allowances from both the Integrated Payroll and Personnel Database (IPPD) and the manual Excel sheet payroll.	The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management	60 days from the date of adoption of this report

		paid in the manual payroll whereas they were already defined in Integrated Payroll and Personnel Database (IPPD) where they drew all basic salaries and allowances that they were entitled to.	the IPPD system. The payments made outside IPPD are i. Airtime allowances. ii. Legal Officers Non practising Allowances. The IPPD System failed to pick the above allowances.		system to be used by counties	
17	<b>Payment of Salaries Outside IPPD</b>	Review on expenditure records for compensation of employees revealed that County Executive of Nandi uses both integrated Payroll and Personnel Database (IPPD) and Manual excel sheet in processing of payroll. Examination of monthly manual payroll indicated that fifteen (15) permanent staffs, two hundred contractual	During the year under review the County Executive of Nandi maintained an IPPD payroll and manual excel spreadsheets payroll. It is true as at 30 <sup>th</sup> June, 2023 the staff on the manual payroll had not been		The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management	60 days from the date of adoption of this report

		<p>staff (200) and five hundred and fifty-four (554) casual staff were paid net salaries amounting to Kshs.260,291,231 outside IPPD system.</p> <p>- In addition, examination of records held in personal files revealed that a senior payroll officer was interdicted for inclusion of non-existent (ghost) workers who were in the manual payroll system and later were converted into permanent and pensionable terms</p>	<p>incorporated in the IPPD. The management is working towards achieving full transition of the staff to IPPD system and ensure all payroll data is managed in IPPD.</p>		<p>system to be used by counties.</p>	
18	<p><b>Failure to Provide IPPD Payroll for the Month of September, 2023</b></p>	<p>Included in compensation of employees' expenses of Kshs.3,933,307,091 is basic salary and allowances paid to permanent and pensionable staffs for the month of September, 2023. However, the Management did not provide proper explanation and</p>	<p>County Executive of Nandi was compelled by the Public Service Management to process their payroll through the Unified Human Resource System (UHR).</p>	<p>Management did not provide an explanation or supporting information for the processing of these payments.</p>	<p>The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and</p>	<p>60 days from the date of adoption of this report</p>

		information in respect of the processing of the aforementioned.	The Directorate of personnel Management at the Ministry of Public Service, Gender and Affirmative Action being the champion of the new System did pilot of the new system.		submit a status report to the OAG, 60 days from the adoption of this report	
20	<b>Un-Authorized Payment of Allowances in Integrated Payroll and Personnel Database (IPPD).</b>	Included in the employee costs payments of Kshs3,933,307,091 were allowances paid to nine hundred and fifty-three (953) staffs under IPPD code 877 (health services allowances) paid to nurses and public health officers totaling to Kshs.228,720,000. However, it could not be confirmed whether Management was authorized by Salaries and Remuneration Commission (SRC) to	All the hardship allowances paid to staff are authorized in line with the set out County policies and guidelines as contained in the HR manual.	Management did not provide an explanation or supporting information for Un-Authorized Payment of IPPD	The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and submit a status report to the OAG, 60 days from the adoption of this report	60 days from the date of adoption of this report

		pay the allowance and whether the allowances were paid at the correct rates.				
21	<b>Un-Authorized Payment of Hardship Allowance</b>	Included in this payment is hardship allowance processed through IPPD system totalling to Ksh.37,232,084 paid to four thousand five hundred and twenty-one (4,521) staff for a period of 10 months (excluding the Months of September, 2023 and May, 2024). The payments ranged between Kshs.2,658,450 and Kshs.4,598,400 per month. However, the following irregularities and inconsistency were noted on analysis of the payment of the hardship allowance	All the hardship allowances paid to staff are authorized in line with the set out County policies and guidelines as contained in the HR manual	There was no confirmation of approval from the Salaries and Remuneration Commission (SRC) or whether the correct rates were applied.  Kshs. 37,232,084 in hardship allowances was paid through the IPPD system to 4,521 staff over 10 months (excluding September 2023 and May 2024). Payments ranged from Kshs.	The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and submit a status report to the OAG, 60 days from the adoption of this report	60 days from the date of adoption of this report



				2,658,450 to Kshs. 4,598,400 per month, but irregularities and inconsistencies were noted in the analysis.		
22	<b>Non-Remittance of Payroll Deductions</b>	Note 13 to the executive car and mortgage fund financial statements reflects current portion of long-term receivables from exchange transaction of Kshs.60,259,998 which include current loan repayments dues of Kshs.6,646,716 which comprise of payroll deductions that had not been remitted to the Fund by the Nandi County Executive as at 30 June, 2024.	No response	The management did not provide relevant documents to the OAG for verification.	The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and submit a status report to the OAG, 60 days from the adoption of this report	60 days from the date of adoption of this report
23	<b>Irregular Payment of Emergency Call Allowance</b>	Included in these payments is emergency call allowance paid to two hundred and sixty-one (261) health workers totaling to	During the year under review, it is not true that the County Executive of Nandi made	The management did not provide relevant documents to	The Office of the County Governor undertakes administrative actions against the responsible officer(s)	60 days from the date of adoption of this report

		<p>Kshs.83,376,000 that was processed through IPPD system.</p> <p>However, review of the payments made revealed anomalies in the payment of the allowance where random rates of Kshs.80,000, Kshs.72,000 and Kshs.10,000 was paid to two hundred and sixty-one (261) staff leading to over payments in allowances of Kshs.2,998,000 and underpayments of allowances of Kshs.3,880,000 totaling to Kshs.6,878,000.</p>	<p>irregular payment of Emergency call Allowances to medical staff. Medical doctors and Clinical Officers are entitled to Emergency call allowances. The amount to be paid to each officer is determined by:</p> <ul style="list-style-type: none"> <li>i. Staff Job Group</li> <li>ii. Staff cadres</li> </ul>	the OAG for verification.	<p>who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and submit a status report to the OAG, 60 days from the adoption of this report</p>	
24	<b>Payment of Monthly Salary to Administration Police Officers</b>	<p>Included in these payments were extraneous allowance paid to eighteen (18) Administration Police Officers attached to the Governor and Deputy Governor totaling to Kshs.5,184,000. The officers were deployed</p>	<p>These are security officers serving in the office of the Governor and Deputy Governor and are paid as the advisory sought from</p>	<p>Management did not justify the payment of Kshs. 5,184,000 in extraneous allowances to 18 Administration Police officers,</p>		

