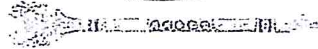

THE SENATE

TWELFTH PARLIAMENT (THIRD SESSION)

THE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS

FIDUCIARY RISK REPORT: ISSUES RAISED BY THE AUDITOR GENERAL ON PUBLIC FINANCIAL MANAGEMENT BY THE COUNTY GOVERNMENTS FOR FINANCIAL YEARS 2012/13 – 2015/16

Clerks Chambers'
Parliament Buildings
NAIROBI

June, 2019

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ABBREVIATIONS AND ACRONYMS

AIE	- Authority to Incur Expenditure
CBS	- Chief of the Order of the Burning Spear
CEC	- County Executive Committee
CIDP	-County Integrated Development Plans
CPSB	- County Public Service Boards
ECDE	- Early Childhood Development and Education
EGH	- Elder of the Order of the Golden Heart
ESP	- Economic Stimulus Program
VAT	- Value Added Tax
ICT	-Communications Technology
IPPD	-Integrated Personnel Payroll Data
IPSAS	-International Public Sector Accounting Standards
KRA	- Kenya Revenue Authority
MCAs	-Members of County Assemblies
PBO	- Parliamentary Budget Office
PFMA	- Public Finance management Act
PPDA	-Public Procurement and Disposal Act
SO	-Standing Orders
SRC	- Salaries and Remuneration Commission

GLOSSARY OF TERMS

Term	Simplified Meaning
Under Expenditure	Non utilization of funds allocated for a specific purpose hence denying the public services/goods required
Pending Bills	This arise as a result of failure to make payments after more than 90 days credit time usually provided by the suppliers of Goods /services rendered but which the payments are not honored.
Unsupported expenditure	Expenditure incurred no supporting documents to confirm/support such expenditures or no such documents were availed for audit purposes
Unbanked revenue	Revenues collected but not deposited in the official County Governments revenues accounts
Unbudgeted Expenditure	Expenditures incurred on goods or services which were not included in the budget
Outstanding Imprests	Money advanced to public officials but not accounted for/surrendered as required
Irregular Payments	Expenditures incurred without following the due procedures put in place
Over (Excess) Expenditure	Expenditures incurred over and above the amount provided in the budget
Unaccounted expenditure/expenses	Expenses that cannot be accounted for, or goods were delivered but not recorded upon receipt
Under reporting of revenue	Revenue collected but not submitted to the county consolidation fund, revenue collected and utilized at source or revenue differentials that could not be accounted.
Uncompleted/stalled projects	Projects which are started but are abandoned midway hence no value to the public
Unqualified Opinion	This arises when the Auditor General is satisfied with documentation presented for review. It implies that there are no major problems with documentation and information that were presented for assessment and the funds are managed properly.
Qualified Opinion	This is as a result of Auditor General finding some problems that are not widespread or persistent with documentation and information supplied. The auditor received all the information required for audit. However, after review the audit reveals there are some gaps in adherence and compliance to legal procedures and budge
Adverse Opinion	An adverse opinion occurs when the Auditor General is able to review the entity's documentation supplied for audit purposes and the final audit reveals problems that are widespread and pervasive and will require considerable changes to remedy.

Term	Simplified Meaning
	This is equivalent to scoring a pass in an examination. Oversight institutions are concerned to recommend remedies to address such anomalies and systems.
Disclaimer	A disclaimer is when the auditor is unable to review fully an entity's documentation because there is a substantial amount of information that is missing. The absence of information makes it hard and difficulty for the Auditor General to make an opinion. In other words, the auditor feels unable to determine whether the situation is qualified or adverse because the paperwork is not adequate. This is a serious lapse in compliance and should be of concern to oversight bodies. For a disclaimer, the record keeping is so bad the auditor cannot give an opinion.

PREFACE

Mr. Speaker Sir,

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

The Senate Sessional Committee on County Public Accounts and Investments is established pursuant to Standing Order 220 of the Senate Standing Orders and is mandated:-

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

Mr. Speaker Sir,

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

1. Sen. Moses Kajwang' -Chairperson
2. Sen. Mithika Linturi -Vice Chairperson
3. Sen. Fatuma Dullo, CBS
4. Sen. Wamatangi Kimani Paul
5. Sen. (Prof.) Sam Ongeri, EBS, EGH
6. Sen. Kibiru Charles Reubenson
7. Sen. Omanga Millicent
8. Sen. Mohamed Faki
9. Sen. Ledama Olekina

The Committee Secretariat comprises of the following officers-

1. Mr. Julius Ariwomoi -Principal Clerk Assistant I
2. Mr. Fredrick Muthengi -Chief Fiscal Analyst
3. Mr. Yussuf Shimoy -Clerk Assistant
4. Mr. Charles Ngatia -Clerk Assistant
5. Ms. Josphine Kusyini -Principal Legal Counsel
6. Mr. Mitchell Otoro -Legal Counsel
7. Mr. Eric Ososi -Research Officer
8. Mr. Joseph Tiyan -Research Officer
9. Ms. Lucianne Limo -Media Relations Officer
10. Mr. Stephen Maru -Serjeant At Arms I
11. Ms. Sarah Rukwaro -Serjeant-At-Arms
12. Mr. James Ngusya -Serjeant-At-Arms
13. Mr. Abdikani Ibrahim -Audio recording officer

Mr. Speaker Sir,

Being a Sessional Committee, the Committee was constituted at the commencement of the third session on 14th February, 2019 pursuant to Senate Standing Order 220 following a resolution of the Senate and pursuant to Senate Standing Order 219 which requires ***Sessional Committees*** to be reconstituted at the Commencement of every session.

Mr. Speaker Sir,

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

Mr. Speaker Sir,

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

Mr. Speaker Sir,

The reports of the Auditor General on the county governments' audit queries do not mention the level of implementation of the previous years' audit recommendations. According to the International Public Sector Accounting Standards (Cash Basis), a

report on follow-up of previous year's audit recommendations is a critical requirement. The report should highlight the extent of addressing some of the challenges identified. The audit recommendations may include challenges that could be addressed by recruitment of experienced staff and capacity building by provision of relevant training, strengthening implementation of PFM reforms, among others. This index may help in comparing whether counties are making improvements in financial management or worsening over time and the overall performance in terms of implementing audit recommendations. This will provide a proxy measure to monitor the impact of the audit recommendations measured by the implementation level of the recommendation as either fully, partial or not implemented and hence increase value for money.

Mr. Speaker Sir,

Ordinarily, the National Treasury in consultation with the Public Sector Accounting Standards Board issues templates to guide the county governments in their financial statements and reporting which are in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS). The guidelines and standards are intended to enhance quality of financial reports and improve compliance with internal controls within public sector. The financial statements include the following—

a) A statement of receipts and payments - financial performance;
b) A statement of financial assets;
c) Statement of cash flow;
d) County own source revenue financial position;
e) A statement of changes in net assets;
f) A statement of accounting policies and notes to the financial statements; and
g) A statement of performance including entity's statements on processes and systems audit against predetermined objectives.

Mr. Speaker Sir,

Accounting Officers are required to prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Public Sector Accounting Standards Board in accordance with the Public Finance Management Act, 2012.

The accounting officers are required to abide by the laid down formats of reporting which the Auditor General uses to assess the financial statements presented. In this regard, the accounting officers should institute strict measures to ensure that their ministries/ departments put in place proper record keeping systems and adherence to the Public Sector Accounting Standards Board in accordance with the Public Finance Management Act, 2012 and ensure strict adherence to Section 149 of the PFM Act. Finally, an officer must be held personally responsible and be duly surcharged for all the unsupported expenditure.

The management has the responsibility for the preparation and presentation of fair financial statements and for internal controls to ensure that financial statements are fair with full disclosures and free from fraud and errors.

Mr. Speaker Sir,

The objective of this report is to ensure that the management framework for financial reporting and audit responsibility is in place and that financial management is being processed in compliance with relevant legislations, policies and guidelines within the devolved units – the county governments. It also assesses the extent to which a framework in place meets the set requirements and functions as intended.

The overall objective of all these legal provisions is to ensure that public finance is geared towards promotion of fairness, openness and transparent use and utilisation of public funds within the county governments and public sector as a whole. In particular, the public procurement and Asset disposal Act entails acquisition of goods and services in a manner that enhances access, competition and fairness and results in value for money for overall benefits to the citizens.

Mr. Speaker Sir,

The following framework has been used to analyze the Audit reports –

(a) **Adherence to the legal framework:-** Chapter twelve of the Constitution and respective legislations not only guide Public Financial Management in Kenya right from the budget process at preparation to execution but also accounting for the resources both at the national and at the county level. The analysis will evaluate to what extent accountability of resources adheres to the legal framework.

(b) **Adherence to the standards by the form and format of audit reports of counties:** - The audit reports of counties are expected to follow the set standards by the Auditor General and which are expected to be uniform across all counties. The evaluation and analysis will be on how many counties are following this format.

(c) **Fiduciary Risk:** - This will be an assessment on the level of misapplication and misappropriation of resources.

EXECUTIVE SUMMARY

The County Public Accounts and Investments Committee (CPAIC) is a creation of Article 124(1) of the Constitution of Kenya.

The Committee examined the reports of the Auditor-General for the financial years 2013/2014, 2014/2015 and 2015/2016 of the 47 counties of Kenya and identified various fiduciary risks with regard to the appropriation of public funds by County Governments.

While analyzing the reports tabled in parliament by the Auditor General, the committee observed that counties flouted various pieces of legislation on Public Finance Management and other laws such as the Public Procurement and Asset Disposal Act, the Public Finance Management (County Government s) Regulations, 2015, the County Government s Act, 2012, Public Audit Act, 2015, the Income Tax Act, Cap. 470, various circulars from statutory bodies such as Salaries and Remunerations Commission, the defunct Transition Authority, among others, with respect to various facets in relation to laid down regulations and procedures.

During the period under review, the committee also noted that various counties irregularly procured goods and services through single sourcing methods, kept their records and books poorly, as well as failed to automate their accounting systems. In addition, most counties were very slow in the implementation of IFMIS systems as required by the law.

During the period under review, the Auditor General reports revealed that most Counties did not adhere to their approved budgets. In most instances, funds were reallocated to items that were not budgeted for and without prior approval by the National Treasury. Funds earmarked for development expenditures during the financial years were reallocated and used under operational accounts resulting into shifting development budgets to cover recurrent costs. In addition, there were numerous cases of under collection of local revenue where most counties missed their revenue targets by significant margins as a result; most counties incurred billions of unpaid bills.

In the financial year 2013/14 the Auditor General reported that the pending bills for all the County Government s amounted to Kshs. 62.8 Billion, while in the financial year 2014/15 the pending bills rose to Kshs. 108.9 billion and Kshs. 74.9 billion in the financial year 2015/16. Notably most counties paid huge amounts of legal fees without a clear process of procuring the legal services. In addition to under collection of revenue, most counties misrepresented their own source revenue. The county revenues collected were banked in commercial bank accounts other than the designated revenue collection accounts – County Revenue Funds (CRF) and used at source.

The committee further noted that during the period in review, 2013/14, 2014/15, 2015/16 most counties had weak human resource management, where most counties recruited staff without following due recruitment procedures in addition to absence of policy to determine optimal staffing levels. The committee further observed that most County Government s had weak internal control systems arising from a lack of policies to guide operations. No legislation or policy existed to address matters of staff pension. Weak human resource management led to irregular compensation of employees, with most counties overpaying their employees with payment in excess of monthly sitting allowances, sitting allowances paid to chairpersons of committees in plenary, fraudulent payment of sitting allowances to absent members in total disregard of the Salaries and Remuneration Commission circulars and overpayment by use of committee rates as opposed to plenary session rates.

During the years in review, the committee identified serious risk in the management of public funds by the County Government s. Among the serious risks include, the management of Imprest by most counties, mortgage and car loans funds, which were not accounted for as well as payments to the council of governors by County Government s without funds being appropriated and approved.

According to the Auditor General reports Most County Government s recorded Imprest on payment schedules instead of issuing the holders with Imprest warrants for proper accountability. Further, it was revealed across most counties that officers were issued with multiple Imprest and most were not surrendered at the close of the financial years.

During the years in review, the committee noted that most counties lacked updated registers for the Assets and Liabilities inherited from defunct local authorities and those subsequently acquired during post devolution exposing the County Government to serious risks. At the same time, the Auditor General noted that most counties had incomplete and non-utilized projects. As well as a lack of a system, which integrate with the system used by the Treasury –IFMIS- in managing public funds. Some used the IPPD, GPAY, LAIFOMS automated revenue collection but lack interface into the IFMIS.

While it's important to involve the public in the budget making process and the development of their counties, the committee noted that counties used this opportunity to misuse public funds by paying citizens and civil society members substantial amounts as allowances during public participation exercises in contravention of SRC circular that public participation is a civic responsibility of each and every citizen and should not attract any compensation.

During the years in review, the committee also noted serious risks when it comes to counties entering into Public Private Partnership: according to the Auditor General County Government entered into a public- private partnership exposing the Counties to serious risks especially since most county CECs lacked capacity to come up with clear guidelines and policy framework guided by the Public Private Partnership Act, 2013 and Regulations to form a the basis of entering into contracts with private entities.

The committee took note of the fact that there is inadequate funding of National Government functions at the County which made the County Executive spent huge amounts of public funds on functions of the National Government. The Committee further noted that National Government functions are not funded in the County Allocation of Revenue Act (CARA) which therefore implies that the County Government will jeopardize implementation of its functions as spelt out in the Fourth Schedule of the Constitution.

