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THE SENATE

PARLIAMENT-FOURTH SESSION

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

COG
 Recommended for approval for tabling.
 Ep
 13/06/18

Rt. Hon. Speaker
 You may approve for tabling.
 13/06/18

Approved
 [Signature]
 14/6/2018

CLERK'S CHAMBERS
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JUNE, 2018

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ACRONYMS/ABBREVIATIONS

AG	- Auditor General
MCA	- Member of County Assembly
IGTRC	- Intergovernmental Relations Technical Committee
SO	- Standing Orders
OAG	- Office of the Auditor General
PFM	- Public Finance Management
VAT	- Value Added Tax

PREFACE

Mr. Speaker Sir,

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

The Senate Sessional Committee on County Public Accounts & Investments is established under standing order 214 of the Standing Orders of the Senate and its function is to-

- 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), 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;

to examine the reports, if any, of the Auditor- General on the county public investments; and to exercise oversight over county public accounts and investments

Mr. Speaker Sir,

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

1. Sen. (Prof.) Anyang Nyong'o - **Chairman**
2. Sen. (Prof.) John Lonyangapuo - **Vice Chairman**
3. Sen. Henry Tiolo Ndiema
4. Sen. Wamatangi Kimani
5. Sen. Karue Muriuki
6. Sen. Hassan Omar Hassan
7. Sen. Wangari Martha

8. Sen. Sen. Liza Chelule
9. Sen. Sitswila Wako Amos
10. Sen. (Dr.) Boni Khalwale
11. Sen. Ben Njoroge, Paul
12. Sen. Stephen Kanyinke Ntutu

Mr. Speaker Sir,

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

Mr. Speaker Sir,

Accountability, transparency and value for money in the use of public funds are essential elements of good governance and the Executive arm of Government is always expected to account for its use of taxpayers' money to the elected representatives in Parliament and to the public in general. Parliament's role is to scrutinize the actions of the Executive entrusted with implementing the annual budget approved by Parliament.

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

Mr. Speaker Sir,

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

Mr. Speaker Sir,

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

The Committee held one (1) meeting with Nakuru County Executive on Tuesday, 26th April, 2016, where it considered and concluded its investigation on the report of the Auditor General under review.

The Committee received evidence from the Governor as the Chief Executive Officer of the County Government pursuant to the provisions of Article 179(4) of the Constitution of Kenya, 2010.

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

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

Mr. Speaker Sir,

The Committee in arriving at particular recommendations in this particular report of the Auditor General on the Financial Operations of Nakuru County Executive took into account the challenges faced by Counties at their nascent days particularly during the financial year 2013/2014.

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

The objective of this process was to identify cases of inefficiencies and mismanagement, establish the root causes and develop recommendations for improvement.

The Committee further structured its deliberations and decisions with the following guidelines:-

- (i) **Unlawful expenditure:** In this category, the expenditure in question could not be justified under any circumstances. In instances like this, the Committee recommended immediate recovery of funds from the recipients or surcharge of the individuals who received the funds.
- (ii) **Instances where procurement rules were not followed but goods and services were supplied as per the details of the requisition:** In instances where the County Government entity used restricted tendering method instead of open tender method but goods were delivered as per the details of the Local Purchase Order, the Committee depending on the oral and written submissions recommended that the respective accounting officers be reprimanded for not following the Public Procurement Rules and Regulations and be required to submit a report to the Senate on administrative actions and austerity measures taken to mitigate against committal of similar offences in the subsequent financial years. However any fraudulent application of funds remained an offence punishable by law notwithstanding the foregoing.
- (iii) **Instances where procurement rules were not followed and the Committee could not ascertain whether the public funds were used prudently:** The Committee recommended that the office of the Auditor General undertakes the *value for money audit* on that specific project and submit a report to the Senate expeditiously and the officer who authorized the expenditure be punished or depending on the gravity of the offence and circumstances surrounding the committal of the offence.
- (iv) **Instances where procurement rules were not followed and goods and services delivered or provided did not match the specification of the goods**

requested through the LPOs: The Committee took the view that this was a fraudulent transaction and recommended that the officer who authorized payment should be surcharged and held personally liable for the loss of public funds in question. In addition, the committee recommended that disciplinary action be taken against the culprits.

(v) **Instances where an irregularity occurred and the County Government entity detected it and took disciplinary action against the officers involved:**

The Committee considered these on a case to case basis and in most cases where the action taken was satisfactory, the committee cleared the audit query and no further action was recommended. However, where the action taken was unsatisfactory, the Committee recommended additional punishment or mitigative measures.

(vi) **Instances where procurement rules were not followed but the Committee ascertained that no public funds were lost in the transaction:** The Committee recommended that the officer(s) who authorized or sanctioned the committal of the irregularity be reprimanded notwithstanding the fact that no public funds were lost.

(vii) **Instances where the County Government entity failed to submit the required documents during the time of audit but subsequently submitted the documents to the Auditor General and the documents were examined and the Auditor General was satisfied with the evidence submitted:** The Committee cleared the audit query but recommended that the County Government entity should submit the documents to the Auditor General at the time of audit.

(viii) **In instances where the Committee could not make conclusive decision due to lack of sufficient information and documentations:** The Committee recommended that the audit Query remains unresolved and to be queried again by the auditor General for further consideration in the subsequent Audit Reports.

EXECUTIVE SUMMARY

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

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

The Committee invited the Governor for Nakuru County in his capacity as the Chief Executive Officer of the County Government pursuant to Article 179(4) of the constitution to respond to the audit queries raised in the report under consideration.

The Committee began its work by scheduling a meeting for evidence taking where the Governor was invited to respond to audit queries raised by the Auditor General in the report under consideration on Tuesday, 26th April, 2016.

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

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

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

Chapter one contains a background to the report of the Auditor General under consideration. Chapter two is a record of the audit queries as raised by the Auditor

General in the report under review and Committee's observations and recommendations on each audit query.

Chapter three captures the Committee's findings and observations on the entire report of the Auditor General on financial operations of Nakuru County Executive for the Financial Year 2013/2014(1st July, 2013 to 30th June, 2014).

Chapter four contains the recommendations of the Committee on the entire report of the Auditor General on financial operations of Nakuru County Executive for the Financial year 2013/2014(1st July, 2013 to 30th June, 2014).

GENERAL OBSERVATIONS

The Committee observed that:-

- 1) The county government on some occasions did not follow the procurement rules and regulation in sourcing for goods and services.
- 2) The prepared unrealistic Budget which was occasioned by under collection of revenue. The budget shortfall may have had a negative impact on service delivery.
- 3) Inadequate allocation of Development Budget occasioned by huge wage bill. The Committee noted that the allocation of 30% on Development Budget was mandatory by law and therefore adhere to provisions of section 107(2) (a) of the Public Finance Management Act, of 2012 was key in enhancing development in the County.
- 4) The County Government suffered a delay in remittance of statutory deductions.
- 5) The County has outstanding Pending Bills inherited from the defunct local authority.

GENERAL RECOMMENDATIONS

The Committee recommends that:-

- 1) The County Government should professionalize the finance, procurement and internal audit departments for efficiency, effectiveness and proper management of county government resources as well as accountability and transparency in the management of public funds. This can be achieved through the recruitment

of a qualified Chief Finance Officer and other qualified officers with financial and procurement related qualifications.

- 2) The Committee also recommends that the management put in place strong internal controls to prevent revenue leakages and ensure that all revenue is swept to the County Revenue Account. Further, The County should improve its budget making processes and prepare realistic budgets to safeguard service delivery.
- 3) The County to institute forensic audit to ascertain the authenticity of the large workforce and whether staff rationalization would assist the county manage the huge wage bill.
- 4) The County to maintain a record of the assets acquired by the county after the Transition and liaise with the Intergovernmental relations Technical Committee (ITGRC) to conclude the transfer of assets and liabilities inherited from the defunct local authorities.

ACKNOWLEDGEMENTS

The Committee wishes to acknowledge the support it received from the office of the Speaker and the Clerk of the Senate in undertaking its work.

The Committee further appreciates the support it received from the office of the Auditor General and the cooperation from the office of the Governor and the County Executive of Nakuru County during the consideration of the audit queries.

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

Mr. Speaker Sir,

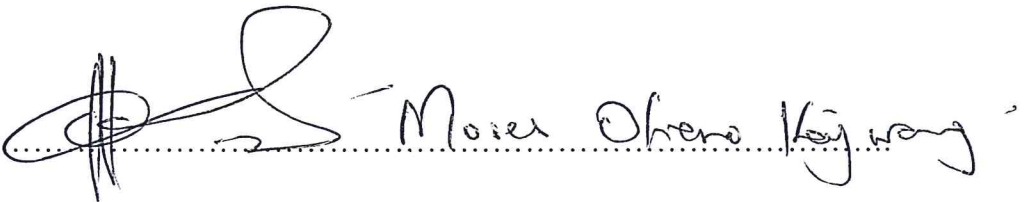
I wish to confirm that the resolutions of the Committee on the observations and recommendations of the Committee in this report were unanimous.