		<p>to serve as personal body guard and residential guard to the two state officers. However, review of the security officers' files revealed; the following anomalies;</p> <p>The Administration police officers were being paid monthly wages of Kshs.24,000 each instead of the recommended monthly extraneous allowance of Kshs.5,000 for constable and Kshs.10,000 for the rank of inspector as communicated by Chief of Staff vide later dated 16 January, 2020.</p> <p>The money paid for the private use of the administration police officers was channeled to their bank account contrary to National Police Service Act, 2011 which requires the money paid for the private use of private</p>		<p>who received Kshs. 24,000 monthly instead of the approved Kshs. 5,000–10,000.</p> <p>Payments were made to their bank accounts instead of the National Treasury, were not budgeted, and the officers were already salaried by the National Police Service Commission.</p>		
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		<p>officers to be remitted to the National Treasury. The funds paid as allowances to the officers were not an authorized budgetary vote in the County Government financial estimate since allocation of personnel emoluments must be supported by IPPD</p> <p>The officers were being paid by the National Police Service Commission as full-time employees.</p>				
25	<p><b>Failure to Comply with One Third Rule on Basic Pay</b></p>	<p>Analysis of the monthly payrolls revealed that a total of three thousand seven hundred and nineteen Analysis of the monthly payrolls revealed that a total of three thousand seven hundred and nineteen (3,719) employees received net pay of less than a third of their basic salary in the twelve months period with the monthly</p>	<p>An officer is affected when a departmental deduction is affected after the employee has attained a third of their basic pay.</p> <p>-New and increased deductions which were introduced</p>	<p>3,719 employees received a net pay of less than a third of their basic salary.</p>	<p>9. The County Executive should provide to the Auditor General within sixty (60) Days after the adoption of this report a plan of the measures put in place to mitigate on the issue of non-compliance with the one third of basic salary rule</p>	<p>60 days from the date of adoption of this report</p>

		numbers ranging between 26 and 513 employees	upon the enactment of Finance Act 2023. i.Housing Levy ii.NHIF(New percentage of 2.75%) iii.The lapse of Kenya –Tax Relief Measures introduced to Cope with Covid -19 Crisis.		as well as comply with the requirements of Section 19 (3) of the Employment Act 2007. 10. The county should configure their IPPD system such that it is able to lock out commitments beyond the accepted thresholds. 11. The Auditor General should continue monitoring the issue in subsequent financial years.	
27	<b>Failure to conform to ethnic balance in the staff composition</b>	Review on the IPPD payroll records provided for audit indicated that, as at 30 June, 2024, the County Executive had a total of four thousand seven hundred and eighty (4,780) employees out of which four thousand six	It's true that during the period under review officers from other communities working in Nandi County were about 5% of the total	4,610 out of 4,780 employees (94%) were from the dominant community, contravening Section 65(1)(e) of	1. The County Executive should work progressively towards attaining the requirement of the provisions of Section 65(1)(e) of	Continuo us

		<p>hundred and ten (4,610) or approximately 94% were from the dominant community</p>	<p>employees however upon the commencement of devolution most of the employees were seconded and transitioned to the Counties and in this regard the County Government of Nandi received most of her staff from the dominant community, but the Public Service Board applicants were from the dominant community, in addition most of the County employees are on contract hence there was need to advertise and</p>	<p>County Government Act on ethnic inclusivity</p>	<p>County Government Act on ethnic inclusivity.</p> <p>2. The Standing Committee on NCEORI to explore legal amendments to ensure progressive compliance with section 65(1) (e) of County Government Act, 2012.</p>	
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			fill the positions internally therefore slowing the target in achieving the National Cohesion and Integration requirement			
28	<b>Use of goods and services</b>  <b>Foreign Travel Expenses on Caucus Meetings</b>	<p>Examination of expenditure records relating to foreign travel and substance revealed payments amounting to Kshs.1,761,410 made to three officers towards the attendance of black caucus in the USA.</p> <p>Further, examination of foreign travel and substance expenditure revealed a payment of Kshs.1,317,316 made to a state officer to facilitate attendance of 68<sup>th</sup> session on the status of women in New York City for fourteen (14) days. This was contrary</p>	<b>No response</b>	The management did not provide relevant documents to the OAG for verification.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report	60 days from the date of adoption of this report

		to the period of travel of seven (7) days inclusive of travel days allowed				
29	<b>Failure to Remit National Industrial Training Authority (NITA) Training Levy</b>	There was no evidence that Management of the County Executive paid training levy of Kshs.50 per employee to NITA during the yea	It is true that during the period under your review the County Government did not remit Kshs 50 per staff to NITA. NITA engaged the Services of Kenya Revenue Authority (KRA) as a sole collector of the It is true that during the period under your review the County Government did not remit Kshs 50 per staff to NITA. NITA engaged the Services of Kenya Revenue Authority	Management did not provide evidence of payment of the Kshs.50 per employee training levy to NITA.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents at the time of audit to the auditors in accordance with section 156 of the Public Finance Management Act, 2012, and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report