The Committee noted that the County Executive made payments to the Council of County Governors for maintenance of operations. The payment is irregular since the Council of County Governors should be funded by the Treasury through the IGRTC.

The Committee recommended that the Treasury allocates funds to operate and maintain the Council of County Governors.

During the years in review, the fiduciary risks, which the counties exposed themselves to as a result of the above inadequacies, the Auditor general rendered different opinions, with a majority of the counties receiving the a disclaimer of opinions, which means there was a limitation of scope for the auditor to render an opinion. In the financial year, 2013/14 a total of 39 counties received a disclaimer of opinion from the Auditor General, 2014/15 a total of 25 counties received a disclaimer of opinion and in 2015/16 the number of counties which received a disclaimer of opinion stood at 22. *(Refer to annex 1)*

The committee noted that majority of the counties have failed to establish Audit Committees. It is recorded that as at the end of the financial year 2015/16 all County Government s had not established Audit Committees to oversee the financial operations and to recommend remedial measures on risk control. Therefore, the adequacy and effectiveness of the internal control systems risk management could not be assured. The committee noted that whereas the regulations were gazetted in March 2015, the guidelines were gazetted in April 2016. On this basis, the Auditor General was unable to make an audit opinion. This has led to inadequacies in Financial Management by County Governments.

In FY 2014/15 a total of 5 counties received an adverse opinion from the Auditor General while only 3 counties received a qualified opinion meaning that the Auditor found that their financial statements reflected the true picture of the financial position of the County Governments apart from specific areas, which the Auditor pointed out as posing a fiduciary risk.

In the financial year 2015/16 a total of 12 counties received an Adverse Opinion from the Auditor General while 13 counties received a qualified opinion (*as illustrated in annex 1*).

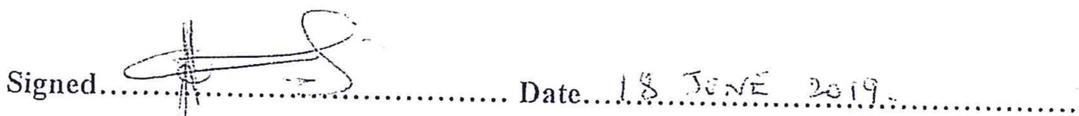
ACKNOWLEDGMENT

The Senate Sessional Committee on County Public Accounts and Investments thanks the Offices of the Speaker and the Clerk of the Senate, the Parliamentary Budget Office (PBO) for the unwavering support received as it discharged its mandate by reviewing and analysing the Auditor General's Report on the County Governments and the secretariat for their support during the preparation of the fiduciary risk report on issues raised by the Auditor General on public financial management by the county governments for financial years 2012/13 – 2015/16.

The Committee acknowledges with gratitude the commitment of its members who keenly participated and gave their inputs during the preparation of the report.

Mr. Speaker Sir,

It is now my pleasant duty, pursuant to Standing Order 214, to present the Report of the Senate Sessional Committee on County Public Accounts and Investment on the fiduciary risk on issues raised by the auditor general on public financial management by the county governments for financial years 2012/13 – 2015/16.



Signed.. Date...18 June 2019.......................

SEN. MOSES KAJWANG' MP

CHAIRPERSON,
SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS.

INTRODUCTION

1. The 2010 Constitution established two levels of government that are distinct and interdependent. The Constitution therefore set two levels of governance in relation to political representation at the lower level through County Assemblies and the national political representation through bicameral Parliament comprising of the National Assembly and the Senate. It also set the financial devolution at the two levels of governments at the county level and national level.

2. Further to ensure that county governments are not starved of funds to carry out functions and powers assigned to them under schedule 4 of the Constitution, Article 202 guarantees that national government makes fiscal transfers to the counties of at least 15% of the nationally raised revenue every financial year.

3. The Constitution under Article 174 sets out the objects of devolution and gives power to the people for self-governance through participation of the people in the exercise of decisions affecting them and managing their own affairs and development. Key to this feature is ensuring equitable share of national and local resources. It also confers to facilitate devolution of state organs and their functions and services. In so doing, the Constitution under Article 201 outlines the principles of public finance management to be observed at both levels of government and these includes the following; openness, and accountability, public participation, prudent and responsible financial management. Further to enforce this accountability, the constitution sets various institutions at the national and county levels to ensure promotion of accountability, and openness for prudent and responsible financial management.

4. The accountability institutions include oversight of the executive at the county level exercised by the county assemblies, national institutions of parliament (national assembly and the senate) through various legislative processes and legislations. Again, independent offices of the auditor general, the controller of budget and other constitutional commissions enforce accountability and

responsible public financial management. The National Government has made fiscal transfers to the county governments amounting to over Kshs 1,372 billion (Kshs 1.4 trillion) over the last five years comprising of both equitable share of nationally raised revenue and conditional grants. However it has been argued that there is little impact on development across the country. The piecemeal progress in some counties is not commensurate to the substantial resources transferred to the counties. This has been attributed to poor planning, misappropriation of funds and lack of capacity at the county level.

5. Over the years it has been observed that each financial year the Auditor General raises a number of audit queries on the county financial management practices. The queries relate to financial expenditures in monetary terms and others are non-monetary. This report reviews the audit queries raised by the Auditor General on the county governments Public Finance Management over the first three years of devolution and attempts to construct a county propriety index using the analysis of these reports from a fiduciary risk level.

Objectives and scope of the Report

6. The Auditor General reports on the county governments audit queries do not mention the level of implementation of the previous years' audit recommendations. In accordance with the International Public Sector Accounting Standards (Cash Basis) requirements that a report on follow-up of previous year's audit recommendations, the report should highlight the extent of addressing some of the challenges identified. The audit recommendations may include challenges that could be addressed by recruitment of experience staff and capacity building by provision of relevant training, strengthening implementation of PFM reforms etc. this index may help in comparing whether counties are machining improvements in financial management or worsening over time and the overall performance in terms of implementing audit recommendations. This will provide a proxy measure to monitor the impact of the audit recommendations measured by the implementation level of

the recommendation as either fully, partial or not implemented and hence increase value for money.

7. Ordinarily, the National Treasury in consultation with the Public Sector Accounting Standards Board issues templates to guide the county governments in their financial statements and reporting which are in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS). The guidelines and standards are intended to enhance quality of financial reports and improve compliance with internal controls within public sector. The financial statements includes the following—

   a) A statement of receipts and payments - financial performance;
   b) A statement of financial assets
   c) Statement of cash flow
   d) County own source revenue financial position;
   e) A statement of changes in net assets;
   f) A statement of accounting policies and notes to the financial statements;
   g) A statement of performance including entity's statements on processes and systems audit against predetermined objectives.

8. Accounting Officers are required to prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Public Sector Accounting Standards Board in accordance with the Public Finance Management Act, 2012.

9. The accounting officers are required to abide by the laid down formats of reporting which the Auditor General use to assess the financial statements presented. In this regard, the accounting officers should institute strict measures to ensure that their ministries/ departments put in place proper record keeping systems and adherence to the Public Sector Accounting Standards Board in accordance with the Public Finance Management Act, 2012 and ensure strict adherence to Section 149 of the PFM Act; finally, an officer must be held personally responsible and be duly surcharged for all the unsupported expenditure.

10. The management has the responsibility for the preparation and presentation of fair financial statements and for internal controls to ensure that financial statements are fair with full disclosures and free from fraud and errors.

11. The objectives of this report is to ensure that the management framework for financial reporting and audit responsibility is in place and that financial management is being processed in compliance with relevant legislations, policies and guidelines within the devolved units – the county governments. It also assesses the extent to which a framework in place and meets the set requirements and functions as intended.

12. The overall objective of all these legal provisions is to ensure public finance is geared towards promotion of fairness, openness and transparent use and utilisation of public funds within the county government and public sector as a whole. In particular, the public procurement and Asset disposal Act entails acquisition of goods and services in a manner that enhance access, competition and fairness and results in value for money for overall benefits to the citizens.

Methodology

The following framework was used to analyze the Audit reports-

(a) Adherence to the legal framework:-

13. Public Financial Management in Kenya is guided by Chapter twelve of the Constitution and other pieces of legislation which guide the budget process right from Preparation to execution and accounting for the resources both at the National and at the county level. The analysis will evaluate to what extend accountability of resources adheres to the legal framework. This report relies on audit queries raised by the Auditor General. The queries are quantified in monetary terms where applicable and others may be non-monetary queries such as adherence to laws, poor book keeping records, fairness and completeness of the records presented for audit assessment.

(b) Adherence to the standards by the form and format of audit reports of counties:

14. The audit reports of counties are expected to follow the set standards by the Auditor general and which are expected to be uniform across all counties. The evaluation will be on how many counties are following this format.

(c) Fiduciary Risk:

15. This will be an assessment on the level of misapplication and misappropriation of resources. This relates to the likelihood that funds are not used for the intended purpose, do not achieve value for money and are not properly accounted for. According the 2010 Constitution Article 201 ((d) and (e) public money shall be used in prudent and responsible way.

(d) Adherence to Legal Framework

16. The 2010 Constitution ushered in new public financial management architecture in Kenya. Importantly it devolved fiscal powers enabling the county level to take responsibility of its public financial management. However it visibly left the authority of standardization and accountability systems with the National Government. Hence the establishment Chapter 12 of the constitution provides the umbrella legal provisions to be adhered by both the National and the County level government. The table below gives the key provisions in the Constitution that counties were expected to adhere to in their Public Financial Management

Table 1: Key Provisions in the Constitution that counties are expected to adhere to in the Public Finance Management.

Key category	Article In The constitution	Other PFM Laws	Compliance based on Audit reports
Principles of Public Finance:- Responsible and prudence in use of public resources	Article 201	PFM Act 2012	Not Complied as Most counties have audit queries on prudence in use of public resources
Equitable sharing of resources of National Resources	Articles 202, 203 & 204		Complied at the national level meeting the basic minimum of at least 15% of nationally raised

			resources
Consultation in matters public finance concerning Counties	Article 205		Complied there are public hearings held on budget proposals and legislation related to the budget,
Public Fund Accounts: The County Revenue Fund and the Contingency Funds	Articles 207 & 208	PFM Act 2012	Complied as there exists County Revenue Fund.
Revenue raising powers and Public Debt	Articles 209, 210, 211, 212, 213 &214	PFM Act 2012	Complied
Budget Approval and Execution	Articles 225 &227	PFM Act 2012	Partially complied no stoppage of funds flow effected despite mutual breach in use of public resources
Accounting for Public Funds: Audit Reports and in year reports	Article 226	PFM act 2012, The Public Audit Act 2015: Audit process and types of audits	Partially complied
Institutions of Public Finance and their responsibilities	Articles 225,228,229, 230 and 231	Enabling legislations for institutions	Complied

e) Adherence to the Standards by the Form and Format of Audit Reports of Counties

17. The format of reporting and consistency from the various county audit teams seems to vary slightly from one audit report to the other. For example pending bills, are common not only to the county governments but also across business community. In some cases there is no mention of pending bills such that it leaves room for speculation that either the county entity did not present the same for audit or they never had any outstanding pending bills.

18. In this regard, the report of the Auditor General should be consistent in reporting issues of concern and expressly give their views on matters that may materially be worth to pursue. It should also give the management responses to previous Audit

queries and therefore follow up on unsatisfactory queries as per international public sector accounting standards.

19. The report of the Auditor General is weak on budget execution and reporting, as it only points out the nominal value of exchequer releases against the county approved budget estimates and therefore does not report on own source revenue, programme based budgeting, variances in actual development expenditures and the achievement rate of the previous year's budget.

20. The report is also weak on budget implementation. It ought to report on balances carried forward from previous financial years and projects roll-overs during the previous years. This information would strengthen the oversight functions and ease tracking of budget implementation before new projects are started.

Assessment of Financial Statement

21. The Office of the Auditor General forwards Reports on the financial operations of the County Governments for specific financial years to the Senate pursuant to the provisions of Article 229(7). The reports, once tabled, stand committed to the Sessional Committee on County Public Accounts and Investments.

22. From the Audit Reports, counties should institutionalise their internal guidelines and policies on various aspects in their operations. All in all, the assessment of the extent of compliance helps in risk identification, management and assessment in the counties that relate to the impact of perceived and actual noncompliance with legislations and policies.

The major findings from the analysis captured the following issues—

23. **Noncompliance to Relevant Laws:**
During the years under review, Counties blatantly flouted Public Financial Management laws such as the Public Procurement and Asset Disposal Act, the Public Finance Management Act, 2012, the Public Finance Management (County Governments) Regulations, 2015, the County Governments Act, 2012, Public Audit Act, 2015, the Income Tax Act, Cap. 470, various circulars from statutory bodies such as Salaries and Remunerations Commission, the defunct Transition

Authority, among others, with respect to various facets in relation to laid down regulations and procedures.

24. **Inadequacies in Financial Management by County Governments:**

During the years under review, the Committee noted extensive inadequacies in management of finances in County Governments. The most common notable features identified include-

i. Failure to present documents for audit
ii. Poor record keeping
iii. Fraudulent practices
iv. Noncompliance to laws and procedure
v. Failure to recruit qualified personnel

As a result of these inadequacies, the Auditor General presented varied audit opinions across counties. The Committee noted that the audit opinions given were **disclaimer, adverse, and qualified.** *The interpretation of the opinions is found in the glossary of terms.*

As shown in the table below, in spite of the slight improvement in audit opinions from disclaimer to qualified since FY 2013/2014 to 2015/2016, the presence of several counties reflecting disclaimer opinions, is still a cause for worry.