Mr. Speaker Sir,

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

Mr. Speaker,

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

SIGNED:  Moses Okoro Kijwang

DATE: 06/06/2018

SEN. (PROF.) ANYANG' NYONG' , MP

CHAIRPERSON

CHAPTER ONE

1.0 Background to the Report

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

The Committee subsequently invited the Governor for Nakuru County to its investigatory meetings held on Tuesday, 26th April, 2016 to give evidence and respond to the audit queries raised in the report under consideration. This was pursuant to the provisions of Article 179(4) of the Constitution.

The Committee considered and concluded its consideration of the said report in one sitting and thereafter adopted the report during its sitting on Tuesday, 4th April, 2017.

CHAPTER TWO

1.0 Budgetary Control and Performance

1.1 Funding

During the year under review, the County Executive of received exchequer receipts of Kshs.8, 218,039,773 against a budgeted amount of Kshs.9, 538,050,803 for the financial year 2013/2014. This reflected a shortfall of Kshs.1, 320,011,029 or 16% between the budgeted and actual amounts received. The budget shortfall has a negative impact on service delivery.

Management Response

The shortfall in the exchequer receipt of Kshs1, 320,001,029 was brought about by the recovery of salary paid to staff performing Devolved functions by the National Government Cir. Ref. CONF/MOF.51/08 C/ (72) dated 4th April 2014.

Committee Observation

The Committee observed that the auditor had confirmed and verified the Governor's response.

Committee Recommendation

The Committee recommends to the Senate to clear the audit query. However the County Executive should improve on the budgeting process and prepare more realistic budgets.

1.2 Under – collection of revenue

The County Executive had budgeted to collect revenue of Kshs.2,576,738,723 during the 2013/2014 financial year. However, the County collected. Kshs.1,806,373,047 representing an under collection of revenue by Kshs.770,365,226 or 30% of the budgeted amount. Failure to collect revenue affects the budget and results in the County Executive inability to fund programmes.

Management Response

The Governor admitted to the audit query and informed the Committee that in order to cushion the County Government against the revenue shortfall, the County Government adjusted its budgeted revenue from Kshs. 2,576,738,273 to shs2,076,738,273 through Supplementary Appropriation Act no.22 of 2014. (Evidence marked Annex 1.2).

The expenditures were reduced to align the expenditures to the expected revenue as shown in the second schedule of the Supplementary Appropriation Act no.22 of 2014.

However, the following measures were been put in place to ensure that the County Government met its revenue target in the subsequent financial year.

- Adoption of cashless system of payment whereby all monies was paid directly into the bank.
- Purchase of revenue vehicles for the Sub Counties to enable revenue enhancement and supervision.
- Ensuring that all the devolved funds were brought into the County Revenue fund Account.
- Decentralizing revenue collection to respective county departments; treasury department conducts supervisory.

Auditor's Remarks

The auditor informed the Committee that the documents have been verified and were satisfied

Committee Observation

- a. The Committee was satisfied with the explanation and documents tabled after verification by the Auditors.
- b. The Committee further observed that the County was putting some measures to improve revenue collection.

- c. The Committee observed that the matter of under collection of revenue had resulted faulty budgets that have subsequently resulted to poor service delivery and is a matter worth monitoring.

Committee Recommendation

1. The committee recommends that the Senate clears the audit query.
2. The Committee also recommends that the management put in place strong internal controls to prevent revenue leakages and ensure that all revenue is swept to the County Revenue Account.

1.3 Inadequate Allocation of Development Expenditure; and Employee Costs

Section 107(2) of the Public Finance Management Act, 2012 requires County Governments to allocate a minimum of 30% of their budget to development expenditure over the medium term. However, during the year under review, only Kshs.841, 392,948 representing 10% of the total revenue received of Ksh.8, 218,039,773.20 was allocated for development expenditure. The County may not meet its development agenda and this may lead to slow economic growth. The two queries were handled together since were related.

Management Response

The Governor admitted to the audit query and informed the Committee that, the County Government had allocated shs1, 780,219,637 or 19% of the total budget towards Development; Kshs. 841,392,948 had been spent by 30th June 2014. Ksh.340, 018,988 was rolled over to the following financial year 2014/2015. Because the County did not realize its revenue target as proposed in the budget adjustments were made through Supplementary Appropriation Act no.22 of 2014 to incorporate the shortfall.

In the Financial year 2014/15 the County Government of allocated Kshs.2, 968,309,150 or 31.07% towards Developments in line with the Public Finance Management Act 2012.

The inadequate allocation of Development was occasioned by bloated workforce from the defunct local authority and devolved units of the National Government which consumed 54% of the total budget.

Committee Observation

The Committee observed that counties were not allocating sufficient money to development and the staffing levels were alarming as the county could afford the huge wage bill.

Committee Recommendations

- a) The Committee recommends that the County Executive increase the budgetary provisions for development expenditure in order to adhere to provisions of section 107(2) (a) of the Public Finance Management Act, of 2012 and enhance development in the County.
- b) The Committee further recommends that the Governor institutes forensic audit to ascertain the authenticity of the large workforce and whether staff rationalization would assist the county. The report to be submitted to the Senate within ninety (90) days.

1.4 Car grant to members of the County Assembly – Kshs. 150 million

The County Executive transferred Kshs.150 million from the County Treasury to the County Assembly to enable the Assembly give Members of the County Assembly car grants. However the funds had not been budgeted for and approved as required by Section 154(1) of the Public Finance Management Act, 2012. Failure to follow the budget leads to poor financial management and consequently poor service delivery.

Management Response

The management admitted to the audit query and informed the Committee that the authorized transfer of Kshs.150 Million grant to the ward representative was done after the enactment of the relevant legislation as evidenced by County Gazette Supplement No.4 of 28th March, 2015, as attached. The due process of the law was followed in the reallocation of funds through the supplementary estimate which was tabled in the Assembly and approved.

The Controller of Budget was furnished with the relevant documentation before authorizing the expenditure. The Governor tabled the supplementary appropriations Act through which the fund had been approved by the County Assembly and explained

that the Controller of Budget approved the fund. He explained that the fund was administered by the County Assembly.

Auditor's Remarks

The auditor informed the Committee that the documents had been verified and was satisfied.

Committee observation and Recommendation

The Committee guided by the advisory by the auditor and the submission by the management recommended that the audit query be cleared.

2.0 Recurrent and Development Expenditure

2.1 Irregular Allowance to public Service Board Members – Kshs. 1.30 million

The County Executive paid Kshs.1, 300,000 to the Public Service Board members for accommodation in hotels while on duty in the County. However, the days in respect of which the amounts were paid were not indicated and it was therefore not possible to confirm the propriety of the expenditure.

Management Response

According to circular Ref. No.SRC/TS/CGOVT/3/61 dated 13th June 2013 by the salaries and remuneration commission members of the County Public Service Board are entitled to accommodation allowance of ksh.10,000.00 per day while outside their work station.

The Secretary to the Board who is the accounting officer of the board requested for the re-imburement of accommodation expenses for five members vide letter Ref.NKR/PSB/ALLOW./VOL.1/1. (Evidence marked Annex 2.1 payment vouchers).

	PAYEE.	AMOUNT.
Based on the memo the County Treasury refunded Ksh. 1,300,000 to the County Public Service Board members for		

accommodation in hotels as per the following table ;CHEQUE NO.		
386	Peter Mbae	300,000.00
386	Tutah Richard	300,000.00
386	James Mbugua	400,000.00
386	Monicah Cherotich	300,000.00

In mitigation the Governor informed the Committee that the officers were new and had not secured a place and needed to be assisted as they look for a private secure residence.

The Governor further explained that allowances were paid to only the newly hired officers to help them settle down in their duties.

Auditor's Remarks

The Auditor had not satisfactorily verified all the documents.

Committee observation and recommendation

- a) The County Executive should only pay accommodation allowances on the specific days when members of the Board worked outside their duty station.
- b) confirm for how long the allowances were paid and where anomalies were found, recover the money; and
- c) Recommends that the Audit Query remains unresolved until the documents are verified by the Auditors.

2.2 Payments to Casuals in Sub -counties – Kshs 16,069,956.00

The County Executive transferred Kshs. 16,069,956 to the Sub-Counties for payment of casual wages. However, there were no records to show how the casuals were hired or their terms of engagement. Further, no returns including signed master rolls were provided for audit verification to confirm the existence of the casual workers. In the

absence of the above records the propriety of money spent on casual wages could not be confirmed.

Management Response

The casuals were being hired by the Sub-County Administrators on a need basis from the locals within their areas of jurisdiction. The records of how the casuals were engaged were being maintained by the Sub-County Administrators including their attendance registers and terms of engagements.

As at the time of audit this could not be confirmed due to the distance and diversity of the County.

The master rolls and payroll returns have been availed to the auditors for verification and copies of the same are hereby provided.

The Governor indicated that later the master rolls were submitted to the office of the Auditor General. He also noted that most of these casuals were employed at the sub county levels.