			<p>(KRA) as a sole collector of the Levy which is being collected together with the Monthly Income Tax by the Employer, however the remittance of the Lavy was not remitted to KRA.</p> <p>The Management is working with KRA to see that all the outstanding arrears to NITA is remitted.</p>			
30	<b>Car Hire Services</b>	<p>Examination of expenditure records relating to the specialised materials supplies revealed car hire services expenses of Kshs.42,829,062. However, it was noted that the County Government had not formulated a policy on</p>	<p>All the supporting documents in relation to the Car hire services have been provided for your review</p>	<p>The County Government incurred Kshs.42,829,062 on car hire services without a policy on transport to regulate such expenditures.</p>	<p>The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents at the time of audit to the auditors in accordance with</p>	<p>60 days from the date of adoption of this report</p>

		transport to guide on the car hire services		No documentation was provided for Auditor for verification	section 156 of the Public Finance Management Act, 2012, and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
31	<b>Irregular Subscriptions to Council of Governors</b>	Included in the operating expenses is <b>subscriptions to Council of Governors</b> amount of Kshs.5,800,000	Payments to the Council of Governors was support for the County Executive during the annual devolution conference held in Uasin Gishu County during the financial year under review. The payment vouchers are herein attached for your review.	The management made a subscription to Council of Governors amounting Kshs. 5,800,000	3) the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as The Office of the County Governor, who continues to make the irregular contribution. 4) The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of	60 days from the date of adoption of this report

					Governors (COG) by the Governor within 60 days of the adoption of this report. This is in line with the Resolution of the Senate.	
32	<b>Outsourcing of Legal Services</b>	Examination of the expenditure records relating to other operating expenses revealed payments totaling to Kshs.36,820,030 made towards legal expenses. However, it was not clear why the services which could be discharged by the Office of the County Attorney were outsourced.	From this reading, it is our position that Section 16 grants the County Attorney the discretion to engage outside counsel as needed to fulfill the functions assigned under the Act, without requiring prior authorization from the County Executive Committee (CEC). the requirement for CEC approval, applies only to	The County made a payment amounting Kshs.36,820,030 for legal services	<ol style="list-style-type: none"> <li>1. The County Executive to make a provision in its budget for contingency liability in respect of legal fees pursuant to regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015.</li> <li>2. Sanctions as outlined in Section 62(2) of the Public Audit Act, 2015 against the responsible officer(s) who failed to provide</li> </ol>	60 days from the date of adoption of this report

			<p>other departments or public entities within the County Government. When any other department seeks to engage outside counsel, they must first obtain CEC approval to ensure alignment with County policy and to prevent duplicating functions that fall within the County Attorney's mandate.</p>		<p>the documents to the auditors and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report; and</p>	
33	<b>Procurement of Fuel and Lubricants</b>	Examination of expenditure records relating to purchase of fuel revealed that the County entered into framework agreement for supply and delivery of fuel and lubricants with seven (7) suppliers.	That the stated firms were procured under framework contract agreements for a period of two Financial Years	The management did not provide relevant documents to the OAG for verification.	The Office of the County Governor (CEO) undertakes administrative action against the responsible officer(s) who fails to provide documents to the auditors in	60 days from the date of adoption of this report

		<p>In the year under review, six (6) firms supplied fuel and lubricants amounting to Kshs.85,728,340 and the distribution of the tenders were as follows:  - Firm 1 - 24%, Firm 2 - 57 %, Firm 3 - 9%, Firm 4 - 6%, Firm 5 - 2%, Firm 6 - 2%. The two suppliers (Firms 1 and 2) supplied over 80% of the total fuel supplies.</p> <p>However, no justification was provided as to why only two suppliers were given orders to supply over 80% of total fuel and lubricants supplies out of the seven contracted firms.  - Management may have been unfair to other suppliers of fuel, oil and lubricants and the increase in the consumption of fuel may lead to waste of public resources.</p>	<p>- That the stated firms were procured under framework contract agreements for a period of two Financial Years 2022/2023 and 2023/2024  -Hass petroleum and Nandihills Petroleum (Total and Shell-vivo) fueling stations are within the Kapsabet Municipality, the County Headquarters. Hence fuel was drawn from them by all departments, leading to their percentages of fuel purchase being high.  -Tandem, Junecode,</p>		<p>accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report</p>	
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			Terigin logistics and Limken petroleum service providers supply bulk fuel to our fuel station at the department of Transport and Infrastructure, which is meant to only cater for the departmental activities, hence the low percentages.			
34	<b>Ineligible Expenditure Under Kenya Informal Settlement Improvement Project (KISIP 2).</b>	Examination of the documents for KISIP 2 revealed an expenditure amounting to Kshs.1,288,000 paid to eleven (11) officers who attended a ‘workshop’ for evaluation of a contract for the construction of Mosoriot settlement infrastructure.	Intergovernmental Finance agreement between KISIP and County Government of Nandi provides that 5% of the funds will go into administration of the fund. The 5% of the administration			

		It was noted that the evaluation of a contract for the construction of Mosoriot settlement infrastructure was a normal procurement function which could be done within the duty station. However, it was held outside the precincts of the duty station contrary to regulations.	fees were utilized for tender evaluation which was an enormous exercise which could not be done within the precincts of the office. Therefore, an amount of Kshs,1,288,000 was an eligible expense provided for in the agreement falling under the purview of administration management expenses.			
35	<b>Acquisition of Assets Construction of Nandi County Aggregation and Industrial Park</b>	The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.908,011,409 which includes construction of buildings expenditure of Kshs.227,392,588 as				
36			The Site handing over minutes together with the order to commence is in place at the office of the	The management did not provide relevant documents to auditor for verification.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the	60 days from the date of adoption of this report