Table 2: Summary of County Audit Opinions for FY 2013/14 to FY 2015/16

	County Audit Opinions					
		Unqualified	Qualified	Adverse	Disclaimer	
Year	Category	No.	No.	No.	No.	Total
2013/14	CA/CE Combined	0	3	5	39	47
2014/15	CA/CE Combined	0	5	17	25	47
2015/16	County Executive	0	13	12	22	47

Source: Auditor General Reports

The Committee further noted that a disclaimer or adverse opinion would have severe implication on the County Governments such as not attracting development partners' investments in the County.

25. **Pending Bills:**

During the period under review, financial years 2013/14 to 2015/16, a number of County Governments did not settle bills amounting to billions as shown in the table below—

Table 3: Summary of Pending Bills FY 2013/14 to 2015/16 in Kshs in Millions

Financial Year	Amount in Kshs (Billions)
2013/14	62.8
2014/15	108.9
2015/16	74.9

The pending bills are attributed to—

(a) Unpaid creditors/suppliers;

(b) Unremitted third party deductions; and

(c) Staff related arrears or outstanding loans.

The Pending Bills are carried forward to successive financial years and may have adverse effects on the County Governments'—

a) Ability to procure goods and services on credit from supplies;
b) Ability to prepare effective procurement plans and budgets; and
c) Exposure to litigations that may cause loss of public funds in form of legal fees, penalties and fines.

26. **Irregular Procurement of Goods and Services:**

The Auditor General highlighted the following as causes of violation of procurement laws—

- Abuse of single sourcing method of procurement; and
- flouting laid down procurement policies, guidelines and procedures.

27. **Weak Human Resource Management:**

The audit reports reveal that during the early years of devolution, counties recruited staff without following due recruitment procedures in addition to absence of policy to determine optimal staffing levels. The committee further observed that across counties, no legislation or policy exists to address matters of staff pension.

28. **Irregular Compensation to County Assemblies:**

The common irregular allowances relate to—

- sitting allowances paid to chairpersons of committees in plenary;
- payment in excess of monthly sitting allowances;
- overpayment by use of committee rates as opposed to plenary session rates;
- payment of allowances to non -committee members; and
- fraudulent payment of sitting allowances to absent members in total disregard of the Salaries and Remuneration Commission circulars.

29. **Lack of Assets and Liabilities Register:**

Most counties lacked updated registers for the assets and liabilities inherited from defunct local authorities and those subsequently acquired during post devolution.

30. **Inappropriate Budgeting and Budget Performance:**

The Auditor General reports revealed that most Counties did not adhere to their approved budgets. In most instances, funds were reallocated to items that were not budgeted for and without prior approval by the National Treasury. Also funds earmarked for development expenditures during the financial year were reallocated and used under operational accounts resulting into shifting development budgets to cover recurrent costs. In addition, there were numerous cases of under collection of local revenue where most counties missed their revenue targets by significant margins.

The Committee abhorred the manner in which the Controller of Budget continued to release exchequer requests to county governments without proof of proper reallocations from county treasuries.

The Committee further noted with dismay that counties budgets exhibited disproportionate provisions for development and recurrent expenditure contrary to PFM Act.

In many instances counties spent far less than 30% of the budgets on development by the end of financial year, thereby denying citizens service delivery. Over 70% of counties budgets takes care of recurrent expenditures and possible wastage.

31. **Misrepresentation of County Revenue:**

The committee noted that there were serious issues of under collection of revenues. The county revenues collected were banked in commercial bank accounts other than the designated revenue collection accounts – County Revenue Funds (CRF). Under collection of revenues arose in situations where the revenue collected was not submitted to the County Revenue Fund as required by law. Counties were notorious in utilizing collected revenues at source.

32. **Weak Internal Control systems:**

The Committee noted that most County Governments had weak internal control systems arising from a lack of policies to guide operations. Some of the missing policies relate to the following;

- Information Communications Technology (ICT) Policy;
- Human Resource Management Policy;
- Operational Financial Management Policy;
- Approved Staff Establishment Policy;
- Risk Management Policy and inadequate capacity in operationalization of IFMIS.

33. **Failure to submit documents for Audit to the Auditor General:**

For the Auditor General to carry out the audit function successfully, various documentations are required for reviews, verification, to ascertain and check the completeness and accuracy of the records presented for audit. On the basis of the records provided, then the Auditor General is able to make an audit opinion.

34. **Outstanding Imprests:**

Audit report reveals that county governments record imprest on payment schedules instead of issuing the holders with imprest warrants for proper accountability. Further, it was revealed across most counties that officers were issued with multiple imprests in total contravention of the PFM Act. Additionally, the imprest registers did not show—

- dates when the imprests were issued;
- dates when the imprests were due for surrender; or
- the designations and personal numbers of the imprest holders.

35. **Failure to Establish of Audit Committees:**

As at the end of the financial year 2015/16 all county governments had not established Audit Committees to oversee the financial operations and to recommend remedial measures on risk control. Therefore, the adequacy and effectiveness of the internal control systems risk management could not be assured. The committee noted that whereas the regulations were gazetted in March 2015, the guidelines were gazetted in April 2016.

36. **Poor Book Keeping and Poor Record Keeping:**

There was poor record keeping and failure to adhere to laid down financial and procurement procedures during the years under review. This may be as a result of capacity and competency challenges at the devolved units. In addition, there was inadequate automation of accounting systems across counties during early years of devolution. The slow rate of uptake and implementation of IFMIS systems across counties greatly contributed to poor book keeping and record keeping.

37. **Incomplete & Non-Utilized Projects:**

The Auditor-General report revealed evidence of several incomplete and non-utilized projects. While some projects were properly conceived, others appeared to have been haphazardly conceived. The most notable failures were observed during implementation of the projects. The projects were

characterized by non-adherence to project completion timelines, and irregular variations. Some contract agreements lacked liquidation damages clauses. This leads to wastage, loss of funds and denial of service delivery to citizens.

38. **Mortgage and Car loan Funds:**

The Committee noted that mortgage and car loan advanced were not accounted for in full and recommends that the accounting officer prepared a regular statement on the operation of the funds.

39. **Lack of Interoperability of Technology Systems in Use:**

The Committee noted that there are various technology systems such as IPPD, GPAY, LAIFOMS and automated revenue collection in use by the County Government entity but they lack interface into the IFMIS. The Committee further noted that the County Government entity had faced challenges in the operation of various IFMIS modules

40. **Legal Fees:**

The Committee noted that the County Government entity paid huge amounts of funds for legal fees and further notes that the process of procuring the legal firms was not clear.

41. **Inadequate funding of National Government functions at the County:**

The Committee noted that the County Executive spent huge amounts of public funds on functions of the National Government. The Committee further noted that National Government functions are not funded in the County Allocation of Revenue Act (CARA) and therefore it implies that the County Government will jeopardize implementation of its functions as spelt out in the Fourth Schedule of the Constitution.

42. **Payment to the Council of County Governors:**

The Committee noted that the County Executive paid money to the Council of County Governors for maintenance of operations. The Committee observed that the payment is irregular the Council of County Governors should be funded by the National Government through the IGRTC. The Committee

recommends that the National Government allocates funds to operate and maintain the Council of County Governors.

43. **Irregular Public Participation Payments:**

Counties paid substantial amounts as allowances to citizens and civil society members during public participation exercises which contravene the SRC circular that public participation is a civic responsibility of each and every citizen and should not attract any compensation.

44. **Value for Money for Agricultural, Livestock or Tree Planting Projects:**

The Committee noted that there was need for proper public participation and impact assessment prior to execution of the project and recommends that the County CEO and CEC Finance should always ensure that similar projects could only be executed after developing policy guidelines approved by the County Assembly. The guidelines should contain clear framework for distribution, monitoring and evaluation and oversight by County Assembly.

45. **Public Private Partnership:**

The Committee noted that the County Government entered into a public-private partnership without clear guidelines and recommends that the CEC Finance develops a customized policy framework guided by the Public Private Partnership Act, 2013 and Regulations to form a the basis of entering into contracts with private entities.

ANALYSIS AND FINDINGS OF AUDIT REPORTS OF COUNTY EXECUTIVES

46. Fiduciary risk is defined as the extent to which public resources are misapplied. It means the lack of achievement of value for money when public resources are applied. It is indeed the risk that funds are not used for the intended purpose, do not achieve value for money and are not properly accounted for. According the 2010 Constitution Article 201 ((d) and (e) public money shall be used in prudent and responsible way. Thus financial management shall be responsible and fiscal reporting shall be clear. All agencies in the public sector are required to adhere to the provisions of the constitution on prudence and accountability.

47. The Auditor General is mandated by the Constitution to Audit and report in respect to each financial year on the accounts of the National and County governments including all Independent Offices and Constitutional Commissions and other public institutions. In this regard all entities that receive funds from the exchequer and those entities required by legislation to submit financial statements to the Auditor General must do so within three months after the end of the financial year.

48. The Auditor General is then required to audit these accounts and report to Parliament - National Assembly/ Senate in the case of national institutions and to the County Assemblies within six months. A review of the 2012/13, 2013/14 and 2014/15 reports of the Auditor General indicates that substantial resources were misappropriated and at the same time counties entered into commitments where there were either no budget allocations or the allocations were inadequate and therefore the level of fiduciary risk was high. The table below shows an analysis on the magnitude of the fiduciary risk.

Table 4: Fiduciary Risk Assessment 2012/13 - 2015/16

	FY 2013/14	FY 2014/15	FY 2015/16
Under Expenditure	5	38	27
Pending Bills	22	40	34
Unsupported expenditure	41	35	43
Excess Expenditure	17	36	10
Outstanding Imprests	34	24	29
Irregular Payments	42	36	26
Unaccounted expenditure/expenses	35	-	28
Under reporting of revenue	24	38	40
Uncompleted/stalled projects	3	18	28
Others	-	44	32

Source: Auditor General Reports extracts by PBO

Pending Bills

49. The Auditor General reports indicate that fiduciary risk at the counties is high in most counties where it ranges from 50% to 80%. For example on pending bills in 2014/15 it was reported that out of 47 counties 40 of them reported that there are pending bills. The presence of pending bills is an indicator of fiscal indiscipline where the budget is not the basis of commitments in the course of the year. In addition it is important to note that these are only those pending bills that are captured in the financial statement. There is a possibility that the quantum of pending bills could be much higher than is reported. The Public Financial Management Act and the procurement law provides that no commitment and no tender should be issued without adequate budgetary allocations. Thus a rise in pending bills is also an indication the relevant laws are not being followed.

50. Pending Bills for FY 2013/14 were worth 62.8 billion of which, Nairobi County had the largest pending bills worth Kshs. 58. billion, followed by Nakuru at 1.3 billion and Machakos at Kshs. 712.9 million. In addition and as demonstrated below, most of the counties incur pending bills which usually disrupt budget activities at the beginning of the following years since it is the first charge at the beginning of the financial year. However it is observed that the schedules which give rise to these pending bills do not include invoices, fee notes and delivery notes which makes it difficult to ascertain the authenticity of the pending bills

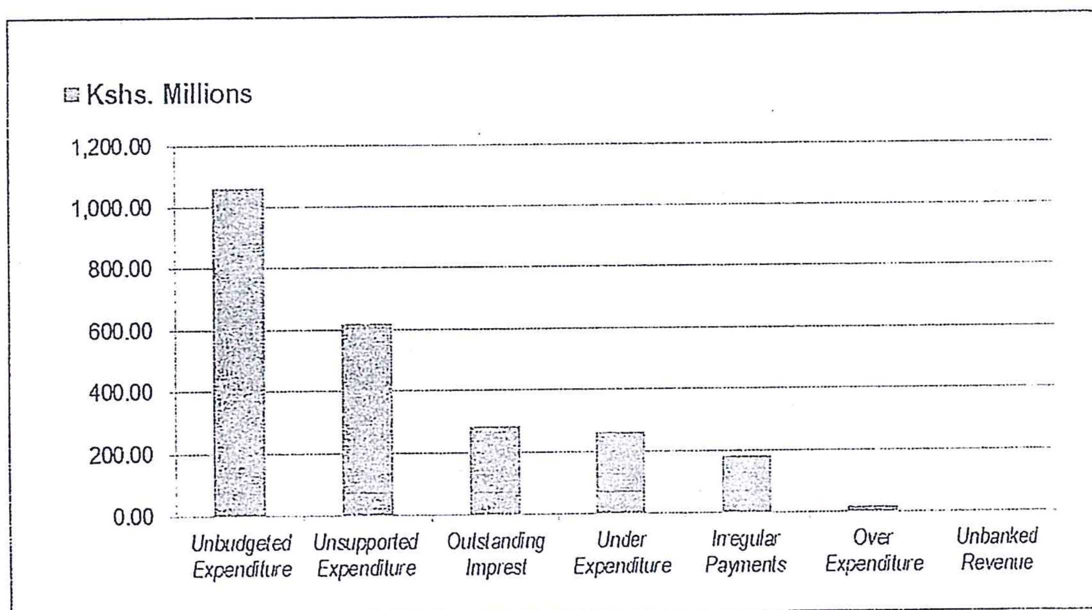
across most of these counties. For instance, at the end of the financial year 2014/15, The Nairobi City County had a total of Pending bills amounting to Kshs 78,905,504,184 whose completeness, accuracy and validity could not be confirmed.