Auditor's Remarks

The Auditors confirmed that they had verified the master rolls and were satisfied.

Committee Observations

1. The Committee observed that the Auditor had verified the documents and were satisfied.
2. The Committee noted that the County Executive to maintain records of all casuals at the sub county level and returns be submitted and filed at the County Executive Headquarters in time for audit verification.

Recommendations

The Committee recommends that the Senate clears the Audit Query.

2.3 Irregular salary payment to a former County Executive Member – Kshs 2,632,500.00

Mr. Samuel Ndungu Gitau was appointed as the County Executive Committee (CEC) member in Charge of Trade, Industrialization, Tourism and Wildlife Management at a monthly salary of Kshs.225, 000. Documents available indicate that the CEC member had forged his academic certificates to secure the job and resigned in May 2014. Between July 2013 and June 2014 when payment for his salary was stopped he had earned salary totaling Kshs.2, 632,500.

Management Response

The Governor admitted to the audit query and informed the committee that the case regarding the authenticity of the academic certificates of the officer was forwarded to the criminal investigation department and other relevant arms of the Government.

Committee observation

The Committee resolved that since the member resigned and that the integrity of his documents had not been authenticated, it would be quite difficult to recover salaries paid to him. However, The County Executive should seek redress from the former CEC member and have the salary recovered.

Committee recommendation

The Audit Query remains unresolved until the matter of investigation is concluded and facts on the matter established.

2.4 Unaccounted for Bursaries to County Wards – Kshs. 1,375, 000.00

The County Executive disbursed Kshs. 1,375,000 to all the wards for payment of bursaries for needy students. Each of the fifty five wards received Kshs.25,000. However, no returns were availed showing who the beneficiaries were. Further, there were no acknowledgement letters from the recipient institutions. We could therefore not confirm that the funds were used for the intended purpose. There is a risk of the funds not reaching the intended beneficiaries thus leading to loss of public funds.

Management Response

The Kshs.1, 375,000 was disbursed to the wards to pay for Travel and Subsistence allowance to the ward bursaries committee members. Each ward received Kshs.25, 000 for this purpose. The vouchers and the returns of the expenditure were being maintained at the sub-County offices.

The management has since obtained and forwarded the returns to the auditors for verification. However, later, the regulations on the same were formulated and adopted by the County Assembly. The regulations presented to the Auditor were also submitted to the Committee.

Auditor's Remarks

The Auditors confirmed that the vouchers and the returns of the expenditure had been verified.

Committee Recommendation

- a. The County Executive should formulate clear guidelines on the administration of bursary funds to ensure that the bursaries reach the intended beneficiaries and are adequately accounted for.
- b. The Committee recommends that the Senate clears the audit query.

2.5 County Ministry of Education Bursaries – Kshs. 61,640,679.00

During the period under review, the County Executive spent Kshs.61,640,679 on bursaries to secondary, tertiary and other Institutions of higher learning. However, the expenditure could not be confirmed as proper charge to the County expenditure since there were no acknowledgement letters from the institutions to confirm receipt of funds totaling Kshs.2,626,320, it was therefore not possible to authenticate the expenditure.

Management Response

The Governor admitted to the audit Query and informed the Committee that upon receipt of application forms for bursaries approved by the ward bursaries committee, cheque(s) together with forwarding letter bearing the names of the beneficiaries to the institutions are written.

The institutions are supposed to acknowledge receipt of the funds and forward the same to the accounts office(s).

As at the time of the audit the county had not received acknowledgement letters from the institution named in the report totaling Kshs.2, 626,320.

On the recommendations of the auditors management dispatched a team to collect the acknowledgement letters.

The management has since received the letters and submitted them to the auditors for verification copies of the same are hereby availed (Evidence marked Annex 2.5).

A special unit has been set up under the Director of Education whose responsibility is to ensure that the funds reach the intended beneficiaries and the institutions do confirm receipt of funds.

The Governor informed the Committee that the relevant document had been delivered to the Auditor's office who acknowledged receipt.

Auditor's Response

The Auditor confirmed that they had verified the documents and were satisfied.

Committee observations

- a. The Committee noted that the documents had been verified.
- b. The Committee further noted the creation of a special unit under the Director of Education to ensure funds reach the intended persons.

Committee Recommendation

The Committee recommends that the Senate clears the audit query.

2.6. Income Tax Penalty

Section 37 of the Income Tax Act, Cap. 470 of the Laws of Kenya provide that employers should deduct tax from their employees before the 10 day following the end of month and remit the same to the revenue authority or risk being penalized.

The County Executive failed to remit Tax deducted from the month of July 2013 and August 2013 of Kshs.16, 527,778 and Kshs.17, 789,053 respectively. This resulted in penalties of Kshs.4, 131,944 for the month of July 2013 and Kshs.4, 447,263 for the month of August. The late payment for the month of August 2013 further attracted a penalty of 2% as per Section 94 (1) of the Income Tax Act, Cap.470. The County Executive hence incurred a total of Kshs.9, 023,934 to pay for penalty due to late remittance of Income Tax.

Management Response

The Governor admitted to the audit query and informed the Committee that the inadequate funds to pay for the salaries and hence failure to remit Income Tax on time was occasioned by the delay by the National Government to remit funds to the County Government at the beginning of the Financial year.

Cash flow problem were experienced in the months of July and August of this financial year which was caused by procedures put in place by law before county Government can access funds from the exchequer after the closure of the financial year.

The penalty relates to July and August salaries being part of the earlier months of the financial year when the appropriation Act had not been accented to.

Committee Observations

- i. The Committee observed that the Auditor had verified the documents and was satisfied.
- ii. The Committee noted the mitigation Response by the Governor.

Committee Recommendations

1. The County Executive should manage cash flow more efficiently and ensure that adequate funds are maintained to pay statutory deductions as required by relevant laws.
2. The Committee recommends that the Senate Clears the audit query.

3.0 Cash and Bank Balances

3.1 Outstanding Imprests

Imprests totaling Kshs.20, 121,707 were outstanding as at 30 June, 2014. Some officers were advanced more than one imprest while some had remained outstanding for over seven months contrary to the provisions of Section 152 of the Public Finance Management Act, 2012. Failure to surrender imprests when they fall due is a pointer to weak financial control which may lead to loss of public funds.

Management Response

The Governor admitted to the audit query and informed the Committee that it is important to ensure that all imprests are surrendered by the closure of the financial year. However, as at the close of the year 2013-2014 some officers had not accounted for imprests issued to them totaling to Kshs.20, 121,707 as stated.

The named officers were issued with letters giving them 48 hours from the date of the letter to surrender the imprests against their names or the same be recovered from their salaries.(see copies annex attached)

A total of forty two surrender(s) for Kshs15, 272,876.00 have been received and forwarded to the auditors for verification copies of the same are hereby availed. (Annex 3.1 imprest files)

The balance of Kshs.5, 120,831.00 have been forwarded to the Ministry of Personnel Management for recovery.

Emphases on compliance of imprests have been instituted and the county Treasury never issues imprest to an officer who has not surrendered.

Committee Observations

- i. The Committee observed that the County had taken measures to recover the imprest from respective staffers.
- ii. The Committee observed that although the remaining amount of Ksh. 5,129,831.00 had been forward for recovery all outstanding imprests should be recovered from the respective employees' salaries.

Committee Recommendations:

The audit query remains unresolved until all the monies are recovered and compliance is verified by the auditors.

4.0 Current Debtors and Current Liabilities

4.1 Settlement of Inherited Debts

During the period under review, the County Executive paid Kshs.261,463,606 to creditors who had been inherited from the Defunct Local Authorities. The payments were made after a debt management committee formed by the County Executive indicated that debts totaling Kshs.1,028,143,054 had been inherited from the defunct Local Authorities. However, the creditors were not supported with creditors' ledgers. Further, the payment was made before the creditors had been verified and legally transferred to the County Government by the Transition Authority. The County Executive risks paying nonexistent debts and this may lead to loss of public funds.

Management Response

The Governor admitted to the audit query and informed the Committee that some of these debts were continuing to accumulate huge penalties and interest which needed to be avoided.

Some of the creditors were threatening legal action against the county government having rendered service to it.

Based on this the County Government formed an internal committee to verify the genuineness of the debts from the defunct Local Authorities. Based on the recommendation of the Debt Management Committee, it was resolved in our management meeting that we start off-setting the debts systematically.

This was done with a view of giving hope to the creditors, some of whose properties were already being auctioned by institutions which had financed them.

A legal opinion was also sought from the office of the Attorney General on the uptake of liabilities incurred by the former local authorities by County Government (see annex attached)

The creditor's ledgers were being maintained within the LAIFORMS system which was replaced by the IFMIS system.

The Transition Authority took long to conclude the verification yet the people were suffering.

Committee Observations

The County Executive should expedite the takeover of assets and liabilities held by the defunct Local Authorities and adhere to provisions of the Transition to Devolved Government Act, 2012 and Legal Notices issued by the Transition Authority on the handling of Assets and Liabilities from the defunct local authorities.