		<p>disclosed in Note 9 to the financial statements. However, the following observations were made;</p> <p>Review of records provided revealed that the County Government contracted a local company to construct the Nandi County Aggregation and Industrial Park at a contract sum of Kshs.520,003,128 with effect from 15 August, 2023. This award was made after the first advertised tender was non-responsive prompting a re-tender where five (5) firms submitted their tenders. Included in this expenditure is an amount of Kshs.67,787,822 that was paid to the contractor towards construction of County Aggregation and Industrial Park during</p>	<p>PM. It is hereby attached for your review. The contract duration is 2 years beginning August 2024 as specified in the contract agreement</p>		<p>auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report</p>	
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		<p>the financial year under review. However, the following anomalies were noted:</p> <ul style="list-style-type: none"><li>a) Examination of the project documents and physical verification on the project revealed that the engineer's estimate for the project were not provided, ground/site handing over report and order to commence work was not in file and the contract duration for the project was not specified.</li><li>b) It was noted that the contractor requested for authority to increase excavation depth from the BQ</li></ul>				
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		<p>depth of 1.2m to 2.7m being the depth of the black cotton soil dated 11 September, 2024 however, the departmental response was not in file nor any variation order.</p> <p>c) The Contractor made an application for first certificate payment of Kshs.118,306,343.74 which was received by the County Works officer on 10 November, 2023. However, this claim was not realistic as it included general preliminaries, claim of Kshs.7,012,500 for works not done.</p>				
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		<p>d) The Contractor made an application for first certificate payment of Kshs.118,306,343.74 which was received by the County Works officer on 10 November, 2023. However, this claim was not realistic as it included general preliminaries, claim of Kshs.7,012,500 for works not done.</p> <p>e) Particular preliminaries certified were the same as invoiced by the contractor and included the works which had not been done.</p> <p>f) The builders work certified was not confirmed during</p>				
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		<p>physical verification because only the column bases for four warehouses had just been excavated with no builder's works done.</p> <p>g) Request for approval of an amendment or variation of the bill of quantity by Kshs.39,547,500 was made by the Head of Procurement to the Chief Officer, Department of Trade and Tourism on 27 October, 2023 and this was endorsed on the same day by the accounting officer.</p> <p>h) Valuation of the substructure works</p>				
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		<p>(excavations) was done by the County works officer putting the current work done at Kshs.57,760,600 up from the BQ's amount of Kshs.18,213,100.</p> <p>i) The interim certificate No. 2 dated 12 September, 2024 for Kshs.30,100,000 was raised by the project engineer on builder's works which was not supported by actual measurements.</p> <p>j) Physical verification was done in October, 2024 and total amount that had been paid was Kshs.97,887,822</p> <p>k) It was noted that the Performance</p>				
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		<p>Bond of Kshs.26,000,156 dated 14 August, 2023 from Rafiki Microfinance Bank Ltd. expired on 26 February, 2024 and no evidence was in file that a current performance bond is renewed.</p> <p>1) Physical verification on 30 October, 2024 revealed that no adequate workforce was maintained by the contractor on site as there were only three workers present and no construction works was going on except for curing of a recently completed section of one</p>				
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		<p>side of the perimeter wall with the remaining 3 sides still not done. The site did not depict any construction activity going on and looked abandoned. Only earthworks had been done that included; excavations and filling using stones and marram, access road, one side of the perimeter wall completed with column bars erected on one of the sides and column bases for four warehouses excavated.</p> <p>m) The ability of the contractor to complete the project in good time was</p>				
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		<p>doubtful and it was not clear if any formal notices had been issued to the contractor on the inability to progress effectively and maintain adequate work force and equipment on site</p> <p>n) It was noted that the project was jointly funded between the National Government and the County Government. However, the level of funding that was to be provided by each Government was not clear since no agreements or commitment between the two levels of</p>				
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		Government was provided.				
37	<b>Delayed Completion of Construction of Avocado Aggregation Center</b>	Review of the documents provided revealed that the County Government of Nandi – through the National Agricultural and Rural Inclusive Growth Project (NAGRIP) entered into a contract agreement for construction of avocado aggregation center with a local firm at a contract sum of Kshs.49,526,099. The contract duration was to be three (3) months with effect from 19 December, 2022. The contract was first extended for a period of six (6) months with effect from 7 March, 2023 and again extended for a period of nine (9) months with effect from 15 September, 2023. Physical verification carried out in the month	During the period of audit, electricity connection had not been done to the Avocado aggregation Center. This was due to delay by Kenya Power and Lighting Company (KPLC). KPLC has since connected electricity to the packhouse. Test runs for the cold room facility has been done and the packhouse is ready for use by the farmers. The facility is awaiting commissioning by the Governor/CS	The project has not been commissioned, handed over, or confirmed to be in operation.	1. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government)	60 days from the date of adoption of this report

		<p>of September, 2024 indicated that the structure and the cold room were 100% complete and landscaping was ongoing. However, as per Engineer certificate, the project was 99% complete and was 3 months behind the completion period.</p>	<p>Agriculture thereafter a handover to the cooperative Society.</p>		<p>Regulations, 2015 within 60 Days from the date of adoption of this report;</p> <ol style="list-style-type: none"> <li>2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report.</li> <li>3. The OAG to keep the matter in view and provide a status update to the Committee in</li> </ol>	
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					the subsequent audit cycle.	
38	<b>Proposed Construction of Perimeter Wall and External Works for the New Governor's Office</b>	Review of records provided revealed that six (6) firms tendered for the contract of construction of the Perimeter Wall and External Works for the New Governor's Office. One of the local firms which won the tender entered into a contract with the County Government of Nandi to carry out construction works for perimeter wall and external paving works to the Governor's offices at Kapsabet on 10 July, 2023 at a contract sum of Kshs.24,659,930 and the project was expected to take twelve (12) months However, the following observations were noted; Two interim certificates were raised and a total of Kshs.19,487,859 was paid to the contractor in	No response	The management did not provide relevant document to OAG for verification	The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and submit a status report to the OAG, 60 days from the adoption of this report	60 days from the date of adoption of the report