Lack of Expenditure Control

51. Lack of Expenditure Control has been regularly flagged out by the Auditor General as fiduciary risks. The highest fiduciary audit query is main recorded in the category of unbudgeted expenditure and in unsupported expenditure

52. The Figure 1. below shows the magnitude of the risks outlined by the Auditor General in relation to the First Quarter of County Government's existence (March – June 2013). Annex 1 gives the details of audit issues identified by the Auditor General in 2013/14 for each county.

Figure 1: Key Audit Issues 2012/13

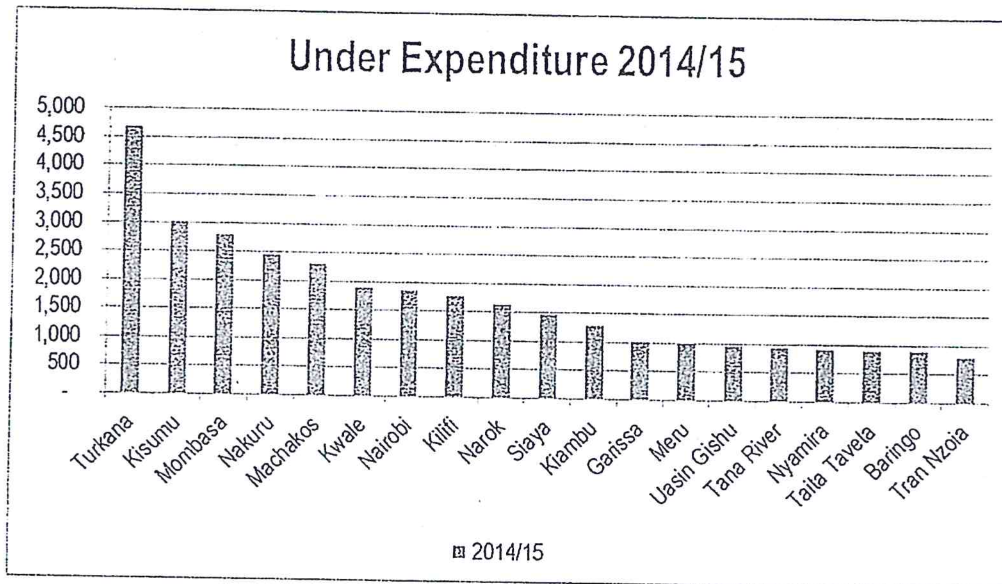


Under Expenditure

53. In most counties, recorded low spending of their annual budgets for County Government for both recurrent expenditure and for development expenditures. In most cases, Expenditure incurred on development during the years were extremely low which indicates low absorption rates. The absorption rate of for development expenditure indicates that few development projects were undertaken during the

period under review. No explanation has been made confirming the under absorption of funds.

Figure 2: Under Expenditure 2014/15



Unsupported expenditures

54. The County Governments Incurred expenditures on various votes such as imprests, foreign travel, conferences among others which were not properly supported. This could thus be termed as nugatory expenditures. The propriety of these expenditures could not be confirmed.

55. Record keeping in Counties was poor and may be the source of huge unsupported expenditures. During the financial year 2014/15 total unsupported expenditures stood at Kshs 16.89 billion. This is a huge jump from Kshs 6.58 billion reported in the previous financial year 2013/14.

Table 5: Unsupported Expenditure

	Unsupported Expenditure			
		2013/14	2014/15	2015/16
1	Nyeri	243.34	2,822	-
2	Kakamega	445.95	1,727	215.47
3	Kajiado	114.83	1,454	1,646.35
4	Siaya	114.72	1,319	392.32
5	Marsabit	-	1,233	1.23
6	Meru	95.12	1,079	3,702.19
7	Muranga	37.50	1,074	156.91

8	Kilifi	295.12	1,073	3200.77
9	Nyandarua	717.44	833	66.86
10	Tana River	250.16	725	1,505.69

56. At the close of financial year 2014/15 Nyeri county government's unsupported expenditures was Kshs 2.82 billion having grown from Kshs 243.34 million recorded previously during financial year 2013/14. However in 2015/16 it reports zero. According to Auditor general other counties that recorded huge unsupported expenditures previously are Kakamega, Kajiado, Siaya and Mandera with unsupported expenditures of Kshs 1.73 billion, Kshs 1.45 billion, Ksjhs 1.32 billion and Kshs 1.23 billion respectively during financial year 2014/15.

57. It is worth noting that Kakamega records on this category seem to worsen as there is no improvement in record keeping. Unsupported expenditures may be an indication of funds spent but no proper documentation and may be fraud, or even money spent on other programs but not initial items and therefore accounting for them is difficulty. Therefore to ascertain their validity and propriety may be doubtful.

Unaccounted Expenses

58. Unaccounted expenses are expenses that cannot be accounted for, or goods were delivered but not recorded upon receipt and mounted to 1.3 billion. For example of Kisumu county that did not record all receipts in store ledgers for purchase of goods totaling 31.3 million or that county employees were allowed to borrow cash from the chief cashier totaling 31.2 million, 26.9 million was held in unprocessed payment vouchers and 4.2 million could not be accounted for. Other instances, this included funds provided for but nothing was done which is the case for Nyandarua where 60 million was given to the county for construction of county offices but were not utilized for the intended purpose. One good that stood out was the purchase and utilization of fuel supplies and counties like Trans Nzoia fuel worth 4.9 million could not be accounted for, Nyamira could not account for fuel worth 38.1 million, Siaya – 26.7 million. This is because of lack of record keeping.

Under Reporting / Collection of Revenues

59. Underreporting / collection of revenues related to revenue collected but not submitted to the County Revenue Fund, revenue collected and utilized at source or revenue differentials that could not be accounted.

60. In 2014/15 the local revenue under collection stood at Kshs 17.9 billion. This is a huge jump from Kshs 1.66 billion recorded in 2013/14. The notable counties with huge uncollected revenue are Mombasa with under reporting of Kshs 2.49 billion, Nairobi with under reporting of Kshs 1.91 billion, Narok with 1.7 billion and Kiambu with uncollected revenue of Kshs 1.1 billion.

Table 6: Revenue under Collection

	Revenue Under Collection			
		2013/14	2014/15	2015/16
1	Mombasa	1,077.98	2,490	146.09
2	Nairobi	96.15	1,906	6.60
3	Narok	-	1,734	1,100.33
4	Kiambu	9.31	1,241	893.32
5	Marsabit	-	1,101	17.96
6	Wajir	-	1,012	-
7	Kisii	5.14	838	311.62
8	Kisumu	33.76	715	1,197.27
9	Nyeri	19.61	694	660.1
10	Kirinyaga	13.74	687	109.62

61. Counties with high potential for revenue collection are reporting huge disparities. The PFM Act and regulations under section 61 provides for receivers of Revenue designated by the CEC Finance and responsible for the collection, accounting for the revenue. Section 62 of the PFM Act Regulations also provides for the receiver of revenue to authorize in accordance with section 158 of the PFM Act to authorize public officers to be collectors of revenue for the county government. Counties seem not to apply this provision and hence the low revenue collection. This perhaps explains the reason behind lower revenue collections compared to defunct local authorities. It could also be a case of revenue leakage and low automation.

62. Even though the National Treasury has developed a national policy on enhancing county Government revenue collection, most counties are still using manual recording, no modernization of their revenue systems and use of third party receivers of revenue. Other counties have several bank accounts that have not been submitted to the Auditor general for audit. The partial disclosure of revenue accounts could perhaps explain the lower revenue collection across most counties.

63. During the FY 2013/14, a total of Kshs 1.7 billion could not be accounted for and reflected possibility of resource misappropriation or loss. For counties like Migori this involved theft, use of inaccurate cash books and for failure to receive cash withdrawals, and the non-reflection of such collected revenues. should have been spent funds worth 111.7 million in Tharaka Nithi. Non reporting of revenues was a cross cutting matter for all counties and reflected lack of adherence to revenue collection guidelines such as collection and retention of revenues by counties in hospitals and the arbitrary waiver of taxes (cess) by Mombasa county. This indicates an avenue for leaking of county revenues (Tharaka Nithi could simply not account for a further Kshs. 27.188 million) that should be sealed to consistent revenue collection year on.

64. It is observed across all counties that there is under collection of revenue. Several counties are also reported to generating less revenue than what the defunct local authorities used to collect due to weak revenue bases, absence of internal audits, poorly trained personnel, manual revenue collection systems and reluctance by some county revenue officers to embrace change.

65. Most County revenue sections prepared revenue reports detailing the revenue received by the County governments or on their behalf from the sub-counties, hospitals and other entities under the Counties. During the audit exercise some variances were noted between revenue reports prepared by the County Revenue Sections and revenue records maintained at the Sub -County level.

66. In some counties, for instance in Nyandarua, the County Government had not designated in writing, persons to be responsible for collecting, receiving and

accounting for such revenue. This could partially be blamed for low land rates collection. It was also noted that some revenue collectors were engaged on casual basis. This posed a danger of the collector disappearing with the collected revenue or misappropriating due to absence of accountability mechanism including recovery of lost cash from their salaries. Failure by the County Executive Committee member for finance to adhere to the laws on revenue enhancement and accountability may result to breach of Section 157 of PFM Act, 2012.

Unbudgeted Expenditure

67. Unbudgeted expenditure involved expenditures incurred but not as reflected under the Respective County Appropriation Act for a given financial year or supplementary budgets, which is a gross contravention of the PFM Act 2012 and the Constitution. For FY 2013/14 this was worth 3.6 billion. For example; Nakuru County was allocated 390.3 million for the Rift Valley General Hospital but were used to finance other hospitals thus affecting services at the level 5 hospital. Meru county on the other hand incurred expenditure worth 589.3 million over and above the annual county budget without passing a supplementary budget, Nyeri county on the other hand reallocated 740.5 million to recurrent expenditure without following the laid down procedures therefore resulting in a development ratio of 28% for development expenditure against requirements of PFM 2012 of 30% minimum. This reflected the lack of adherence of fiscal rules and procedures at the county level and would require a dual response of training coupled worth application of a fiscal compliance factor in determining resource allocation every financial year.

Incomplete and Stalled Projects

68. At the end of the financial year 2014/15 the uncompleted and stalled projects was worth Kshs 2.31 billion. This was an increase in uncompleted projects where projects are started during the financial year and are not completed at the close of the year or where some are spillovers from previous financial years. It holds public funds and denies citizens benefits of service delivery from such projects. It also has the potential to escalate the total project costs as contractors may vary the costs of such projects as a result of delays. Additionally, projects are not on schedule and

associated with uncompleted projects are pending bills. It may also lead to litigations against defaulting county governments with a possibility of further delays on project execution. This ties public funds and delays service delivery and associated benefits and social impacts if such projects are completed on time.

Table 7: Summary of Uncompleted and Stalled Projects in FY 2013/14 and 2014/15 in Kshs in Millions

Summary of Uncompleted and Stalled Projects in FY 2013/14 and FY 2014/15 in Kshs in Millions			
		Uncompleted and stalled projects	
		2013/14	**2014/15**
1	Kwale	-	1,168
2	Kilifi	-	392
3	Lamu	-	378
4	Nairobi	-	115
5	Kericho	-	44
6	Busia	293.64	32
7	Kakamega	-	27
8	Uasin Gishu	-	26
9	Bomet	-	20
10	Laikipia	-	18

69. If unchecked, this trend has the potential to swell over the years especially where there is change of county administration from one governor to another. Each county assembly need to prioratise the projects that have started and are uncomplete and ensure they are in their respective County Integrated Development Plans (CIDP) and consequently in the subsequent annual development plans to avert cases of widespread uncompleted projects. The transition from one county administration should be well managed so that it does not impede completion of already started projects.

70. County executive need to take stock of such projects and carry out project appraisal with the objective of ensuring that estimates of such projects are included in the County Integrated Development Plans with total costs, estimated completion time and operationalized. Taskforce to oversee their operationalization would ease the works and be able to come up with project lists and estimated costs.

71. The total amount of resources locked up in stalled projects could not be absolutely ascertained as some audit reports managed to value the projects while others gave the particular projects affected. All in all it is approximated that over 387.2 million is locked up in non performing projects at the county level. This implies that 387.2 million worth of projects will not have the timely impact as required and there is the possibility of substandard work when the job is completed and the possibility of irregular contractual payments. This indicates the existing public expenditure inefficiencies at the county level of government during the year 2013/14. Even though this was the second year only since inception of country governments and county systems and were still being set, the amount of time and resources that are likely to be wanted unless this projects are completed on time could be costly. This based on the fact that most affected projects are meant to have social impact at the country level such as healthcare, education etc.

72. According to the Auditor General, most counties started projects which they did not complete. This arose out of lack of exchequer, poor planning and lack of prioritization of projects. This did not give value for money and therefore led to wastage of the limited resources.

73. Additionally, there were a number of cases where projects were approved but by the end of financial year, the projects had not commenced. This cast doubt on project planning and scheduling.