Committee Recommendations

The Committee recommends that the audit Query be cleared once the debtors and liabilities have been verified and accounted for.

4.2 Pending Bills

Records available indicate that bills totaling Kshs.1, 284,757,334 for the year 2013/2014 were not settled during the year but were instead carried forward to the 2014/2015 financial year. No explanation has been provided for not settling the bills during the year.

Management Response

The Governor admitted to the audit query and informed the Committee as follows-

- i. that bills totaling Kshs.684, 583,231 were inherited from the defunct local authorities. These bills were still being validated and verified by a committee set up by the County Government. The County did not have allocation in the budget to settle of the Bills at the time.
- ii. Bills totaling Kshs.340, 018,988 were for Development projects which had not been completed by the close of the financial year. This amount was rolled over to the new financial year and included in our budget for the year 2014/2015.
- iii. The balance of Kshs.260, 155,115 are for recurrent expenditure which according to financial regulations lapses with the close of the financial year.

- iv. The County Government could not settle all its bills as budgeted because the county did not achieve its target in Revenue collections.
- v. The management confirmed funds were re-allocated in the following financial year as a first charge.

Committee observations

- i. The Committee noted that the governor had made substantial efforts to address the matter of pending bills.
- ii. The Committee noted that failure to settle bills within the financial year had caused anguish to the service providers.
- iii. The Committee further observed that the matter of pending bills was a critical problem affecting counties and needed an urgent redress.

Committee Recommendations:

1. The Committee recommends that Bills should be paid in the period to which they relate as carrying them over to subsequent years adversely affects the budget for year in which they are paid.
2. The Committee further recommends to the Senate to stand down the audit query until such a time that the matter of pending bills is fully concluded and verified by auditors.

5.0. Motor Vehicle

The County Executive procured twenty seven (27) vehicles at a cost of Ksh.161,851,596. Although the vehicle were delivered, log books for twenty six (26) vehicles had not been received except for one Toyota Prado registration GVN 032 A. Consequently, the ownership could not be confirmed.

Management Response

The Governor admitted to the audit query and informed the Committee as follows-

- i. that the issuance of log books is vested with the registrar of motor vehicles.
- ii. that after forwarding the documents to the registrar it took time before the log books were released. This delay was beyond the management control.

- iii. He informed the committee that the motor vehicles log books have since been received and copies of the same availed to the auditor for verification and the Committee for confirmation.

Auditor's Remarks

The log books have been verified and were satisfied.

Committee observations and Recommendations

The Committee considered the auditor's remarks and the mitigation response by the Governor and recommends that the audit query be cleared.

6.0 Procurement

6.1 Procurement of Tippers, Dozers and shovels

The County Executive advertised a tender for the supply of three (3) motor graders 180-200HP. Tracked Dozer with Ripper 200-2HP and wheel loader 165-175HP. Nine (9) companies responded and the contract was awarded to the lowest bidder. However, scrutiny of tender documents revealed that detailed specifications of the machines to be supplied were not clear as required by Section 52 of the Public Procurement and Disposal Act, 2005. An evaluation carried out by the Tender Board Committee on 21 March 2014 revealed huge variations between the highest and lowest bidders. Non adherence to procurement procedures may eventually lead to loss of public funds.

Management Response

The Governor admitted to the audit query and informed the Committee that the department of roads advertised the tenders for Dozers, Shovels and Wheel loaders nationally through an open tender.

The bids were evaluated and contract awarded to the lowest evaluated bidder(s) as per the tender documents attached.

The specifications that were used in the bids documents were sourced from the chief Mechanical and Transport Engineer.

The conformity of the machines to the specifications was verified by the Chief Mechanical and Transport Engineer and a Pre-delivery inspection report issued. (a letter was attached).

The recommendation of the Auditors was noted and appropriate action was recommended to ensure that the provisions of the Public Procurement Act were fully adhered to.

Auditor's Remarks

The Auditor confirmed that the documentation had been verified as was satisfied.

Committee observation

The Committee noted the documents had been verified by the Auditor and was satisfied.

Committee Recommendation

The Committee recommends that the audit query be cleared.

7.0. Conditional Grant for Level Five Hospitals

During the period under review, the County Executive received a Conditional Grant of Kshs.390, 283,988 from the National Government in respect of the Rift Valley General Hospital. However, scrutiny of expenditure in respect of the conditional grants revealed the following anomalies.

- i. The Medical Superintendent of Health at the General Hospital requested for conditional Grants of Kshs.102,074,274 of which Kshs.22,074,274 was to cater for recurrent expenditure and Kshs. 80,000,000.00 as capital expenditure for the construction of maternity wing within the hospital. The funds were transferred from the County Treasury to the County Ministry of Health Operational Account in Cooperative Bank A/C No. 0114150646666666100 on 26th November 2013. However, out of this amount of Kshs.102,074,274, only the recurrent portion of Kshs.22,274,000.00 was released for use by the Rift Valley General Hospital while the balance of Kshs.80,000,000.00 meant for the

construction of a maternity wing was subsequently used to fund other medical facilities within the County of .

- ii. A further, Kshs.168,126,335.00 was utilized by the Ministry of Health to fund recurrent expenditure in both the Rift Valley General Hospital and other County Health facilities.
- iii. In addition, Kshs.120,087,379 was utilized by the County Treasury to pay salaries for County employees. This was contrary to the intended purpose of funding level 5 hospitals

The services offered by level 5 hospitals were, therefore, negatively affected due to inadequate funding.

Management Response

The Governor admitted to the audit query and informed the Committee that the County Government received Kshs.390,283,988 from the Exchequer on account of Conditional Grants for the financial year 2013/14. The Department received Kshs.320, 812,336 from the County Treasury which were spent as per the AIEs issued to the Department copies of which are hereby availed. The balance of Ksh.69, 471,652 was used to pay salaries to health workers within the Department.

The County Government funded PGH level 5 and other health facilities from the total AIE received because there were no guidelines that clearly stipulated that these funds were to be channeled to level 5 Hospital only.

The guidelines that were available facilitated spending on other health facilities for both recurrent and development expenditure.

These were

- i) The County Allocation of Revenue act 2013
- ii) The County Government Budget 2013/2014.
- iii) The Public Finance Management Act sec151.

Committee Observations

- i. The Committee noted with concern that the Senate had worked so hard to lobby funds for Level 5 hospitals as conditional grants only payable to specific counties with this level of hospital.
- ii. The Committee observed that the justification for special grants for level 5 hospitals which serve more than one county had been defeated if the County had diverted money to other county health facilities.

Committee Recommendations

1. The Committee recommends that the County Government should ensure it adheres to requirements for use and regulations on conditional grants.
2. The County Executive was required to address the anomalies noted in order to ensure effective services delivery at the level 5 hospital.
3. The Committee further recommends that the laid down Government procedures and processes be strictly adhered to ensure public resources are used only for purposes for which they are intended.
4. The Audit query remains unresolved until such a time that it's verified by Auditors that the grant is being used prudently and as required by the conditions for the grant.

APPENDICES

Minutes of the Committee

MINUTES OF THE 4TH SITTING OF THE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS&INVESTMENTS HELD ON THURSDAY 13TH MARCH 2018 AT MAIN PARLIAMENT BUILDING, COMMITTEE ROOM 5 FROM 9:00 A.M.

PRESENT

1. Sen. Moses OtienoKajwang', M.P. -Chairperson
2. Sen. (Prof) Sam K. Onger, EBS, EGH, M.P.
3. Sen. Paul KimaniWamatangi, M.P.
4. Sen. Charles ReubensonKibiru, M.P.
5. Sen. LedamaOlekina, M.P.
6. Sen. Mohammed Faki, M.P.

ABSENT WITH APOLOGY

7. Sen. Franklin Mithika Linturi, M.P. -Vice Chairperson
8. Sen. Fatuma Dullo Adan, CBS, M.P
9. Sen. Millicent Omanga, M.P

SENATE SECRETARIAT

1. Ms. Emmy Chepkwony -Principal Clerk Assistant
2. Mr. Yussuf Shimoy -Clerk Assistant
3. Mr. Fredrick Muthengi - Principal Physical Analyst- PBO
4. Mr. Eric Osoi -Research Officer
5. Ms. Lucy Radoli -Legal Counsel
6. Mr. Reuben Kimosop -Senior Serjeant-At-Arms
7. Mr. Godana Mamo -Serjeant-At-Arms
8. Mr. Robert Rop -Audio Recording Officer

MIN. NO. SEN/CPAIC/18/2018: PRELIMINARIES

The chairperson called the meeting to order at 9:20 a.m. and there followed a word of prayer by the Sen. Charles Kibiru.

MIN. NO. SEN/CPAIC/19/2018: ADOPTION OF AGENDA

The agenda of the meeting was adopted after it was proposed and seconded by Sen. Charles Kibiru, M.P. and Sen. Mohammed Faki, M.P. respectively.