		<p>the year under review. However, the payment certificates were not supported by works measurement sheets/ appraisal document for the measured works. The detailed priced Bills of Quantities (BQ) was not provided for audit making it difficult to establish the detailed works and actual cost</p> <p>Review of the project expenditure records revealed that the bill of quantities included prime cost sum of Kshs.5,250,000 for construction of 10 cubic meter elevated water tank, including pumping system and collection of all roof catchment into an under-ground tank which was to be carried out by a sub-contractor. However, there was no, documentation provided to prove that the subcontracted works</p>				
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		<p>were competitively sourced</p> <p>Physical verification of the works for perimeter wall and external paving works in September, 2024 revealed that the elevated tank was already installed and paid under Interim certificate 01 for Kshs.2,625,000. It was also noted that the pumping system, underground tank and roof catchment works had not been constructed.</p> <p>Other observations made from the bill of quantities revealed that three (3) double steel gates each measuring 6000 x 2100mm high costed at Kshs.300,000 each and two (2) pedestrian gates each measuring 1300 x 2100mm high costed at Kshs.50,000 each were provided for in the bills of quantities.</p>				
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		However, only two (2) double steel gates not of same size and one (1) pedestrian gate all made of metal bars were erected. The gates drawings were not provided for review.				
39	<b>Construction of the Nandi Cooperative Creameries Kabiyet Phase III</b>	<p>County Government of Nandi entered into a contract with a local construction firm to construct the Nandi Cooperative creameries Kabiyet Phase III on 26 August ,2022 at a contract sum of Kshs.64,750,673.</p> <p>- The contract duration was twelve (12) months effective from the date of the agreement and was expected to end by 26 August, 2023. As previously reported, in 2022/2023 the County Executive had paid a total of Kshs.46,507,268 to the contractor. According to expenditure records</p>	<p>The contract period is one year running from May 2024 to May 2024. The work progress is good and will be finished within scheduled time. No payments have been made to date in regard to this works.</p> <p>- The changing of glass windows to toughened glass has been done and completed</p>	The management did not provide relevant document to the OAG for verification	<p>The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government)</p>	60 days after the date of adoption of this report

		<p>provided in the year under review, a total of Kshs.19,194,490 had been paid to the contractor both totaling to Kshs.65,701,758 which exceeded the contract sum by Kshs.951,085.</p> <p>- Physical verification revealed that the project was behind schedule, construction of ablution block was still not complete, reinforced glass cladding windows and doors, supply and delivery of milk cleaning materials, supply and delivery of fresh milk film, supply and delivery of fresh yogurt printed cups and trays were not yet started. As at the time of audit in September, 2024, although the contractor was still on site, the project</p>			Regulations, 2015 within 60 Days from the date of adoption of this report.	
40	<b>Proposed Constuction of the Modern</b>	County Government of Nandi entered into contract agreement with	No response	The management did not provide	1) The County Executive establishes a	60 days from the date of

	<b>Atheletic Training Camp in Kabsabet</b>	<p>a local company to construct the Modern Athletics Training Camp at Kapsabet Phase II at a contract sum of Kshs.53,222,000 on 3 July, 2019.</p> <p>- The contract duration was three (3) months effective from the date of the agreement and was expected to end by 3 October, 2019. Two (2) payments of Kshs.7,000,000 and Kshs.2,899,800 totaling to Kshs.9,899,800 were made to the contractor as final payments though the project was approximately 80% complete and had been put to use.</p> <p>- Although the project was already in use, it was noted that painting works were not completed and there was no formal handing</p>		<p>relevant documents to the OAG for verification</p>	<p>project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report.</p> <p>2) The Office of the County Governor to prioritize completion of existing and stalled projects and provide a</p>	<p>adoption of this report</p>
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					<p>budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report;</p> <p>3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
41	<b>Stalled Proposed Completion Works at Kapsengere Hospital Phase II</b>	County Government of Nandi entered into contract with a local contractor for the proposed completion works of Kapsengere Hospital (Phase II) in Terik Ward at a contract sum of Kshs.9,954,900 on 5 May, 2019. The contract duration was for three (3) months	The contractor has been paid the whole contract sum by the time of the Audit. The confirmation of the payment is shown in the final accounts for the project here attached which also indicates a variation for the extra works as	The project was progressing as planned with adequate workforce and adherence to quality standards	The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle. 60 days from the date of adoption of this report	60 days from the date of adoption of this report

		<p>effective from the date of the agreement and was expected to end by 5 July, 2019.</p> <p>- However, review of documents provided and physical verification revealed that neither payments had been made nor any works done despite a budgetary allocation of Kshs.3,954,900 having been made during the year. The ablution block, outpatient division building and site fencing were not complete.</p> <p>- Further, the ramp appeared structurally defective requiring demolition and this raised doubt on the competence of the contractor and effectiveness of supervision. In addition, the project appeared to have stalled and abandoned and the contractor was not on</p>	<p>done by the contractor.</p> <p>-The project was affected by the change of scope of the original work certificates no 7 had the accounts for the contract attached which is the full valuation for the works comparing the scheduled works in the award bill of quantities to the actually done works on the ground.</p>			
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		<p>site at the time of the audit in September, 2024 -The County Government of Nandi entered into a contract with a local firm for construction of Kobujoi Sub-County Hospital. However, the contract sum could not be ascertained because signed contract documents were not provided for audit. It was also noted that payments totaling to Kshs.3,292,946 had been made to the local construction firm during the year under review. However, the payment vouchers and payment certificates were not provided for review.</p> <p>- Physical verification of the project carried out in the month of September, 2024 revealed that; the super structure was generally complete, inside walls had been plastered,</p>				
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		skimming and undercoat applied on inside walls, floor tiling was complete, terrazzo works were in progress, electrical works and staircase works were still incomplete, roof ceiling works was at approximately 90% complete and the ramp was incomplete and work was in-progress, The project was generally progressing well with adequate workforce and adherence to quality.				
42	<b>Construction of Mother and Child Hospital (MCH) at County Referral</b>	As previously reported, the County Government of Nandi entered into a contract with a local firm for completion of <b>MCH</b> at the Kapsabet County Referral Hospital at a contract sum of Kshs.409,813,441 which was signed on 17 April, 2019. The Contract was to be for a duration of two years,	-The department of health has planned sectional takeover of the parts of the structure that are substantively complete for the purpose of starting the process of	The management did not provide the relevant document to the OAG for verification.	The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and submit a status report	60 days from the date of adoption of this report