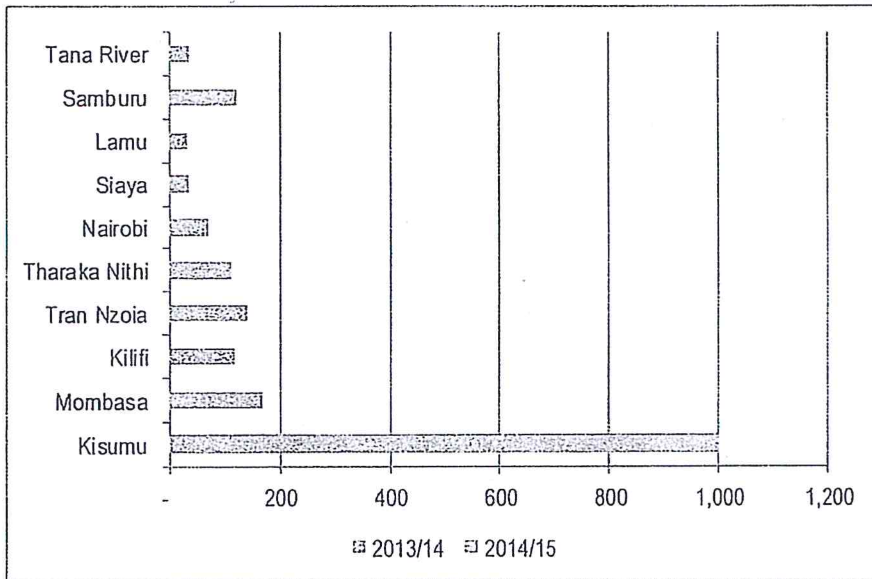
74. In other instances, projects were completed or even equipped with requisite facilities but the projects were not utilized or operationalized indicating a clear wastage of public funds. Other causes for non-operationalization of the projects may have been due to lack of public participation before the project implementation, that led to lack of ownership of such projects contrary to section 115 (1) of the County Government Act that demands public participation in the County planning process.

75. The Government Financial Regulations and procedures section 5.2.1 provides that no expenditure shall be incurred where budget has not been provided for.

Outstanding Imprest

76. The PFM Act and the regulations provide the manner in which the imprest is to be surrendered and the timelines of doing so. As at the close of financial year 2014/15 unsurrendered imprests held by county officials was worth Kshs 1.65 billion. This was an increase from Kshs 927.45 million held previously by the end of financial year 2013/14. This shows it almost doubled from the previous year increasing the risk of such funds. It also demonstrates that there is laxity in surrendering imprest held. The accounting officers and AIE holders should strictly enforce the laid down procedures and ensure compliance.

Figure 3: Outstanding Imprest



77. At the close of financial year 2014/15 Kisumu county had total of unsurrendered imprest of Kshs 996 million. Mombasa County had un-surrendered imprest of Kshs 112 million. It is worth noting that in Mombasa county the un-surrendered imprest stood at Kshs 57.98 million by the close of financial year 2013/14. This demonstrates the wanton disregard of the PFM Act regulations and other legislations

78. Outstanding imprest inconsistencies involved the non-remittance of imprest advanced to officers by audit date. Audit reports indicated that approximately 927.5 million of county audit resources were locked up in individual staff accounts. In Garissa for example, outstanding imprest worth 46.4 billion had been held for 10 months after closure of the financial year, in Machakos 46.96 million had not been surrendered and imprest recording was not done properly. Even though the issue of concern was cross cutting, other notable counties of included; Samburu - 89.6 million, Trans-Nzoia- 64.2 million, where one officer was holding 54 imprests worth 6.2 million, and Vihiga - 56.99 million. In general this reflects low accountability of county resources as a result of poor/inefficient financial control mechanisms that can not only track expenditure but guarantee its repayment.

79. Audit report reveals that county government's record imprest on payment schedules instead of issuing the holders with imprest warrants for proper accountability. Further it is revealed across most counties that officers are issued with additional imprest while holding the previous ones and the imprest register do not show dates when the imprest is being issued is due for surrender or the designations and personal numbers of the imprest holders.

80. County government therefore do not adhere to the provisions of section 152 of the Public Finance Management Act of 2012 on issuance and surrender of imprest and also section 5 of the Government Financial Regulations and Procedures which requires every officer holding imprest to account for or surrender imprest within 48 hours (7 days as per the new regulations)

Irregular Payments

81. These are payments that arise as a result of Expenditures incurred without following the due procedures put in place. Irregular payments are a category that deserve special attention as they pertained to lack of adherence to procurement procedures under the Public Procurement and Disposal Act (PPDA).

82. During the financial year 2014/15 this category of irregular payments was worth Kshs 11.45 billion. In FY 2014/15 Garissa county government irregular payments

was approximately Kshs 3.37 billion having grown from Kshs 44 million recorded in FY 2013/14. In other words, Garissa increased irregularities in payment and this is likely to lead to loss of public funds. It also disregards laid down public procedures in various laws including the public procurement and disposal Act, the PFM Act, among other legislations. This may lead to fraud and misappropriation of public funds.

Table 8: Summary of Irregular Payments in FY 2013/14 and 2014/14 in Kshs in Millions

	Summary of Irregular Payments in FY 2013/14 and FY 2014/2015 in Kshs in millions		
		2013/14	2014/15
1	Garissa	44.00	3,367
2	Mandera	141.53	2,071
3	Muranga	74.89	1,016
4	Kakamega	511.28	815
5	West Pokot	7.14	487
6	Tana River	110.46	420
7	Meru	93.47	292
8	Turkana	51.48	282
9	Vihiga	53.03	243
10	Makueni	62.60	239

83. Mandera county government's irregular payments in 2014/15 was worth Kshs 2.07 billion while that of Muranga County government was worthy Kshs 1.02 billion having grown from Kshs 144.89 million and Kshs 74.89 million respectively recorded during the financial year 2013/14. The huge growth in irregular payments if unchecked has the potential to lead to huge loss of public funds and corruption as well as fraudulent payments with disregard to co-corporate governance and ethical standards within the county governments and in the wider public sector service.

84. During the financial year 2013/14 irregular payments were worth 4.6 billion, approximately. Notable cases included; Nairobi County (252.9 million), Kisii (465.2 million) that procured 37.7 million curtains and shears through split procurement and 10.1 million tender awarded to non-prequalified suppliers etc, Kakamega (511.3 million)where tenders for expenditures worth 112.5 million for road maintenance and 372.6 million for education support program disregarded

procurement regulations, Kisumu (243.7 million) where 20.9 million was incurred for the governors full board accommodation, car hire, and other hotel services, and took a loan 13 million to pay for a safari for county assembly members thus incurring interest worth 1.1 million, or Migori - 360 million, Nyandarua - 841.9 million, that incurred 658 million without procurement plans leading to substandard work, Siaya - 254.7 million, where sums worth 167.9 was incurred without carrying out tender advertisement or the constitution of a technical or financial committee or even the awarding of a tender to a contractor who did not bid according to tender minutes. These cases represent lack of adherence to laid down procurement requirements, and could be an indication of corruption/graft avenues. They should therefore be investigated and prosecution be carried out on case by case basis.

Handing over of Assets and Liabilities from Defunct Local Authorities

85. Many county governments provided and others did not provide Annexures to the financial statements to reflect that the County Governments had acquired assets in the period under review as at 30 June 2014. This runs to colossal sums. However, detailed schedules and asset register were not availed for audit review. Further, it's not clear and the managements have not explained how the handing over process of the defunct local authorities' assets was handled including the handing over report of the assets and liabilities to the County Government. Consequently, the validity and completeness of the assets.

86. In addition, cases abound of Incomplete and or no Fixed Assets Register: Many counties lack of fixed assets registers at both the county assemblies and county executives and thus may lead to loss of property and other moveable assets and office equipment. As custodians of the inventory the accounting officers should keep record of inventories. Lack of an updated fixed assets register to record all assets and no register for parcels of land owned by the county governments.

87. Although some County Governments, for instance Bungoma had opened a fixed assets register to record assets, the register was not updated with the additional purchase of land, buildings, furniture and equipment. Further, no motor vehicle

details e.g. date of acquisition, invoice and payment voucher number were indicated in the asset register.

Non Deduction of Withholding Tax and other Tax Obligations

88. During the period under review, various projects such as building construction, roads and other works were implemented. It was observed that part payments were made to the contractors for the works done as at 30 June, 2014. However, withholding tax was not deducted from the merchants in form of Withholding Tax and the contractors were paid the full amounts. The undeducted tax from the contractors represents losses of revenue by the County Governments.

89. The Audit reports reveal also other tax Amounts relate to Tax recoveries together with associated fines and penalties by Kenya Revenue Authority (KRA). Failure by County Government to collect taxes and remit these to KRA in a timely manner is contrary to see 158(2) (a) of the PFM Act, 2012.

90. Taxes were due fridge benefit in form of cards and therefore County Government end up paying taxes for staff. These penalties and fines have no value for money and could have been avoided expenditure if they paid their tax dues in time. County Governments are breaching laws and management should be diligent.

Irregular Procurement of Services

91. A number of counties do not comply with the Public Procurement and Disposal Act of 2005 or (Public Procurement and Disposal Act of 2015) when procuring goods and services. In a number of cases counties do procure goods and services through direct procurement and they do not explain the rational for the same. In other instances there are no procurement records such as quotations to show how they arrive how such goods and services are procured.

92. It is noted that most counties overspent on compensation of employees and other grants and transfers. It is also noted that most counties underspent on the use of goods and services and acquisition of assets. It is noted across many counties that the over expenditure was not regularized through supplementary expenditure.

Under spending on the other hand implies services are not being rendered to the residents.

93. It is also noted that in most cases of irregular procurement of goods and services, there was no procurement plan prepared for this works and all materials and services were procured directly without regard to procurement procedures provided by the Public Procurement and Disposal Act, 2005 and Regulations.

94. Furthermore, the awarding of contracts in single sourcing in most cases are not subjected to a competitive bidding which may result to Price setting and success fees which cannot be confirmed as competitively determined in the absence of competitive bidding. This against section 28(1) of the Public Private Partnerships Act No 15 of 2013.

Lack of Land and Other Properties Ownership Documents

95. During the period under review many counties acquired various parcels of land of varying values. However, the title documents to prove ownership of the lands, details of the size and the location of the land were not available for audit verification. In addition, there was no documentary evidence to confirm that the tender for purchase of such pieces of land was advertised as required by the Public Procurement and Disposal Act, 2005 Regulations. Further, no land valuation report was provided for audit review and as such, it was not clear as to how the land was identified and the purchase price determined

96. Most county governments had parcels of land inherited from the defunct local authorities. In some defunct local authorities, records of land held were not available. The County Governments did not maintain fixed assets registers making it hard to trace the assets. Most pieces of land did not have title deeds and only the values for the defunct Local Authorities. However, values indicated were unrealistic and mostly in view of the Auditor general undervalued. Land values for the most defunct local authorities were not availed to Auditors for review.

Human Resource Management

97. The Audit queries raised highlight various aspect of human resource management within the counties. Some of these include the following;

   a) **Excessive Wage Bill:** Compensation to employee costs for some counties during the period 2013/2014, and 2014/15 against total budget expenditure were in excess of half the recurrent budget. For instance in The compensation to employee cost represents 59.77% of total expenditure, an indication that the wage bill is huge compared to other expenditure

   b) **Un-Procedural Engagement and Payment of Casuals**: some County Governments paid casual wages during the period under review. However, no provision for employment of casuals was made in their budgets. The basis of the rates of payments used was not known since different rates were used to pay same category of casual workers. Further, there was no documentary evidence to support the involvement of respective County Public Service Boards in the identification and engagement of the casuals as required by the County Government Act 2012. The propriety of such payments could not be ascertained besides there being no such budgetary provisions.

   i) *Most of the casuals were employed by the defunct Local Authorities* with some having served for as many as seventeen years. No contract letters were availed to support their engagement. In addition, policy documents / guidelines were not provided to support the subsequent engagement and payment to the casual workers by the County governments during the yeas under review. In other instances, the schedules supporting the payments had not been signed by the casuals. In addition, Human Resource department at the County headquarters did not have any details about the casuals.

   ii) *Incomplete Staff Head Count Audit:* Transition Authority letter Ref TA/7/3/Vol. 1/67 dated 24 July 2013, directed the County Governments to carry out staff audit through head count to confirm job placement and needs assessment for proper management of the human resources aspect of each of the County. Across many counties the status of the process was not established since no reports were to confirm that there was proper matching between the

payroll and the human resource records to identify the optimal organization structure and job placement for the Country.

Further, confirmation of the existing casuals through head count had not been done by the County Public Service Boards (CPSB) so that the plight aggrieved staff can be addressed to avoid future costly litigation in relation to the workers who have exceeded the limits of three (3) months. Without proper head count the existence of the ghost workers cannot be ruled out.

iii) *Unpaid Dues:* The County Governments as at close of the financial year were in debt in respect of leave allowances arrears, Salary arrears for Defunct County Councils and Defunct Town Councils. It is the responsibility of the County Public Service Boards (CPSB) to deal with these issues. However, no action had been taken to confirm and clear the arrears at the close of financial year so as to motivate the affected staff and enhance productivity. Further, this may lead to conflict with the Union that advocate for the staff welfare. If the debts persist, the county governments might face industrial actions from the employees leading to further legal expenditure and may also cause low staff morale.

iv) *Double Payment of Devolved Staff:* In some instances, some staff drew salaries from the National Government as well as from the County Governments thus an anomaly in double payments. However, no effort has been made to recover the overpayment in spite of the direction given by the ministry to make a claim so as the ministry can initiate the recoveries. Effort to get the total double amount in question from the management was not fruitful. Without a proper follow-up by the County government, Public funds irregularly paid to these workers could be lost.

v) *Payment of Salaries outside Integrated Personnel Payroll Data (IPPD) Payroll:* Some payments to staff that were not in the County Government payroll. They included ECDE Teachers and ESP Health workers. The County Governments reasoned that they have not been assigned PIN numbers or Personal number. However, no explanation was given as to why they have not

been assigned personal numbers. Paying of staff without personal numbers could lead to irregular employment and payment of individual who are not staff of the County Government due to lack of proper accountability.