MIN. NO. SEN/CPAIC/20/2018: CONFIRMATION OF MINUTES OF THE PREVIOUS MEETINGS

Minutes of the third sitting held on Thursday, 8th March, 2018 were confirmed as a true record of the deliberations of the Committee after they were proposed and seconded by Sen., M.P. Mohammed Faki and Sen. Paul KimaniWamatangi, M.P.respectively.

MIN. NO. SEN/CPAIC/21/2018: MATTERS ARISING FROM THE PREVIOUS MINUTES

Under MIN.NO.SEN/CPAIC/17/2018

The Chairperson informed the meeting that the request by the Governor for Taita Taveta County regarding the intervention of the Senate in dealing with pending bills had been forwarded to the Senate Standing Committee on Devolution and Intergovernmental Relations. Members noted that the matter ought to have been forwarded to the Committee on Public Accounts and Investment and the Chairperson was tasked to follow up the subject with the Speaker and the Liaison Committee.

MIN. NO. SEN/CPAIC/22/2018: CONSIDERATION OF THE PROPOSED SCHEDULE OF INVITATION OF COUNTY EXECUTIVE FOR THE YEAR 2014/15 AND 2015/16

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

DATE	9.00 AM
Consideration of the Report of the Auditor- General on the Financial Statements for the Financial Year 2014/2015 and 2015/2016	
Tuesday, 10 th April, 2018	Makueni County Executive
Wednesday, 11 th April, 2018	Murang'a County Executive
Thursday, 12 th April, 2018	Mandera County Executive
Tuesday, 17 th April, 2018	Samburu County Executive
Wednesday, 18 th April, 2018	Mombasa County Executive
Thursday, 19 th April, 2018	Kwale County Executive
Thursday, 3 rd May, 2018	Embu County Executive
Tuesday, 8 th May, 2018	Machakos County Executive
Wednesday, 9 th May, 2018	Kakamega County Executive
Thursday, 10 th May, 2018	Uasin Gishu County Executive
Tuesday, 15 th May, 2018	TransNzoia County Executive
Wednesday, 16 th May, 2018	Homa Bay County Executive
Thursday, 17 th May, 2018	Siaya County Executive
Tuesday, 23 rd May, 2018	Nyeri County Executive

Wednesday, 24 th May, 2018	Garissa County Executive
Thursday, 25 th May, 2018	Isiolo County Executive
Tuesday, 29 th May, 2018	Meru County Executive
Wednesday, 30 th May, 2018	Taita/ Taveta County Executive
Thursday, 31 st May, 2018	Marsabit County Executive
Tuesday, 5 th June, 2018	Nyandarua County Executive
Wednesday, 6 th June, 2018	Bomet County Executive
Thursday, 7 th June, 2018	Wajir County Executive
Tuesday, 12 th June, 2018	Laikipia County Executive
Wednesday, 13 th June, 2018	Tharaka-Nithi County Executive
Thursday, 14 th June, 2018	Tana River County Executive
Tuesday, 19 th June, 2018	Kirinyaga County Executive
Wednesday, 20 th June, 2018	Nairobi County Executive
Thursday, 21 st June, 2018	West Pokot County Executive
Tuesday, 26 th June, 2018	Kitui County Executive
Wednesday, 27 th June, 2018	Kisumu County Executive
Thursday, 28 th June, 2018	Bungoma County Executive
Tuesday, 3 rd July, 2018	Baringo County Executive
Wednesday, 4 th July, 2018	Nyamira County Executive

The Committee deliberated on the proposal and resolved to consider the audit queries of a County Executive and its County Assembly at the same time for one financial year 2014/15. The Committee directed the secretariat to re-organize the schedule. Further consultations was to be done by the chairperson on the availability of members during the recess to enable a final determination on the schedule of invitations.

MIN. NO. SEN/CPAIC/23/2018: PRESENTATION BY PARLIAMENTARY BUDGET OFFICE ON AUDIT REPORTS WITH HIGH FUDICIARY RISK

The Parliamentary Budget Office presented an analysis on the Auditor General reports on County Governments (County Assemblies and County Executives) for FY 2015/2016 and the following issues came out-

1. Irregulars in Car and House Mortgage Loans Schemes where there were cases of variation in amount of loan disbursed against the value of the house or car contrary to the regulations governing.

2. Irregularities in procurement: procuring outside the prequalified entities contrary to Article 227 of the Constitution and value for money.
3. Non-compliance with the public sector Accounting Standards Board requirement that a report on follow up of previous year's audit recommendation and summary of fixed assets register should be included as part of the annexures to the financial assets.
4. Cases where Members of the County Assembly are paid for sitting allowances and yet said to be in foreign trips at the same time.
5. Failure by various counties to establish Internal Audit Committee.
6. Unaccounted expenses and undelivered goods.
7. Taxable allowances paid without subjecting to applicable tax as per section 5(2)(a) of the Income Tax Act cap 470.
8. Incomplete and or no fixed assets register at both County Assemblies and County Executives leading to loss of property and other movable assets and office equipment.
9. Outstanding imprest and advances that lack supporting documents.
10. Under collection of local revenue.
11. Other recurring audit queries included: irregular payments, under expenditure, pending bills, unsupported expenditure, unbudgeted expenditure and uncompleted and stalled projects.

The Committee directed the physical analyst from PBO:

- 1) To make a comprehensive analysis on audit queries from 2012/13 to 215 /16 in cooperating the issues in the reports of the Controller of Budget during the same period giving particular attention to development projects.
- 2) Compile list of Counties with high fiduciary risk after the analysis.
- 3) Give clarity on pending bills in the counties.
- 4) List of counties that fail to establish audit committees.

MIN. NO. SEN/CPAIC/24/2018: CONSIDERATION OF WORK OF SCHEDULE FOR THE SUB-COMMITTEES ON REPORT WRITING.

The Committee resolved to undertake a report writing retreat in Kwale County from 22nd to 26th March, 2018 to enable the sub-committees to start their work of clearing the backlog.

MIN. NO. SEN/CPAIC/25/2018: CONSIDERATION OF THE CONCLUDED BY THE PREVIOUS COMMITTEE

~~The reports were presented before the Committee as part of the pending business from the previous Committee. The Committee resolved that the following six 6 reports be tabled considered and adopted by the previous Committee for the adoption by the House-~~
a)Narok County Executive

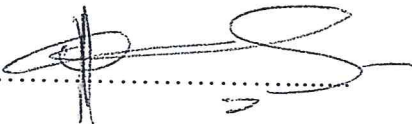
- b) Turkana County Executive
- c) Kilifi County Executive
- d) Kajiado County Executive
- e) Kisii County Executive, and
- f) Nakuru County Executive

The Committee further resolved to unbundle and re-table reports of the previously tabled ten (10) with the exception of three (3) counties (Migori, TransNzoia and Busia) which had petitions and are to be tabled in a revised version.

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

Having considered the business as set out in the agenda, the meeting was adjourned at 11:15 a.m. until Tuesday, 20th March, 2018.

Signed.....



Date.....

27/3/2018

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



MINUTES OF THE 4TH SITTING OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS HELD IN THE COMMITTEE ROOM 10, 1ST FLOOR, MAIN PARLIAMENT BUILDINGS ON TUESDAY, 4TH APRIL, 2017 AT 9:00 AM.

PRESENT

1. Sen. (Prof.) Anyang' Nyong'o. MP- **Chairman**
2. Sen. (Prof.) John Olenyangapuo. MP- **Vice Chairman**
3. Sen. Amos Sitswali Wako. MP
4. Sen. Paul Kimani Wamatangi. MP.
5. Sen. Henry Tiolo Ndiema, MP.
6. Sen. Liza Chelule, MP
7. Sen. (Eng.) Muriuki Karue, MP
8. Sen. (Dr). Boni Khaiwale, MP

ABSENT WITH APOLOGY

1. Sen. Paul Njoroge Ben. MP
2. Sen. Martha Wangari, MP.
3. Sen. Hassan Omar Hassan, MP
4. Sen. Stephen Kanyinke Ntutu, MP

IN ATTENDANCE

- | | |
|-----------------------|---------------------------------|
| 1. Ms. Anita Thurania | - Principal Clerk Assistant |
| 2. Ms. Emmy Chepkwony | - Ag. Principal Clerk Assistant |
| 3. Mr. Joseph Tiyan | - Research Officer |
| 4. Mr. Eugene Luteshi | - Audio Report Officer |

(I) OFFICE OF THE AUDITOR GENERAL

Mr. Akaka Ramoya - Manager /Liaison Officer.

MIN.NO.019/2017

PRELIMINARIES

The Chairperson called the meeting to order at 9.25 am and the meeting started with a word of prayer.

MIN.NO.020/2017

ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed and seconded by Sen. Henry Tiolo Ndiema, MP and Sen. Liza Chelule, MP, respectively

MIN.NO.021/2017

ADOPTION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL OPERATIONS OF NAKURU COUNTY EXECUTIVE FOR THE PERIOD 1ST JULY, 2013 TO 30TH JUNE, 2014

The Committee adopted its report with the following observations and recommendations-

CHAPTER TWO

1.0 Budgetary Control and Performance

1.1 Funding

During the year under review, the County Executive of received exchequer receipts of Kshs.8, 218,039,773 against a budgeted amount of Kshs.9, 538,050,803 for the financial year 2013/2014. This reflected a shortfall of Kshs.1, 320,011,029 or 16% between the budgeted and actual amounts received. The budget shortfall has a negative impact on service delivery.