		<p>two months and two weeks which was to end at the close of the financial year 2020-2021. As at the time of audit in 2022-2023 a total of Kshs.142,500,462 had been paid to the contractor</p> <p>- Review of the records provided du September, 2024 revealed that there was a budget allocation of Kshs.89,000,000 towards completion of <b>the project</b> out of which payments amounting to Kshs.66,333,788 were made to the contractor during the financial year under review resulting to total payments of Kshs.208,834,250. However, the contract ring audit in agreement, payment vouchers supporting the payments made and the project file were not provided for audit verification.</p>	<p>equipping as evidenced by the first batch of equipment at the 1st and second floor. The process was slowed down by the Clients commitment to release the associated funds to wind up the process of partial take - over.</p> <p>-The contractor has floated a proforma invoice from his suppliers for the Elevators who will embark on the process of assembly the lift once he pays them and cited the delay in release of his outstanding</p>		<p>to the OAG, 60 days from the adoption of this report</p>	
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		<p>- Physical verification carried out in the month of September, 2024 revealed that the contractor was on site and the works were ongoing though at a slow pace. It was noted that the building was still incomplete and had not been put to use and the completion level was estimated at 75%. It was noted that since inception in 2019, electrical works, the ramp, external wall finishes, the floor tiling and the basement were incomplete, two (2) elevators designed for the building had not been installed but curtain walling was on going.</p>	<p>payments to the delay. -Floor tiling has remained a small part that is being done by now. - Curtain walling two pieces of glass that had not been fixed are now on site and will be placed. -The ramp is full complete with the stainless-steel balustrades / railings fully fixed</p>			
43	<b>Construction of the Governor's Office Building - Nandi County Headquarters</b>	the County Government of Nandi entered into a contract with a local firm for the construction of Governor's Office Building - Nandi County Headquarters.	The Project file and Contract agreement for the construction of Governor's office Building are available.	The management did not provide relevant document to the OAG for verification.	The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide	60 days after the date of adoption of this report

		<p>A budgetary allocation of Kshs.20,000,000 was made towards the completion of the project however, out of Kshs.20,000,000 budgetary allocation, payments amounting to Kshs.4,326,400 were made to the local contractor during the year under review. Further, contract agreement, payment vouchers supporting the payment and the project file were not provided for audit review.</p> <p>- Although there was a sign of a recent external painting works on the building which was still incomplete, access to the physical site for verification was limited as the Project Manager was not available on site and the site was closed with no activity going on.</p>	The payment vouchers and the supporting documents are also available and all have been provided for your audit review		the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and submit a status report to the OAG, 60 days from the adoption of this report	
44	<b>Variation of Contract for the</b>	County Government of Nandi through	We hereby confirm that the	The management	The Office of the County Governor	60 days from the

	<p><b>Proposed Construction of a Fresh Produce Market at Jua Kali Area, Kapsabet Town.</b></p>	<p>Department of Administration, Public Service and E-Government entered into a contract with a local Contractor for proposed construction of a Fresh Produce Market at Jua-Kali area in Kapsabet Municipality on 31 March, 2022 at a contract sum of Kshs.92,509,873. The project execution and completion were expected to take twelve (12) months from the commencement date ending on the 31 March, 2023. Five (5) payment certificates totalling to Kshs.92,509,874 equivalent to the contract sum had been issued and paid.</p> <p>- Further, two contract extension periods of eighteen (18) weeks and another for forty weeks (40) were County Government of Nandi</p>	<p>recommendations of the Ad-hoc committee were acted upon and approved leading to a supplementary budget approved by the Nandi County Assembly herein provided. We confirm that the file provided for audit was a single file with all the necessary documents. We have since retrieved the additional documents required and submit to you for your audit. -We confirm that the letter requesting for</p>	<p>did not provide the OAG relevant documents for verification</p>	<p>(CEO) undertakes administrative action against the responsible officer(s) who fails to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General <b>within sixty</b> (60) days from the adoption of this report</p>	<p>date of adoption of this report</p>
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		<p>through Department of Administration, Public Service and E-Government entered into a contract with a local Contractor for proposed construction of a Fresh Produce Market at Jua-Kali area in Kapsabet Municipality on 31 March, 2022 at a contract sum of Kshs.92,509,873. The project execution and completion was expected to take twelve (12) months from the commencement date ending on the 31 March, 2023. Five (5) payment certificates totalling to Kshs.92,509,874 equivalent to the contract sum had been issued and paid. Further, two contract extension periods of eighteen (18) weeks and another for forty weeks (40) were granted together with a variation</p>	<p>variations was done by the contractor on site as per section 139 of the Public Procurement and Asset Disposal Act of 2025 Revised Edition of 2022. Herein Provided for your perusal is the request letter.</p> <p>- We undertake to understand why a 5% variance exists between the correspondence to the donor and the monitoring and evaluation report.</p>			
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		<p>of contract amounting to Kshs.22,970,940 translating to 24.8% of the total contract sum. An addendum to the extension of contract period/time and variations to contract for the contract agreement was later entered into between Kapsabet Municipality and the Local Contractor on 6 February, 2024 for a period of twelve months ending February, 2025.</p> <p>- However, there was no evidence to confirm that the Ad-Hoc Committee recommendations were acted upon before variation of contract was approved. Also, all payment certificates for the initial contract sum were never accompanied by a valuation report and inspection and acceptance certificates. It was also noted that there was no evidence</p>				
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		<p>of contract variation initiation neither was there any variation order by the project manager</p> <p>The correspondences between the donor and the County Government dated 12 April, 2024 indicated that the project completion was at 95% as at the time of the last interim payment certificate while the monitoring and evaluation report before variation of contract was initiated, indicated that the project was 90% complete which is contrary to donor report. Physical verification carried out in the month of September, 2024 revealed that the project was not complete. the County Government risks losing Kshs.22,970,940 through irregular variation of project cost for a project which was 95% complete and the</p>				
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		whole contract sum had been paid.				
45	<b>Delayed Completion Works Phase II for Chepterwai Sub-County Hospital</b>	<p>The County Government of Nandi entered into contract with a local contractor for proposed completion works at Chepterwai Sub- County Hospital phase II on 31 March, 2022 at a contract sum of Kshs.41,538,221 for a contract duration of Twenty-four (24) months effective from the date of the agreement and was expected to end by 31 March, 2024.</p> <p>In the year under review, a total of Kshs.10,990,472 was paid for the completion works however, physical verification revealed that only one (1) interim payment certificate amounting to Kshs10,990,472 was paid during the year but there were no actual measured works for the</p>	No response	The project was incomplete	<p>1. The County Executive establishes a project management and monitoring Committee or a Projects Delivery Unit to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management</p>	60 days from the date of adoption of this report