All the payments of salaries for all officers other than casuals and works paid staff should be processed through Integrated Personnel Payroll Data (IPPD) program. Some officers of the County Governments were not included in the IPPD program during the review period and thus were paid salaries through vouchers. The officers had not been allocated IPPD Payroll Identification numbers. Personal files for the officers were also not provided thus it was not possible to examine their respective terms of engagement.

vi) ***Unsupported Statutory Deductions:*** Deductions made from the salaries in respect of LAPROFUND and LAPTRUST and remitted to the respective statutory bodies. However, no payment vouchers were produced for audit verification. Further, these bodies had not acknowledged receipt of the monies to confirm the expenditure. Without prove of payments, public funds could be lost through payments to other parties in preference of statutory bodies.

vii) ***Weaknesses in Human Resource Management***: The County Governments did not maintain Correspondences file to record the management of staff matters and other related issues as follows:

- Transfer of all Human Resource records for the devolved staff has not been done. Further, no staff personal files have been opened for county Government staff for processing matters and correspondences such as leave forms, deployment letters, transfers, and other personal documents.
- No organization structure has been prepared to match the existing staff to the structure so as to determine overall staff turnover, staffing levels, staff to be retained, transferred, merged, abolished etc. There were instances of mismatch of resources in terms of some staff who were not working according to their job descriptions.
- No County Government Human Resource policy was made available for audit verification. Laxity in putting in place strong human resource

management systems may lead to job dissatisfaction, chaos, industrial action by the employees and low productivity.

viii) *Lack* of **Policy/Plans** noted included the following-

- In most counties there was no approved staff establishment for the County governments.
- Most County Executives had not developed their organizational structures contrary to the provisions of section 46(10) of the County Government Act, 2012. As a result, levels of authority in the County were not well defined.
- The County Executive had not developed an integrated Human Resource Plan and Policy document to help in the management of its Human Resources.
- The County Executive had not completed any job evaluation and analysis. Consequently, responsibilities of officers at different levels of the organization and their roles in decision making are not clearly defined, well documented and communicated to the staff.
- The County did not carry out any staff performance evaluation / appraisal during the year.
- The County Governments engaged staff without having done a human resource audit to determine the gaps and adequacy or otherwise in terms of numbers and competencies of the existing staff at the time of transition. No evidence was provided to show the recruitment process used and also the staff portfolio and structures at the time of their engagement. Further, most County Public Service Boards were not in existence by then. In addition, the salaries paid were not within the approved salaries scales.

Irregularities in Car and House Mortgage Loans Schemes

98. Variations/ disparities in the loan amounts disbursed to members of the scheme against the value of the cars and houses indicates are in excess loan payments contrary to Car and House Mortgage fund regulations. Secondly, there are cases of non-submission of logbooks to appointed fund administrators as collateral for advanced loans making recovery in case of defaulting difficulty.
    i) No records kept by the fund administrators and no logbooks and or title deeds filed in respective files maintained by the management. No loan

register to show individual members' cumulative loan and running loan balances.

ii) In most instances no submission of financial statements of the fund to the auditor general contrary to section 15(1)(d) for car loans and mortgages scheme regulations.

iii) Fridge benefit taxes applicable to these loans and payable by the employer were not calculated as required by The Income Tax Act.

iv) Risk loss of cars and land parcels as not jointly registered owned by the members and the Assemblies, taking into account that loans should be paid in full before expiry of the term of county assemblies and before general elections. In other instances, there are no insurance covers for mortgages as required by the regulations. Case in point, demise of MCAs or nullification of elections pose risk of loss as management may not be able to recover outstanding debts.

v) No verification of Valuation reports for properties bought by mortgage funds before advancing and approvals of loans applied by the members of the scheme.

IMPACTS OF FIDUCIARY RISKS TO COUNTY DEVELOPMENTS

99. Under the devolved system of governance, the goal of fiscal decentralization was to ensure that national resources percolate to the grassroots level. It was felt that this would ensure efficiency in public spending by ensuring resources are directed towards priority needs of the common *mwananchi* thereby alleviating poverty.

100. Despite teething problems in the first five years, it can be said that eight years post-devolution, many counties have generally been able to improve service delivery and implement key projects that have the potential to improve livelihoods in their various jurisdictions. However, massive misuse of public funds has been observed at the county level.

101. In financial year 2012/13, the audit reports by the office of the auditor general raised audit queries amounting to Ksh. 2.433 billion. In 2013/14, the audit queries increased to Ksh. 83.24 billion and by end of financial year 2014/15, the audit queries had more than doubled to Ksh. 298.451 billion. This is the equivalent of nine Thika superhighways, a whole new standard gauge railway from Mombasa to Nairobi or the entire economy of South Sudan, wiped out in a single financial year. These audit queries were mostly attributed to pending bills, unaccounted expenditure, under expenditure, underreporting of revenue, irregular payments among others.

102. The loss of Ksh. 298.45 billion from the economy may have cost the country approximately 5.4 percent in terms of economic growth. Simulations[1] indicate that if Ksh. 298.45 billion is injected into the economy in the current financial year and utilized efficiently in the productive sectors of the economy (productive investments) with no single wastage, it could actually help the economy achieve double digit growth of 10.9 percent. Given the increased gross national disposable income, the effect will be an increase in private final consumption expenditure as well as private investments. Employment in the

[1] Parliamentary Budget Office Macro Model (PBOM)

private sector is also likely to go up as denoted by an increase in the wage bill for the private sector. Given the increasing vibrancy and profitability of the economy, private firms are likely to expand their businesses and employ more. As such, formal private sector employment will experience a boost as workers exit the informal sector for the more lucrative private formal sector

103. With regard to the trade balance, imports are likely to increase significantly. This can be attributed to increased importation of consumer goods as well as investment goods due to increased investment in the government sector but also as part of the production processes of a thriving private sector. There is also observed a slight increase in exports. This may be on account of increased production and possibly improved quality of goods for exportation due to increased efficiency in the production process. As a result, the current account deficit is likely to worsen but this may not necessarily be detrimental to the economy as some of the imported goods are for investments purposes by both the government and the private sector.

104. In terms of revenue performance, given the activities in the economy in form of increasing employment, importation and general spending on goods and services, the government will collect additional revenue mostly from increased income tax, VAT and import duty. An increase in Interest payments is also observed implying an increase in borrowing to fund the increasing government investments.

105. Wastage of public funds compromises economic development. Indeed, some of the queried funds may have crossed borders thereby denying the country of crucial resources. The economic cost of misuse of resources can be felt in terms of opportunity cost for services not rendered that could otherwise have been provided for. This may result in stalling of government projects as well as increased costs to the public. As such, the poor are disproportionately affected as they may not be in a position to pay more for these services. Misuse of public funds therefore worsens poverty and income inequality.

Salient issues emerging from the County Governments Audit Reports

106. The Committee noted the following concerns and made these observations based on their potential implications to economic growth not only to the counties but also effects on the national economic performance;

a. Long outstanding pending bills may have adverse effects on the County Governments ability to obtain goods and services on credit from supplies.

b. Pending Bills are an eyesore and an avenue for rent seeking. Pending bills affects businesses negatively not only for suppliers but also the economy. It distorts the planning horizon and procurement. Some of the pending bills could be avoided as they relate to fines, penalties and interests especially those pertaining to statutory deductions.

c. Failure to pay outstanding pending bills in time may cost county Governments good reputation among service providers as well as increasing the likelihood of litigations against them.

d. Delayed implementation of projects denies Public Service delivery. It may also lead to projects costs escalation due to inflation factors and eventually County Governments may have to incur additional expenditures on the projects.

e. Delay in implementing projects as per project cycle/plan affects the implementation of subsequent years adversely. Thus resulting to project implementations lagging behind schedule and some projects are partially implemented.

COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

In general, the Committee made observations that failure to provide necessary supporting documents for audit and verification of expenditure requirements constitutes a serious violation of the Constitution, Statutes and Regulations. The Committee noted that in many cases supporting documents required for audit review were submitted way out of the audit cycle. The observations and recommendations are outlined in the table below –

Observations	Recommendations
1. *Noncompliance* **to Relevant Laws:** During the years under review, the Counties flouted various pieces of legislation on Public Finance Management and other laws such as the Public Procurement and Asset Disposal Act, the Public Finance Management (County Governments) Regulations, 2015, the County Governments Act, 2012, Public Audit Act, 2015, the Income Tax Act, Cap. 470, various circulars from statutory bodies such as Salaries and Remunerations Commission, the defunct Transition Authority, among others, with respect to various facets in relation to laid down regulations and procedures.	The Committee noted that the non-compliance of the laws may have resulted into loss of public funds and recommends that the DCI and EACC should investigate the violation of the process and law with the view to prosecute those found culpable.
2. **Inadequacies in Financial Management by County Governments:** During the years under review, the Committee noted extensive inadequacies in management of finances in County Governments. The most notorious features identified include- i.) Failure to present documents for audit ii.) Poor record keeping iii.) Fraudulent practices iv.) Noncompliance to laws and	Noting extensive inadequacies in financial management in the County Governments, where expressed Auditor general's opinions of either disclaimer or adverse opinion that may result to undesirable economic implications on the County Governments such as failure to attract development partners' investments in the County, the Committee recommends that Counties that will not show significant improvement in financial management arising from audit opinion will be

Observations	Recommendations
procedure v.)Failure to recruit qualified personnel As a result of these inadequacies, the Auditor General presented varied audit opinions across counties. The Committee noted that the audit opinions given were disclaimer, adverse, and qualified. As shown in *annex1*, in spite of the slight improvement in audit opinions from disclaimer to qualified since FY 2013/2014 to 2016/2017, the presence of several counties reflecting disclaimer opinions, is still a cause for worry. The Committee further noted that a disclaimer or adverse opinion would have severe implication on the County Governments such as not attracting development partners' investments in the County.	penalized in the following ways— i) Reduction in budgetary allocation by losing on the fiscal responsibility parameter of the CARA; and ii) Stoppage of release of national revenue to County Governments in line with Article 225 (3) (a).
3. **Pending Bills:** During the period under review, financial years 2013/14 to 2015/16, a number of County Governments did not settle bills amounting to billions as shown in the table below— Financial Year Amount in Kshs (Billions) • 2013/14 62.8 • 2014/15 108.9 • 2015/16 74.9 The pending bills are attributed to— (a) creditors/suppliers; (b) Unremitted third party deductions; and (c) Staff related arrears or outstanding loans. The Pending Bills are carried forward to	In respect of the Pending Bills the Committee recommends that- i) Pending bills should form the first charge in the budget of the successive financial year. ii) Pending bills as a result of any Defunct Local Authorities should be borne by the National Government, upon verification and validation by Intergovernmental Relations Technical Committee (IGRTC).

Observations	Recommendations
successive financial years and may have adverse effects on the County Governments'— a) Ability to procure goods and services on credit from supplies; b) Ability to prepare effective procurement plans and budgets; and c) Exposure to litigations that may cause loss of public funds in form of legal fees, penalties and fines.	
4. **Irregular Procurement of Goods and Services;** the Auditor General highlighted the following as causes of violation of procurement laws— • abuse of single sourcing method of procurement; and • flouting laid down procurement policies, guidelines and procedures.	The Committee observed that the breach of procurement laws and procedures which may have resulted to loss of public funds and recommends that— i) Director of Criminal Investigations (DCI) and Ethics and Ant-Corruption Commission (EACC) should investigate the responsible officers with a view of recovery of the funds and prosecution for breach of the Public Procurement and Disposal Act. ii) Respective County Executive Committee (CECs) Members for Finance to enforce Public Procurement and Assets Disposal Act (PPDA) and relevant regulations. iii) Respective County Public Service Boards (CPSBs) should hire qualified personnel and build their capacity.
5. **Weak Human Resource Management:** The audit reports reveal that during the early years of devolution, counties recruited staff without following due recruitment	The Committee observed that there were weak human resource management practices in the counties and recommends that- i) the County Executives implement

Observations	Recommendations
procedures and in absence of policy to determine optimal staffing levels. The committee further observed that across counties, no legislation or policy exists to address matters of staff pension.	the recommendations of Capacity Assessment and Rationalization Programme (CARPS) on rationalization of staff; ii) the County Assemblies ensure that the County Public Service Boards (CPSBs) are independent of the influence of the County Executive and the County Assembly Service Boards (CASBs) are made to be autonomous in their operations. iii) The enactment of the County Government Retirement Scheme Bill should be fast tracked by Parliament to address county governments' workers' pension. iv) The County Governments Act should be reviewed to clarify the role of the County Secretaries with regard to County Public Service Boards, in order to allow for independence and avoid interference of the board. v) Enactment of a bill to make CPSBs independent and autonomous in a manner similar to the Public Service Commission.
6. **Irregular Compensation to Employees:** The common irregular allowances relate to— • sitting allowances paid to chairpersons of committees in plenary sessions of County Assemblies; • payment in excess of monthly sitting allowances; • overpayment by use of committee	The Committee noted glaring irregularity in compensation of Members of the County Assemblies (MCAs) and recommends that all irregular payments noted by the Auditor-General be recovered in full by the relevant Accounting Officers failure to which they should be personally held responsible. The Committee further recommends that Salaries and