Management Response

The shortfall in the exchequer receipt of Kshs1, 320,001,029 was brought about by the recovery of salary paid to staff performing Devolved functions by the National Government Cir. Ref. CONF/MOF.51/08 C/ (72) dated 4th April 2014.

Committee Observation

The Committee observed that the auditor had confirmed and verified the Governor's response.

Committee Recommendation

The Committee recommends to the Senate to clear the audit query. However the County Executive should improve on the budgeting process and prepare more realistic budgets.

1.2 Under – collection of revenue

The County Executive had budgeted to collect revenue of Kshs.2,576,738,723 during the 2013/2014 financial year. However, the County collected. Kshs.1,806,373,047 representing an under collection of revenue by Kshs.770,365,226 or 30% of the budgeted amount. Failure to collect revenue affects the budget and results in the County Executive inability to fund programmes.

Management Response

The Governor admitted to the audit query and informed the Committee that in order to cushion the County Government against the revenue shortfall, the County Government adjusted its budgeted revenue from Kshs. 2,576,738,273 to shs2,076,738,273 through Supplementary Appropriation Act no.22 of 2014. (Evidence marked Annex 1.2).

The expenditures were reduced to align the expenditures to the expected revenue as shown in the second schedule of the Supplementary Appropriation Act no.22 of 2014.

However, the following measures were been put in place to ensure that the County Government met its revenue target in the subsequent financial year.



- Adoption of cashless system of payment whereby all monies was paid directly into the bank.
- Purchase of revenue vehicles for the Sub Counties to enable revenue enhancement and supervision.
- Ensuring that all the devolved funds were brought into the County Revenue fund Account.
- Decentralizing revenue collection to respective county departments; treasury department conducts supervisory.

Auditor's Remarks

The auditor informed the Committee that the documents have been verified and were satisfied

Committee Observation

- a. The Committee was satisfied with the explanation and documents tabled after verification by the Auditors.
- b. The Committee further observed that the County was putting some measures to improve revenue collection.
- c. The Committee observed that the matter of under collection of revenue had resulted faulty budgets that have subsequently resulted to poor service delivery and is a matter worth monitoring.

Committee Recommendation

1. The committee recommends that the Senate clears the audit query.
2. The Committee also recommends that the management put in place strong internal controls to prevent revenue leakages and ensure that all revenue is swept to the County Revenue Account.

1.3 Inadequate Allocation of Development Expenditure; and Employee Costs

Section 107(2) of the Public Finance Management Act, 2012 requires County Governments to allocate a minimum of 30% of their budget to development expenditure over the medium term. However, during the year under review, only Kshs.841, 392,948 representing 10% of the total revenue received of Ksh.8, 218,039,773.20 was allocated for development expenditure. The County may not meet its development agenda and this may lead to slow economic growth. The two queries were handled together since were related.

Management Response

The Governor admitted to the audit query and informed the Committee that, the County Government had allocated shs1, 780,219,637 or 19% of the total budget towards Development; Kshs. 841,392,948 had been spent by 30th June 2014. Ksh.340, 018,988 was rolled over to the following financial year 2014/2015. Because the County did not realize its revenue target as proposed in the budget adjustments were made through Supplementary Appropriation Act no.22 of 2014 to incorporate the shortfall.



In the Financial year 2014/15 the County Government of allocated Kshs.2, 968,309,150 or 31.07% towards Developments in line with the Public Finance Management Act 2012.

The inadequate allocation of Development was occasioned by bloated workforce from the defunct local authority and devolved units of the National Government which consumed 54% of the total budget.

Committee Observation

The Committee observed that counties were not allocating sufficient money to development and the staffing levels were alarming as the county could afford the huge wage bill.

Committee Recommendations

- a) The Committee recommends that the County Executive increase the budgetary provisions for development expenditure in order to adhere to provisions of section 107(2) (a) of the Public Finance Management Act, of 2012 and enhance development in the County.
- b) The Committee further recommends that the Governor institutes forensic audit to ascertain the authenticity of the large workforce and whether staff rationalization would assist the county. The report to be submitted to the Senate within ninety (90) days.

1.4 Car grant to members of the County Assembly – Kshs. 150 million

The County Executive transferred Kshs.150 million from the County Treasury to the County Assembly to enable the Assembly give Members of the County Assembly car grants. However the funds had not been budgeted for and approved as required by Section 154(1) of the Public Finance Management Act, 2012. Failure to follow the budget leads to poor financial management and consequently poor service delivery.

Management Response

The management admitted to the audit query and informed the Committee that the authorized transfer of Kshs.150 Million grant to the ward representative was done after the enactment of the relevant legislation as evidenced by County Gazette Supplement No.4 of 28th March, 2015, as attached. The due process of the law was followed in the reallocation of funds through the supplementary estimate which was tabled in the Assembly and approved.

The Controller of Budget was furnished with the relevant documentation before authorizing the expenditure. The Governor tabled the supplementary appropriations Act through which the fund had been approved by the County Assembly and explained that the Controller of Budget approved the fund. He explained that the fund was administered by the County Assembly.

Auditor's Remarks

The auditor informed the Committee that the documents had been verified and was satisfied.

Committee observation and Recommendation

The Committee guided by the advisory by the auditor and the submission by the management recommended that the audit query be cleared.

2.0 Recurrent and Development Expenditure

2.1 Irregular Allowance to public Service Board Members – Kshs. 1.30 million

The County Executive paid Kshs.1, 300,000 to the Public Service Board members for accommodation in hotels while on duty in the County. However, the days in respect of which the amounts were paid were not indicated and it was therefore not possible to confirm the propriety of the expenditure.

Management Response

According to circular Ref. No.SRC/TS/CGOVT/3/61 dated 13th June 2013 by the salaries and remuneration commission members of the County Public Service Board are entitled to accommodation allowance of ksh.10,000.00 per day while outside their work station.

The Secretary to the Board who is the accounting officer of the board requested for the reimbursement of accommodation expenses for five members vide letter Ref.NKR/PSB/ALLOW./VOL.1/1. (Evidence marked Annex 2.1 payment vouchers).

Based on the memo the County Treasury refunded Ksh. 1,300,000 to the County Public Service Board members for accommodation in hotels as per the following table ;CHEQUE NO.	PAYEE.	AMOUNT.
386	Peter Mbae	300,000.00
386	Tutah Richard.	300,000.00
386	James Mbugua	400,000.00
386	Monicah Cherotich	300,000.00

In mitigation the Governor informed the Committee that the officers were new and had not secured a place and needed to be assisted as they look for a private secure residence.

The Governor further explained that allowances were paid to only the newly hired officers to help them settle down in their duties.

Auditor's Remarks

The Auditor had not satisfactorily verified all the documents.

Committee observation and recommendation

- a) The County Executive should only pay accommodation allowances on the specific days when members of the Board worked outside their duty station.
- b) confirm for how long the allowances were paid and where anomalies were found, recover the money; and
- c) Recommends that the Audit Query remains unresolved until the documents are verified by the Auditors.



2.2 Payments to Casuals in Sub -counties – Kshs 16,069,956.00

The County Executive transferred Kshs. 16,069,956 to the Sub-Counties for payment of casual wages. However, there were no records to show how the casuals were hired or their terms of engagement. Further, no returns including signed master rolls were provided for audit verification to confirm the existence of the casual workers. In the absence of the above records the propriety of money spent on casual wages could not be confirmed.

Management Response

The casuals were being hired by the Sub-County Administrators on a need basis from the locals within their areas of jurisdiction. The records of how the casuals were engaged were being maintained by the Sub-County Administrators including their attendance registers and terms of engagements.

As at the time of audit this could not be confirmed due to the distance and diversity of the County.

The master rolls and payroll returns have been availed to the auditors for verification and copies of the same are hereby provided.

The Governor indicated that later the master rolls were submitted to the office of the Auditor General. He also noted that most of these casuals were employed at the sub county levels.

Auditor's Remarks

The Auditors confirmed that they had verified the master rolls and were satisfied.

Committee Observations

1. The Committee observed that the Auditor had verified the documents and were satisfied.
2. The Committee noted that the County Executive to maintain records of all casuals at the sub county level and returns be submitted and filed at the County Executive Headquarters in time for audit verification.

Recommendations

The Committee recommends that the Senate clears the Audit Query.

2.3 Irregular salary payment to a former County Executive Member -- Kshs 2,632,500.00

Mr. Samuel Ndungu Gitau was appointed as the County Executive Committee (CEC) member in Charge of Trade, Industrialization, Tourism and Wildlife Management at a monthly salary of Kshs.225, 000. Documents available indicate that the CEC member had forged his academic certificates to secure the job and resigned in May 2014. Between July 2013 and June 2014 when payment for his salary was stopped he had earned salary totaling Kshs.2, 632,500.