		paid certificate. Further, the contractor was not on site at the time of the audit, and the proposed works had not been completed and the project was behind schedule by six (6) months.			(County Government) Regulations, 2015; 2. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.	
46	<b>Delayed Operationalization of Kenya Devolution Support Project (KDSP) Funded Coffee Mill Project</b>	The County Government of Nandi entered into contract with a local contractor for proposed design, drawing and construction of a coffee mill structure, and supply, installation, testing and commissioning of coffee milling equipment and associated structures/works on 22 March, 2022 at a contract sum of Kshs.60,018,462. The contract duration was twelve (12) months and remedying of defects for a period of 6 months	The delay in power connection was occasioned by KPLC procedures. The power required was 3 phases hence the delay. However, the power has since been connected. Testing and Commissioning of the factory is on-going. The bank balance is majorly the retention money which could not be		3. The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.	

		<p>effective from the date of the agreement. it was noted that the project was completed in September, 2024 and the whole contract amount of Kshs.60,018,462 had been paid. Retention money totaling to Kshs.2,482,400 was still held, however, it was not clear whether this amount retained would be sufficient to remedy defects on full operation of the coffee mill. Further, it was noted that Kenya Power and Lighting Company Limited quoted for electricity supply to the coffee mill on 6 January, 2023 a sum of Kshs.1,784,543 and the full amount had been paid however, at the time of audit, the electricity had not been supplied and the coffee mill was not operational.</p>	<p>paid until the machines</p>			
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		-The KDSP closing bank account balance was Kshs.2,841,406, however, there was no guidance on the closure of the project account since KDSP II had kicked off				
47	<b>Delayed Operationalization of Nandi County Textile and Apparel Unit</b>	The County Government of Nandi and Rivatex East Africa Limited entered into a Memorandum of Understanding on the 16 January, 2018 and a contract signed on 12 February, 2019 for the proposed construction of textile training and production plant at Mosoriot centre.	Management confirmed project still not complete and is being owed by Rivatex E Africa Kshs. 10,242, 342.ast	The management did not submit relevant document to the OAG for verification	The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and submit a status report to the OAG, 60 days from the adoption of this report	60 days from the date of adoption of the report
48	<b>Fuel Expenses on Road Works by County Machinery</b>	Examination of expenditure records relating to road works revealed fuel expenses that were incurred on various road works in the County Wards	No responses	Fuel expenses of Kshs.36,670,400 for road works could not be confirmed as records on	The Office of the County Governor (CEO) undertakes administrative action against the responsible officer(s) who fails to provide	60 days from the date of adoption of this report

		amounting to Kshs.36,670,400 which were utilized by the Department of Roads on County machinery carrying out various road works. However, records of all County machineries and the planned and actual roads works performed by the Department through force account including scope of works were not provided for audit verification. - The regularity of fuel expenses of Kshs.36,670,000 could not be confirmed		County machinery, planned and actual road works, and scope of works were not provided for audit verification.	documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	
49	<b>Unconfirmed Purchase of Office Furniture and General Equipment</b>	examination of expenditure records relating to the furniture purchased revealed lack of proper records indicating the distribution and location of the purchased furniture	The list of furniture purchased and the distribution list is hereby attached	The management did not provide OAG document for verification.	The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of	60 days from the date of adoption of this report



					the Public Finance Management Act and submit a status report to the OAG, 60 days from the adoption of this report	
50	<b>Roads Projects Verification</b>	Review of records provided revealed expenditure relating to road works amounting to Kshs.59,341,253 which was incurred on sixteen (16) roads that were done by the County Government. Physical verification revealed that the works carried out included spot improvement, heavy grading, drainage/culverting works and road structures (box culverts). However, the following anomalies Review of records provided revealed expenditure relating to road works amounting to Kshs.59,341,253 which was incurred on sixteen (16) roads that	Contractors have been asked to redo works.		The County Executive establishes a project management and monitoring Committee or a Projects Delivery Unit to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015; Act, 2012;  The County executive puts in place	60 days from the date of adoption of this report

		<p>were done by the County Government. Physical verification revealed that the works carried out included spot improvement, heavy grading, drainage/culverting works and road structures (box culverts). However, the following anomalies were noted;</p> <p>i. Signages were not erected on all the road works verified.</p> <p>ii. More protection works was required around box culvert drains</p> <p>iii. Culverts erected were already filled and required cleaning and opening up the drains.</p> <p>iv. Culverts had low back fill murrum or washed and were likely to collapse due to pressure on usage by</p>			<p>measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls; and</p> <p>The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.</p>	
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		<p>motorists thereby requiring more back filling done.</p> <p>v.Continuous murraming should be considered as most roads were supposed to be improved.</p> <p>In the absence of road signages, it was not possible to differentiate roads which were done by the County Government from roads which were done by other entities and value for money may not be realized on the expenditure of Kshs.59,341,253 incurred on road works.</p>				
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>						
51	<b>Management of County Assets</b>	Examination of County assets records revealed that the County Government had a total of nineteen (19) unserviceable and obsolete vehicles in their custody	No response	Asset register was not up to date	1. County should expedite the process of updating and presenting their Fixed Assets Register in the format	60 days from the date of adoption of this report.