Observations	Recommendations
rates as opposed to plenary session rates; • payment of allowances to non - committee members; and • fraudulent payment of sitting allowances to absent members in total disregard of the Salaries and Remuneration Commission circulars	Remuneration Commission (SRC) in consultation with County Assemblies develops a framework to ensure that SRC's circulars are uniformly applied across the counties.
7. **Lack of Assets and Liabilities Register:** Most counties lacked updated registers for the assets and liabilities inherited from defunct local authorities and those subsequently acquired post devolution. The Committee appreciates that the process of identification and verification of assets and liabilities was a joint exercise by County Governments, National Government entities and the Intergovernmental Relations Technical Committee (IGRTC). However, the committee noted that IGRTC has since completed the assets and liabilities registers for the counties and delivered to them.	The Committee recommends that respective CEC Finance should use the registers presented by IGRTC to undertake proper valuation and present their finalized registers to respective County Assemblies, Parliament, National Treasury and the Auditor-General within six months within adoption of this report. The Committee further recommends that the above exercise should be a continuous process in line with the International Public Sector Accounting Standards (Cash Basis) Board requirements and where it is established that some assets in counties are not disclosed, the relevant officers involved should be held culpable and surcharged.
8. **Inappropriate Budgeting and Budget Performance:** The Auditor General reports revealed that most Counties did not adhere to their approved budgets. In most instances, funds were reallocated to items that were not budgeted for and without prior approval by the National Treasury. Also funds earmarked for development expenditures during the financial year were reallocated and used under operational accounts resulting into shifting development budgets to cover recurrent costs. In addition, there	The Committee noted that the County Governments prepared unrealistic budgets and there were weaknesses in control of budget performance. The Committee recommends that- *i)* The Controller of Budget should strictly enforce provisions of Article 228 (5) on withdrawal of funds by the County Government entities. *ii)* The relevant County Assemblies' Public Accounts Committees (PACs) and Finance Committees

Observations	Recommendations
were numerous cases of under collection of local revenue where most counties missed their revenue targets by significant margins. The Committee abhorred the manner in which the Controller of Budget continued to release exchequer requests to county governments without proof of proper reallocations from county treasuries. The Committee further noted with dismay that counties budgets exhibited disproportionate provisions for development and recurrent expenditure contrary to PFM Act. In many instances counties spent far less than 30% of the budgets on development by the end of financial year, thereby denying citizens service delivery. Over 70% of counties budgets takes care of recurrent expenditures and possible wastage.	should be strengthened and capacitated in order to effectively interrogate and oversight county budgets and budget implementation. *iii)* The county governments should strictly follow prudent fiscal responsibilities and enforce budget ceilings for development and recurrent expenditures of 70% to 30% respectively. *iv)* Counties should come up with realistic budgets attached to revenue streams to avoid over budgeting. *v)* Counties should minimize serial supplementary budgets and in-year budget reallocations.
9. **Misrepresentation of County Revenue:** the committee noted that there were serious issues of under collection of revenues. The county revenues collected were banked in commercial bank accounts other than the designated revenue collection accounts – County Revenue Funds (CRF). Under collection of revenues arose in situations where the revenue collected was not submitted to the County Revenue Fund as required by law. Counties were notorious in utilizing collected revenues at source. The Committee observed that there was	The Committee recommends that the County Governments- i) map out all revenue collection streams in order to optimize revenue collection; ii) update the Valuation Rolls to enhance collection of property rates; iii) automate Revenue Collection processes; iv) Appoint/designate receivers of revenue pursuant to Section 157 of the PFM Act.

Observations	Recommendations
serious under collection of revenues across the counties in successive financial years compared to the prior financial years. The reduction in collections for subsequent years could be attributed to weak systems and pilferage of revenue.	
10. **Weak Internal Control systems:** The Committee noted that most County Governments had weak internal control systems arising from a lack of policies to guide operations. Some of the missing policies relate to the following; • Information Communications Technology (ICT) Policy; • Human Resource Management Policy; • Operational Financial Management Policy; • Approved Staff Establishment Policy; • Risk Management Policy and inadequate capacity in operationalization of IFMIS.	To address County Governments' weak internal control systems arising from lack of policies to guide operations the Committee recommends that County Governments develop optimal staff establishments, documentation management policy and risk management policy. In addition, the Committee recommends that the Ministry responsible for matters relating to devolution in conjunction with the Ministry responsible for matters ICT should develop standard framework that will ensure the automation of human resource and revenue collection systems procured by counties are interfaced with IFMIS.
11. **Failure to submit documents for Audit to the Auditor General**: For the Auditor General to carry out the audit function successfully, various documentations are required for reviews, verification, to ascertain and check the completeness and accuracy of the records presented for audit. On the basis of the records provided, then the Auditor General is able to make an audit opinion.	The Committee noted with concern the failure of the County Government entities to submit documents to the Auditor General so as to carry out an audit was inhibiting financial accountability and oversight. In this regard, the Committee recommends that respective responsible officers be prosecuted for breach of section 62 of the Public Audit Act.
12. **Outstanding Imprests:** Audit report reveals that county government's record	The Committee noted that County Government entities continued to reflect

Observations	Recommendations
imprest on payment schedules instead of issuing the holders with imprest warrants for proper accountability. Further, it was revealed across most counties that officers were issued with multiple imprests in total contravention of the PFM Act. Additionally, the imprest registers did not show— • dates when the imprests were issued; • dates when the imprests were due for surrender; or • the designations and personal numbers of the imprest holders.	un-surrendered imprests contrary to the law. The Committee recommends that the respective accounting officers should recover the outstanding imprests with interest as per the provisions of Regulation 93 (6) of the PFM (County Governments) Regulations.
13. **Failure to Establish Audit Committees:** As at the end of the financial year 2015/16 all county governments had not established Audit Committees to oversee the financial operations and to recommend remedial measures on risk control. Therefore, the adequacy and effectiveness of the internal control systems risk management could not be assured. The committee noted that whereas the regulations were gazetted in March 2015, the guidelines were gazetted in April 2016.	The committee recommends that respective governors from counties that had not established audit committees during 2016/17 financial year as required by Regulation 167 of the PFM (County Governments) Regulations, 2015, should take administrative and disciplinary action against respective accounting officers for negligence of duty.
14. **Poor Book Keeping and Poor Record Keeping:** There was poor record keeping and failure to adhere to laid down financial and procurement procedures during the years under review. This may be as a result of capacity and competency challenges at the devolved units. In addition, there was inadequate automation of accounting systems across counties during early years of devolution. The	The Committee recommends that- i) The registry, procurement and accounting departments be staffed with qualified personnel who are members of the respective professional bodies. *ii)* The Accounting Officer (CEC for Finance) should ensure adherence to the PFM Act and PFM (County Governments) Regulations, 2015.

Observations	Recommendations
slow rate of uptake and implementation of IFMIS systems across counties greatly contributed to poor book keeping and record keeping.	
15. **Incomplete & Non-Utilized Projects:** The Auditor-General report revealed evidence of several incomplete and non-utilized projects. While some projects were properly conceived, others appeared to have been haphazardly conceived. The most notable failures were observed during implementation of the projects. The projects were characterized by non-adherence to project completion timelines, and irregular variations. Some contract agreements lacked liquidation damages clauses. This leads to wastage, loss of funds and denial of service delivery to citizens	The Committee noted that incomplete projects indicate disregard of project completion timelines. The Committee recommends that- i) Contract agreements should have clauses with respect to liquidation damages for non-completion of contracts and should be drafted by County Attorneys. ii) Projects that have been started should be completed to ensure value for money. During a transition period after elections, consideration should be given to already ongoing initiated projects and should be prioritized for completion. iii) Payment of project works should only be done upon availing valid completion certificates for the completed works so that the County does not lose money for incomplete works. iv) In all the incomplete projects, where payments made were not proportionate to the work done, the relevant contractors and responsible officers should be investigated and prosecuted with a view of recovery of the funds lost in accordance with the relevant laws. Where projects have stalled due to misappropriation, the officers involved should be

Observations	Recommendations
	surcharged and prosecuted.
16. **Mortgage and Car loan Funds:** The Committee noted that mortgage and car loans advanced were not accounted for in full.	The Committee recommends that the accounting officers should prepare regular statements on the operation of the funds.
17. **Lack of Interoperability of Technology Systems in Use:** The Committee noted that there are various technology systems such as IPPD, GPAY, LAIFOMS and automated revenue collection in use by the County Government entity but they lack interface into the IFMIS. The Committee further noted that the County Government entity had faced challenges in the operation of various IFMIS modules	The Committee recommends that the— i) Ministry of Information Communication and Technology should develop a generic automated revenue collection platform that interfaces with IFMIS so that County Governments can implement a uniform automated revenue collection system. ii) National Treasury should undertake a thorough capacity building on operationalization of all modules of IFMIS to staff at the County Government entity.
18. **Legal Fees:** The Committee noted that the County Government entities paid huge amounts of funds for legal fees and further noted that the process of procuring the legal firms were not clear and hence suspicious.	The Committee recommends that the County Governments should- i) Recruit County Attorneys to represent the respective county in legal disputes in courts of law; ii) Competitively source for services of legal firms as per the laid down procurement law.
19. **Inadequate funding of National Government functions at the County:** The Committee noted that County Executives spent huge amounts of public funds on functions of the National Government. The Committee further noted that National Government functions are not funded in the County Allocation of Revenue Act (CARA) and therefore implies that the County Governments will jeopardize	The committee recommends that the Ministry of Devolution develops a framework to guide the process of funding and implementation of projects whose function belongs to another level of Government.

Observations	Recommendations
implementation of their functions as spelt out in the Fourth Schedule of the Constitution.	
20. **Payment to the Council of Governors:** The Committee noted that County Executives paid money to the Council of County Governors (COG) for maintenance of operations. The Committee observed that the payment is irregular and the Council of Governors should be funded by the National Government through the IGRTC.	The Committee recommends that the National Government should allocate funds to operate and maintain the Council of Governors in line with the PFM Act. The Committee also recommends that no funds should be paid to the COG by County Governments without parliamentary authority.
21. **Irregular Public Participation Payments:** Counties paid substantial amounts as allowances to citizens and civil society members during public participation exercises which contravene the SRC circular that public participation is a civic responsibility of each and every citizen and should not attract any compensation.	The Committee observed that the County Executive paid substantial amounts to citizens who attended public participation meetings and noted that such payments were irregular since it was a civic duty of citizens to participate in such meetings so as to give their views on how they wanted their issues addressed. The Committee further noted that such payments were prone to abuse and recommends that- i) Public participation meetings be held at the local level where the public would not require to use public transport to get to such meetings. ii) The Senate formulates a Bill on Public Participation to guide the process of public participation.
22. **Value for Money for conceived Projects with no legal framework:** The Committee noted that various projects were executed by county governments without proper planning or without developing policy guidelines	The Committee noted that there was need for proper public participation and impact assessment prior to execution of such county projects and recommends that the County CEO and CEC Finance should always ensure that similar

No.	County / Issue	Under Expenditure	Pending Bills	Unsupported Expenditure	Unaccounted for Expenses	Under Reporting of Revenue	Unbudgeted Expenditure	Uncompleted Projects	Outstanding Imprest	Irregular Payments	Total Revenue Share
28	Mombasa	-	-	141	25	1,078	-	-	58	42	4,348
29	Murang'a	-	33	38	28	-	-	-	24	75	4,322
30	Nairobi	-	58,343	191	44	96	88	-	31	253	9,896
31	Nakuru	-	1,326	181	-	-	540	-	20	64	6,961
32	Nandi	-	28	8	18	1	-	-	-	13	3,887
33	Narok	-	-	112	5	-	-	-	4	20	4,146
34	Nyamira	-	9	41	7	-	5	-	6	50	3,317
35	Nyandarua	-	-	717	106	10	-	-	28	149	3,435
36	Nyeri	-	120	243	44	20	794	-	27	45	4,071
37	Samburu	-	-	6	-	22	-	-	90	12	2,805
38	Siaya	-	-	115	4	-	69	-	1	255	3,972
39	Taita Taveta	-	-	677	27	-	6	-	45	93	2,626
40	Tana River	-	-	250	8	-	-	-	8	110	3,119
41	Tharaka Nithi	-	40	66	10	151	649	-	41	120	2,435
42	Trans Nzoia	-	45	192	42	72	-	-	64	25	3,923
43	Turkana	-	-	141	-	-	-	-	-	51	7,894
44	Uasin Gishu	-	-	15	14	17	-	-	37	8	4,067
45	Vihiga	-	-	256	46	1	13	-	57	53	3,029
46	Wajir	-	-	17	69	-	-	-	-	140	5,648
47	West Pokot	-	-	41	2	4	-	-	-	7	3,593
	Total	1,968	62,839	6,582	1,587	1,663	3,552	387	927	3,886	210,000

MINUTES OF THE 7TH SITTING OF THE THIRD SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS & INVESTMENTS HELD ON THURSDAY 14TH MARCH, 2019 AT FLAMINGO BEACH RESORT MOMBASA FROM 2:30 P.M.

PRESENT

1. Sen. Moses Otieno Kajwang', M.P. **-Chairperson**
2. Sen. (Prof) Sam K. Ongeri, EBS, EGH, M.P.
3. Sen. Charles Reubenson Kibiru, M.P.
4. Sen. Mohammed Faki, M.P.
5. Sen. Millicent Omanga, M.P

ABSENT WITH APOLOGY

1. Sen. Franklin Mithika Linturi, M.P. **-Vice Chairperson**
2. Sen. Fatuma Dullo Adan, CBS, M.P
3. Sen. Paul Kimani Wamatangi, M.P.
4. Sen. Ledama Olekina, M.P.