Management Response

The Governor admitted to the audit query and informed the committee that the case regarding the authenticity of the academic certificates of the officer was forwarded to the criminal investigation department and other relevant arms of the Government.

Committee observation

The Committee resolved that since the member resigned and that the integrity of his documents had not been authenticated, it would be quite difficult to recover salaries paid to him. However, The County Executive should seek redress from the former CEC member and have the salary recovered.

Committee recommendation

The Audit Query remains unresolved until the matter of investigation is concluded and facts on the matter established.

2.4 Unaccounted for Bursaries to County Wards – Kshs. 1,375, 000.00

The County Executive disbursed Kshs. 1,375,000 to all the wards for payment of bursaries for needy students. Each of the fifty five wards received Kshs.25,000. However, no returns were availed showing who the beneficiaries were. Further, there were no acknowledgement letters from the recipient institutions. We could therefore not confirm that the funds were used for the intended purpose. There is a risk of the funds not reaching the intended beneficiaries thus leading to loss of public funds.

Management Response

The Kshs.1, 375,000 was disbursed to the wards to pay for Travel and Subsistence allowance to the ward bursaries committee members. Each ward received Kshs.25, 000 for this purpose. The vouchers and the returns of the expenditure were being maintained at the sub-County offices.

The management has since obtained and forwarded the returns to the auditors for verification. However, later, the regulations on the same were formulated and adopted by the County Assembly. The regulations presented to the Auditor were also submitted to the Committee.

Auditor's Remarks

The Auditors confirmed that the vouchers and the returns of the expenditure had been verified.

Committee Recommendation

- a. The County Executive should formulate clear guidelines on the administration of bursary funds to ensure that the bursaries reach the intended beneficiaries and are adequately accounted for.
- b. The Committee recommends that the Senate clears the audit query.

2.5 County Ministry of Education Bursaries – Kshs. 61,640,679.00

During the period under review, the County Executive spent Kshs.61,640,679 on bursaries to secondary, tertiary and other Institutions of higher learning. However, the expenditure could not be confirmed as proper charge to the County expenditure since there were no acknowledgement

letters from the institutions to confirm receipt of funds totaling Kshs.2,626,320, it was therefore not possible to authenticate the expenditure.

Management Response

The Governor admitted to the audit Query and informed the Committee that upon receipt of application forms for bursaries approved by the ward bursaries committee, cheque(s) together with forwarding letter bearing the names of the beneficiaries to the institutions are written.

The institutions are supposed to acknowledge receipt of the funds and forward the same to the accounts office(s).

As at the time of the audit the county had not received acknowledgement letters from the institution named in the report totaling Kshs.2, 626,320.

On the recommendations of the auditors management dispatched a team to collect the acknowledgement letters.

The management has since received the letters and submitted them to the auditors for verification copies of the same are hereby availed (Evidence marked Annex 2.5).

A special unit has been set up under the Director of Education whose responsibility is to ensure that the funds reach the intended beneficiaries and the institutions do confirm receipt of funds.

The Governor informed the Committee that the relevant document had been delivered to the Auditor's office who acknowledged receipt.

Auditor's Response

The Auditor confirmed that they had verified the documents and were satisfied.

Committee observations

- a. The Committee noted that the documents had been verified.
- b. The Committee further noted the creation of a special unit under the Director of Education to ensure funds reach the intended persons.

Committee Recommendation

The Committee recommends that the Senate clears the audit query.

2.6. Income Tax Penalty

Section 37 of the Income Tax Act, Cap. 470 of the Laws of Kenya provide that employers should deduct tax from their employees before the 10 day following the end of month and remit the same to the revenue authority or risk being penalized.

The County Executive failed to remit Tax deducted from the month of July 2013 and August 2013 of Kshs.16, 527,778 and Kshs.17, 789,053 respectively. This resulted in penalties of Kshs.4, 131,944 for the month of July 2013 and Kshs.4, 447,263 for the month of August. The late payment for the month of August 2013 further attracted a penalty of 2% as per Section 94 (1) of



the Income Tax Act, Cap.470. The County Executive hence incurred a total of Kshs.9, 023,934 to pay for penalty due to late remittance of Income Tax.

Management Response

The Governor admitted to the audit query and informed the Committee that the inadequate funds to pay for the salaries and hence failure to remit Income Tax on time was occasioned by the delay by the National Government to remit funds to the County Government at the beginning of the Financial year.

Cash flow problem were experienced in the months of July and August of this financial year which was caused by procedures put in place by law before county Government can access funds from the exchequer after the closure of the financial year.

The penalty relates to July and August salaries being part of the earlier months of the financial year when the appropriation Act had not been accented to.

Committee Observations

- i. The Committee observed that the Auditor had verified the documents and was satisfied.
- ii. The Committee noted the mitigation Response by the Governor.

Committee Recommendations

1. The County Executive should manage cash flow more efficiently and ensure that adequate funds are maintained to pay statutory deductions as required by relevant laws.
2. The Committee recommends that the Senate Clears the audit query.

3.0 Cash and Bank Balances

3.1 Outstanding Imprests

Imprests totaling Kshs.20, 121,707 were outstanding as at 30 June, 2014. Some officers were advanced more than one imprest while some had remained outstanding for over seven months contrary to the provisions of Section 152 of the Public Finance Management Act, 2012. Failure to surrender imprests when they fall due is a pointer to weak financial control which may lead to loss of public funds.

Management Response

The Governor admitted to the audit query and informed the Committee that it is important to ensure that all imprests are surrendered by the closure of the financial year. However, as at the close of the year 2013-2014 some officers had not accounted for imprests issued to them totaling to Kshs.20, 121,707 as stated.

The named officers were issued with letters giving them 48 hours from the date of the letter to surrender the imprests against their names or the same be recovered from their salaries.(see copies annex attached)

A total of forty two surrender(s) for Kshs15, 272,876.00 have been received and forwarded to the auditors for verification copies of the same are hereby availed. (Annex 3.1 imprest files)

The balance of Kshs.5, 120,831.00 have been forwarded to the Ministry of Personnel Management for recovery.

Emphases on compliance of imprests have been instituted and the county Treasury never issues imprest to an officer who has not surrendered.

Committee Observations

- i. The Committee observed that the County had taken measures to recover the imprest from respective staffers.
- ii. The Committee observed that although the remaining amount of Ksh. 5,129,831.00 had been forward for recovery all outstanding imprests should be recovered from the respective employees' salaries.

Committee Recommendations:

The audit query remains unresolved until all the monies are recovered and compliance is verified by the auditors.

4.0 Current Debtors and Current Liabilities

4.1 Settlement of Inherited Debts

During the period under review, the County Executive paid Kshs.261,463,606 to creditors who had been inherited from the Defunct Local Authorities. The payments were made after a debt management committee formed by the County Executive indicated that debts totaling Kshs.1,028,143,054 had been inherited from the defunct Local Authorities. However, the creditors were not supported with creditors' ledgers. Further, the payment was made before the creditors had been verified and legally transferred to the County Government by the Transition Authority. The County Executive risks paying nonexistent debts and this may lead to loss of public funds.

Management Response

The Governor admitted to the audit query and informed the Committee that some of these debts were continuing to accumulate huge penalties and interest which needed to be avoided.

Some of the creditors were threatening legal action against the county government having rendered service to it.

Based on this the County Government formed an internal committee to verify the genuineness of the debts from the defunct Local Authorities. Based on the recommendation of the Debt Management Committee, it was resolved in our management meeting that we start off-setting the debts systematically.

This was done with a view of giving hope to the creditors, some of whose properties were already being auctioned by institutions which had financed them.

A legal opinion was also sought from the office of the Attorney General on the uptake of liabilities incurred by the former local authorities by County Government (see annex attached)

The creditor's ledgers were being maintained within the LAIFORMS system which was replaced by the IFMIS system.

The Transition Authority took long to conclude the verification yet the people were suffering.

Committee Observations

The County Executive should expedite the takeover of assets and liabilities held by the defunct Local Authorities and adhere to provisions of the Transition to Devolved Government Act, 2012 and Legal Notices issued by the Transition Authority on the handling of Assets and Liabilities from the defunct local authorities.

Committee Recommendations

The Committee recommends that the audit Query be cleared once the debtors and liabilities have been verified and accounted for.

4.2 Pending Bills

Records available indicate that bills totaling Kshs.1, 284,757,334 for the year 2013/2014 were not settled during the year but were instead carried forward to the 2014/2015 financial year. No explanation has been provided for not settling the bills during the year.

Management Response

The Governor admitted to the audit query and informed the Committee as follows-

- i. that bills totaling Kshs.684, 583,231 were inherited from the defunct local authorities. These bills were still being validated and verified by a committee set up by the County Government. The County did not have allocation in the budget to settle of the Bills at the time.
- ii. Bills totaling Kshs.340, 018,988 were for Development projects which had not been completed by the close of the financial year. This amount was rolled over to the new financial year and included in our budget for the year 2014/2015.
- iii. The balance of Kshs.260, 155,115 are for recurrent expenditure which according to financial regulations lapses with the close of the financial year.
- iv. The County Government could not settle all its bills as budgeted because the county did not achieve its target in Revenue collections.
- v. The management confirmed funds were re-allocated in the following financial year as a first charge.