		<p>- It was also noted that the assets register was not updated with the asset details such as serial number, identification tags, make/model/brand, cost of acquisition. In addition, a newly procured truck skip loader was not captured in the motor vehicle register.</p>			<p>prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report.</p> <p>2. County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update</p>	
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					<p>to the Office of the Auditor General within 60 days of adoption of this Report.</p> <p>3. Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.</p>	
52	<b>Failure to develop organizational chart</b>	Review of the organizational structure for Nandi County Executive revealed that the County had been operating without organization chart since commencement of devolution	No responses	Management did not have an organizational chart for the Nandi County Executive since the start of devolution.	The County Executive should expedite development and approval of an organizational chart status report should be submitted to the Auditor General for verification.	60 days from the date of adoption of this report
53	<b>Weak controls in processing payments</b>	Review of payment vouchers in support of the expenditure incurred during the financial year revealed that most of the payment vouchers did Review of payment	Controls instituted	Controls instituted Management did not ensure proper documentation of payment	Management should comply with Section 104(i) of the Public Finance Management Act, 2012, by instituting proper	60 days from the date of adoption of this report

		<p>vouchers in support of the expenditure incurred during the financial year revealed that most of the payment vouchers did not indicate cheque numbers or internet banking (IB) references, cash book voucher numbers and dates thereby making it hard to trace the payments in the cash book and bank statements.</p> <p>-payment vouchers and the attached supporting documents were not stamped with date paid stamps thereby posing a risk of recycling of payment vouchers. It was also noted that some of the payment vouchers were not examined and signed together with the supporting documents being marked by person examining using red ink.</p> <p>-payment vouchers that were sampled for audit</p>		<p>vouchers, which lacked cheque numbers, IB references, cash book voucher numbers, and dates, making tracing difficult.</p>	<p>internal controls over payment processing.</p>	
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		<p>revealed that the internal audit department did not examine the vouchers. In addition, proper vote book control was not done on the payments in the vote control section of payment vouchers indicating the vote charged, the budgetary allocation, available balance before and after the charge. The payments were simply signed by the vote book accountant without such disclosures.</p> <p>Similarly, the IFMIS System Generated Purchase Orders were not attached to some of the payment vouchers. Where the purchase orders were attached, details of some of the purchases were not disclosed as the purchase orders indicated just summaries.</p>				
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		There were no proper registers recording voucher movement from receiving section at the County Treasury to the cash office and storage (archives).				
54	<b>Payment of pending bills not previously disclosed.</b>	Examination of expenditure records Examination of expenditure records relating to use of goods and acquisition of assets revealed payment of pending bills amounting to Kshs.11,836,900 relating to various supplies and services and roads construction which were not disclosed in the audited financial statements for 2022-2023 under disclosures on analysis of accounts payable. -Pending bills movement schedule was not prepared and it was not clear whether these bills were properly payable.	These were eligible bills incurred during the financial year 2022/2023 as evidenced by the supporting documents. The omission in the final pending bills list at the close of the financial year is highly regrettable. However, the pending bills movement schedule was attached. Movement schedule of 2022/2023 pending bills	The management failed to disclose pending bills.	The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents at the time of audit to the auditors in accordance with section 156 of the Public Finance Management Act, 2012, and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.	60 days from the date of adoption of this report



55	<b>Lack of independent Internal Audit function</b>	<p>Review of governance structures revealed that the head of Internal Audit was assigned duty in the office of Secretary, Nandi County Public Service Board on 18 April, 2023 for period of six months to perform duties of the Board secretary/CEO, Nandi County Public Service Board.</p> <p>However, it was noted that there was no re-appointment letter to serve as Head of Internal Audit after lapse of the 6 months. Further, the head of Internal Audit's last appointment letter in the file was dated 2 January, 2018 indicating he was appointed as Assistant Director of Audit.</p>	No response		<ol style="list-style-type: none"> <li>1. The county Executive expedites sufficient staffing of the audit committee to enhance oversight over public resources and provide a status report to the Auditor General within sixty (60) days from the adoption of this report.</li> <li>2. the Salaries and Remuneration Commission (SRC) to review the compensation framework for Audit Committee members since the low sitting allowances</li> </ol>	60 days from the date of adoption of this report
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					may not attract seasoned professionals to the county Audit Committees	
56	<b>Timing of Audit Committee Meetings</b>	Examination of audit committee records revealed that the Committee met four times in the year under review. However, they did not meet on quarterly basis as stipulated in the Gazette Notice No.40. It was noted that the meetings took place on 22 February, 2023, 7 December, 2023, 8 December, 2023 and 27 December, 2023	The audit committee had their workplan for the FY under review indicating the meetings were to be held on quarterly basis. The committee adhered to the laid-out program as hereby attached;	The Audit Committee did not meet quarterly as required by Gazette Notice No. 40	Management should ensure the Audit Committee complies with Section 5.2 of Gazette Notice No. 40 by holding meetings at least quarterly and planning them annually.	Continuous
57	<b>Lack of management commitment to the internal audit charter</b>	Examination of internal audit charter revealed that the Accounting Officer/County Executive Committee Member for Finance and Economic planning did not commit to the document by signing as required.	The internal audit Charter was signed by the CECM for finance on 15th may 2023 and copy was attached herein.	The Accounting Officer/County Executive Committee Member for Finance and Economic Planning did not sign the	Management should ensure the Internal Audit Charter is signed as required by the PSASB template.	Continuous

		In the circumstances, Management commitment to the internal audit charter could not be confirmed.		Internal Audit Charter		
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