IN ATTENDANCE

SENATE SECRETARIAT

1. Mr. Julius Ariwomoi -Principal Clerk Assistant 1
2. Mr. Yussuf Shimoy -Clerk Assistant
3. Mr. Charles Ngatia -Clerk Assistant
4. Mr. Fredrick Muthengi -Chief Fiscal Analyst
5. Mr. Mitch Otoro -Legal Counsel
6. Mr. Eric Ososi -Research Officer
7. Mr. Tiyan Joseph -Research officer
8. Mr. Stephen Maru -Senior Serjeant-At-Arms
9. Mr. Abdikani Ibrahim -Audio Recording Officer
10. Mr. Robert Rop -Audio Recording Officer
11. Ms. Alice Nanyama - Secretary

OFFICE OF THE AUDITOR GENERAL

1. Mr. Akaka Ramoya - Liaison officer

MIN. NO. SEN/CPAIC/041/2019: PRELIMINARIES

The meeting was called to order at 3:00 p.m.

MIN. NO. SEN/CPAIC/042/2019: ADOPTION OF AGENDA

The agenda of the meeting was unanimously adopted as follows-

1. Consideration of Draft Fiduciary Risk Report;
2. A.O.B.; and
3. Adjournment.

MIN. NO. SEN/CPAIC/043/2019: CONSIDERATION OF DRAFT FIDUCIARY RISK REPORT FOR FY 2012/2013- 2015/2016

The Committee considered a draft Fiduciary Risk Report for Financial Years 2012/2013 to FY2015/2016 which identifies the general issues reflected in the Audit Reports of the Auditor General for the County Executives for the period under review. The Committee made the following observations and recommendations to the report-

1. ***Flagrant Noncompliance to Relevant Laws:***

The Committee noted that the non-compliance of the law resulted in loss of public funds and recommends that the DCI and EACC should investigate the violation of the process and law with the view to prosecute those responsible.

2. ***Lack of Remittance of Statutory Deductions***

The Committee noted that there were deductions from employees on statutory deductions but they were not remitted. This was blatant disregard of the law which attracts loss of public funds through penalties and the Committee recommends that the accounting officer be surcharged for the penalties and fines accrued for the non-remittance.

3. ***Pending Bills:***

The Committee observed that pending bills may have adverse effects on the County Governments ability to obtain goods and services on credit from supplies, may distorts the planning and procurement and may expose the County Government to litigations that will cost huge amounts of money in legal fees and fines that may be imposed by courts of law.

The Committee recommends that-

- Pending bills should form the first charge in the budget of the successive financial year.

- The County Government should prepare a debt management strategy every financial year.
- The Auditor general undertakes a special audit to verify the authenticity of pending bills.

4. Intergovernmental Debts

The Committee observed that the County Governments were owed colossal sums of money by the National Government in form of land rate, rent and utility bills. Similarly, the County Governments owed the National Government substantial sums of money in form of electricity bills.

The Committee recommends that-

- The County Governments should undertake an ageing analysis of debts owed to it by the National Government
- The County Governments should develop a mechanism to collect debts owed to them.
- The National Government should undertakes an ageing analysis of debts owed to it by the County Governments.
- The National Treasury should develop a framework to guide the process of settling debts owed by entities of the two levels of Government.
- The National Treasury should write off debts as per Section 69 of PFM Act and Regulations.

5. Irregular Procurement of Goods and Services:

The Committee observed that there was a breach of procurement laws and procedure which resulted to loss of public funds and recommends that the DCI and EACC should investigate the responsible officers with a view of recovery of the funds and prosecution for breach of the Public Procurement and Disposal Act.

6. Misrepresentation of County Revenue

The Committee noted that there was underreporting of revenue collected and this may be attributed to spending of revenue at source which is a contravention of the Article 207 (1) and Section 109 of the PFM Act. The Committee recommends that the Accounting Officer should be held responsible for losses that may have occurred as a result of failure to put in place proper systems for revenue collection. The Committee

21. Payment to the Council of County Governors

The Committee noted that the County Executive paid money to the Council of County Governors for maintenance of operations. The Committee observed that the payment is irregular the Council of County Governors should be funded by the National Government through the IGRTC. The Committee recommends that the National Government allocates funds to operate and maintain the Council of County Governors.

22. Mortgage and Car loan Funds

The Committee noted that mortgage and car loan advanced were not accounted for in full and recommends that the accounting officer prepare a regular statement on the operation of the funds.

23. Legal Fees

The Committee noted that the County Government entity paid huge amounts of funds for legal fees and further notes that the process of procuring the legal firm was not clear. The Committee recommends that the County Government-

- Recruits a County Attorney to represent the county in legal disputes in courts of law;
- Competitively recruits for services of a legal firm as per the laid down procurement law.

24. Inadequacies in financial management by county governments

During the years under review, the Committee noted extensive inadequacies in management of finances in County Governments. The most notorious features identified include-

i. Failure to present documents for audit
ii. Poor record keeping
iii. Fraudulent practices
iv. Noncompliance to laws and procedure
v. Failure to recruit qualified personnel

As a result of these inadequacies, the Auditor General presented varied audit opinions across counties. The Committee noted that the audit opinions given were disclaimer, adverse, and qualified.

As shown in the table below, in spite of the slight improvement in audit opinions from disclaimer to qualified since FY 2013/2014 to 2016/2017, the presence of several counties reflecting disclaimer opinions, is still a cause for worry.

Year	Category	County Audit Opinions				
		Unqualified	Qualified	Adverse	Disclaimer	Total
		No.	No.	No.	No.	
2015/16	County Executive	0	13	12	22	47
2014/15	CA/CE Combined	0	5	17	25	47
2013/14	CA/CE Combined	0	3	5	39	47

The Committee further noted that a disclaimer or adverse opinion would have severe implication on the County Governments such as not attracting development partners' investments in the County.

The Committee recommends that Counties that will not show significant improvement in financial management arising from audit opinion will be penalized in the following ways—

- Reduction in budgetary allocation by losing on the fiscal responsibility parameter of the CARA; and
- Stoppage of release of nationally collected revenue to County Governments.

25. Value for Money for agricultural, livestock or tree planting projects

The Committee noted that there was need for proper public participation and impact assessment prior to execution of the project and recommends that the County CEO and CEC Finance should always ensure that similar projects could only be executed after developing policy guidelines approved by the County Assembly. The guidelines should contain clear framework for distribution, monitoring and evaluation and oversight by County Assembly.

26. Public Private Partnership

The Committee noted that the County Government entered into a public- private partnership without clear guidelines and recommends that the CEC Finance develops a customized policy framework guided by the Public Private Partnership Act, 2013 and Regulations to form a the basis of entering into contracts with private entities.

MIN. NO. SEN/CPAIC/044/2019: ADOPTION OF THE FIDUCIARY RISK REPORT FOR FY 2012/2013- 2015/2016

The Committee unanimously adopted the report with the following suggestions for improvement on the final report format–

(i) That the Executive summary be reviewed by taking into account the input made by Sen. Ledama Olekina, MP;

(ii) That the report be cross-referenced with tables and schedules accordingly; and

(iii) That the Chairperson will sign the report upon confirmation of inclusion of the suggestions.

MIN. NO. SEN/CPAIC/045/2019: ADJOURNMENT

There being no other business, the meeting was adjourned at 6:12 p.m.

Signed. ...... Date....21 JUNE 2019....

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

MINUTES OF THE 19th SITTING OF THE THIRD SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS&INVESTMENTS HELD ON WEDNESDAY DAY 10TH APRIL, 2019 AT COMMITTEE ROOM 5 FROM 10:00 A.M.

PRESENT

1. Sen. Paul KimaniWamatangi, M.P Chairing
2. Sen. (Prof) Sam K. Ongeri, EBS, EGH, M.P
3. Sen. Charles Reubenson Kibiru, M.P.
4. Sen. Ledama Olekina, M.P.
5. Sen. Mohammed Faki, M.P.
6. Sen. Millicent Omanga, M.P.

ABSENT WITH APOLOGY

7. Sen. Moses Otieno Kajwang', M.P. - Chairperson
8. Sen. Franklin Mithika Linturi, M.P - Vice Chairperson
9. Sen. Fatuma Dullo Adan, CBS, M.P

SENATE SECRETARIAT

1. Mr. Julius Ariwomo -Principal Clerk Assistant
2. Mr. Fredrick Muthengi -Chief Fiscal Analyst
3. Ms. Josephine Kusinyi -Principal legal Officer
4. Mr. Yussuf Shimoy -Clerk Assistant
5. Mr. Abdikani Ibrahim -Audio Recording Officer
6. Ms. Nancy Ouma-Intern

MIN.NO.SEN/CPAIC/098/2019: PRELIMINARIES

The Chairperson called the meeting to order at 10:20 a.m. and there followed a word of prayer.

MIN. NO. SEN/CPAIC/099/2019: ADOPTION OF AGENDA

The Agenda of the meeting was adopted after it was proposed and seconded by Sen. Millicent Omanga, M.P. and Sen. Mohammed Faki, M.P. respectively as follows:

1. Prayer
2. Adoption of agenda
3. Consideration and Tabling of the Fiduciary Risk Report.
4. Update on the schedule of appearance before the Committee
5. Any Other Business
6. Date of Next Meeting
7. Adjournment

MIN. NO. SEN/CPAIC/100/2019: TABLING OF THE FIDUCIARY RISK REPORT

The Committee considered the amendments to the Fiduciary Risk Report as recommended by the Committee at the 7th Sitting held on 14th Match, 2019 that identified the various fiduciary risks areas with regard to the appropriation of public funds by County Government as highlighted by the Office of the Auditor-General in its reporting for the financial years 2013/2014, 2014/2015 and 2015/2016 of the 47 counties across the country.

After deliberations, the Committee directed the secretariat to further amend the report as follows-

1. Improve the executive summary including the background and justification for the Committee coming up with the Fiduciary Risk Report.
2. Inclusion of the definition of audit opinions i.e disclaimer, adverse, qualified and unqualified in the executive summary.
3. Numbering and introduction of tables in the report where necessary.
4. Attachment of necessary annextures.

The Committee resolved that the soft copy of the final report to be sent to members after incorporating the amendments and finally prepare the report for tabling.

MIN. NO. SEN/CPAIC/101/2019: UPDATE ON THE SCHEDULE OF APPEARANCE BEFORE THE COMMITTEE

The Committee was informed that the scheduled of appearance by Governors before the Committee appeared on the dailies (both Nation and Standard) on that day, 10th April, 2019. The schedule was as follows-

Consideration of the Report of the Auditor- General on the Financial Statements for the Financial Year 2017/2018		
DAY/ DATE	TIME	ENTITY
Thursday, 25th April, 2019	9.30am	Embu County Excutive
Friday, 26th April, 2019	9.30am	LamuCounty Executive
Monday, 29th& Tuesday, 30th April, 2019	9.30am	Nairobi County Executive
Thursday, 2nd May, 2019	9.30am	KiambuCounty Executive
Friday, 3rd May, 2019	9.30am	Wajir County Executive
Monday, 13th May, 2019	9.30am	Migori County Executive
Tuesday, 14th May, 2019	9.30am	Homabay County Executive

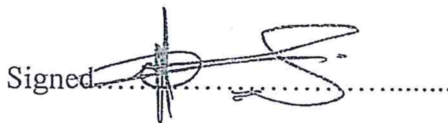
Thursday, 16th May, 2019	9.30am	Taita- Taveta County Executive
Friday, 17th May, 2019	9.30am	Murangá County Executive
Monday, 20th May, 2019	9.30am	Tana River County Executive
Tuesday, 21st May, 2019	9.30am	Meru County Executive
Wednesday, 22nd May, 2019	9.30am	Isiolo County Executive
Thursday, 23rd May, 2019	9.30am	Turkana County Executive
Monday, 27th May, 2019	9.30am	Kirinyaga County Executive
Tuesday, 28th May, 2019	9.30am	Mombasa County Executive
Wednesday, 29th May, 2019	9.30am	West Pokot County Executive
Thursday 30th, May, 2019	9.30am	Kilifi County Executive

MIN. NO. SEN/CPAIC/102/2019: ANY OTHER BUSINESS

There was no any other business.

MIN. NO. SEN/CPAIC/103/2019: ADJOURNMENT

There being no other business, the meeting was adjourned at 12:42 p.m.

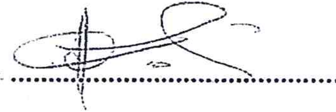
Signed  .... Date...21 JUNE 2019...............

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

ADOPTION OF THE REPORT OF THE SENATE SESSIONAL COMMITTEE ON PUBLIC ACCOUNTS AND INVESTMENT ON THE FIDUCIARY RISK REPORT: ISSUES RAISED BY THE AUDITOR GENERAL ON PUBLIC FINANCIAL MANAGEMENT BY THE COUNTY GOVERNMENTS FOR FINANCIAL YEARS 2012/13 – 2015/16

Adopted by:

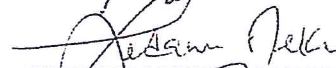
1. Sen. Moses Kajwang, MP, **Chairman** ....



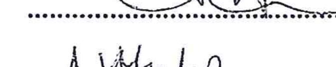
2. Sen. Mithika Linturi, MP, **Vice-Chairman** ....
3. Sen. Fatuma Dullo, CBS, MP, Member ....

4. Sen. Wamatangi Kimani, MP, Member ....
5. Sen. (Prof.) Sam K. Ongeri, MP, Member ....

6. Sen. Kibiru Charles, MP, Member ....
7. Sen. Ledama Olekina, MP, Member ....



8. Sen. Mohamed Faki, MP, Member ....



9. Sen. Omanga Millicent, MP, Member ....

Date ....18|06|2019..