Committee observations

- i. The Committee noted that the governor had made substantial efforts to address the matter of pending bills.
- ii. The Committee noted that failure to settle bills within the financial year had caused anguish to the service providers.
- iii. The Committee further observed that the matter of pending bills was a critical problem affecting counties and needed an urgent redress.

Committee Recommendations:

1. The Committee recommends that Bills should be paid in the period to which they relate as carrying them over to subsequent years adversely affects the budget for year in which they are paid.
2. The Committee further recommends to the Senate to stand down the audit query until such a time that the matter of pending bills is fully concluded and verified by auditors.

5.0. Motor Vehicle

The County Executive procured twenty seven (27) vehicles at a cost of Ksh.161,851,596. Although the vehicle were delivered, log books for twenty six (26) vehicles had not been received except for one Toyota Prado registration GVN 032 A. Consequently, the ownership could not be confirmed.

Management Response

The Governor admitted to the audit query and informed the Committee as follows-

- i. that the issuance of log books is vested with the registrar of motor vehicles.
- ii. that after forwarding the documents to the registrar it took time before the log books were released. This delay was beyond the management control.
- iii. He informed the committee that the motor vehicles log books have since been received and copies of the same availed to the auditor for verification and the Committee for confirmation.

Auditor's Remarks

The log books have been verified and were satisfied.

Committee observations and Recommendations

The Committee considered the auditor's remarks and the mitigation response by the Governor and recommends that the audit query be cleared.

6.0 Procurement

6.1 Procurement of Tippers, Dozers and shovels

The County Executive advertised a tender for the supply of three (3) motor graders 180-200HP. Tracked Dozer with Ripper 200-2HP and wheel loader 165-175HP. Nine (9) companies responded and the contract was awarded to the lowest bidder. However, scrutiny of tender documents revealed that detailed specifications of the machines to be supplied were not clear as required by Section 52 of the Public Procurement and Disposal Act, 2005. An evaluation carried out by the Tender Board Committee on 21 March 2014 revealed huge variations between the highest and lowest bidders. Non adherence to procurement procedures may eventually lead to loss of public funds.

Management Response

The Governor admitted to the audit query and informed the Committee that the department of roads advertised the tenders for Dozers, Shovels and Wheel loaders nationally through an open tender.

The bids were evaluated and contract awarded to the lowest evaluated bidder(s) as per the tender documents attached.

The specifications that were used in the bids documents were sourced from the chief Mechanical and Transport Engineer.

The conformity of the machines to the specifications was verified by the Chief Mechanical and Transport Engineer and a Pre-delivery inspection report issued. (a letter was attached).

The recommendation of the Auditors was noted and appropriate action was recommended to ensure that the provisions of the Public Procurement Act were fully adhered to.

Auditor's Remarks

The Auditor confirmed that the documentation had been verified as was satisfied.

Committee observation

The Committee noted the documents had been verified by the Auditor and was satisfied.

Committee Recommendation

The Committee recommends that the audit query be cleared.

7.0. Conditional Grant for Level Five Hospitals

During the period under review, the County Executive received a Conditional Grant of Kshs.390,283,988 from the National Government in respect of the Rift Valley General Hospital. However, scrutiny of expenditure in respect of the conditional grants revealed the following anomalies.

- i. The Medical Superintendent of Health at the General Hospital requested for conditional Grants of Kshs.102,074,274 of which Kshs.22,074,274 was to cater for recurrent expenditure and Kshs. 80,000,000.00 as capital expenditure for the construction of maternity wing within the hospital. The funds were transferred from the County Treasury to the County Ministry of Health Operational Account in Cooperative Bank A/C No. 0114150646666666100 on 26th November 2013. However, out of this amount of Kshs.102,074,274, only the recurrent portion of Kshs.22,274,000.00 was released for use by the Rift Valley General Hospital while the balance of Kshs.80,000,000.00 meant for the construction of a maternity wing was subsequently used to fund other medical facilities within the County of .
- ii. A further, Kshs.168,126,335.00 was utilized by the Ministry of Health to fund recurrent expenditure in both the Rift Valley General Hospital and other County Health facilities.
- iii. In addition, Kshs.120,087,379 was utilized by the County Treasury to pay salaries for County employees. This was contrary to the intended purpose of funding level 5 hospitals. The services offered by level 5 hospitals were, therefore, negatively affected due to inadequate funding.

Management Response

The Governor admitted to the audit query and informed the Committee that the County Government received Kshs.390,283,988 from the Exchequer on account of Conditional Grants



for the financial year 2013/14. The Department received Kshs.320, 812,336 from the County Treasury which were spent as per the AIEs issued to the Department copies of which are hereby availed. The balance of Ksh.69, 471,652 was used to pay salaries to health workers within the Department.

The County Government funded PGH level 5 and other health facilities from the total AIE received because there were no guidelines that clearly stipulated that these funds were to be channeled to level 5 Hospital only.

The guidelines that were available facilitated spending on other health facilities for both recurrent and development expenditure.

These were

- i) The County Allocation of Revenue act 2013
- ii) The County Government Budget 2013/2014.
- iii) The Public Finance Management Act sec151.

Committee Observations

- i. The Committee noted with concern that the Senate had worked so hard to lobby funds for Level 5 hospitals as conditional grants only payable to specific counties with this level of hospital.
- ii. The Committee observed that the justification for special grants for level 5 hospitals which serve more than one county had been defeated if the County had diverted money to other county health facilities.


Committee Recommendations

- 1. The Committee recommends that the County Government should ensure it adheres to requirements for use and regulations on conditional grants.
- 2. The County Executive was required to address the anomalies noted in order to ensure effective services delivery at the level 5 hospital.
- 3. The Committee further recommends that the laid down Government procedures and processes be strictly adhered to ensure public resources are used only for purposes for which they are intended.
- 4. The Audit query remains unresolved until such a time that it's verified by Auditors that the grant is being used prudently and as required by the conditions for the grant.

MIN.NO.022 /2017 ADJOURNEMENT

The meeting was adjourned at 11.00am and resolved to resume consideration and adopt the report of Kisii County Executive on at 11.30am.

Signature: _____



SEN. (PROF.) ANYANG' NYONG'O, MP
(Chairperson)

Date: _____

06/06/2018

MINUTES OF THE 4TH SITTING OF THE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS&INVESTMENTS HELD ON THURSDAY 13TH MARCH 2018 AT MAIN PARLIAMENT BUILDING, COMMITTEE ROOM 5 FROM 9:00 A.M.

PRESENT

1. Sen. Moses OtienoKajwang', M.P. -Chairperson
2. Sen. (Prof) Sam K. Onger, EBS, EGH, M.P.
3. Sen. Paul KimaniWamatangi, M.P.
4. Sen. Charles ReubensonKibiru, M.P.
5. Sen. LedamaOlekina, M.P.
6. Sen. Mohammed Faki, M.P.

ABSENT WITH APOLOGY

7. Sen. Franklin Mithika Linturi, M.P. -Vice Chairperson
8. Sen. Fatuma Dullo Adan, CBS, M.P.
9. Sen. Millicent Omanga, M.P.

SENATE SECRETARIAT

1. Ms. Emmy Chepkwony -Principal Clerk Assistant
2. Mr. Yussuf Shimoy -Clerk Assistant
3. Mr. Fredrick Muthengi - Principal Physical Analyst- PBO
4. Mr. Eric Ososi -Research Officer
5. Ms. Lucy Radoli -Legal Counsel
6. Mr. Reuben Kimosop -Senior Serjeant-At-Arms
7. Mr. Godana Mamo -Serjeant-At-Arms
8. Mr. Robert Rop -Audio Recording Officer

MIN. NO. SEN/CPAIC/18/2018: PRELIMINARIES

The chairperson called the meeting to order at 9:20 a.m. and there followed a word of prayer by the Sen. Charles Kibiru.

MIN. NO. SEN/CPAIC/19/2018: ADOPTION OF AGENDA

The agenda of the meeting was adopted after it was proposed and seconded by Sen. Charles Kibiru, M.P. and Sen. Mohammed Faki, M.P. respectively.

MIN. NO. SEN/CPAIC/20/2018: CONFIRMATION OF MINUTES OF THE PREVIOUS MEETINGS

Minutes of the third sitting held on Thursday, 8th March, 2018 were confirmed as a true record of the deliberations of the Committee after they were proposed and seconded by Sen., M.P. Mohammed Faki and Sen. Paul KimaniWamatangi, M.P. respectively.

MIN. NO. SEN/CPAIC/21/2018: MATTERS ARISING FROM THE PREVIOUS MINUTES

Under MIN.NO.SEN/CPAIC/17/2018

The Chairperson informed the meeting that the request by the Governor for Taita Taveta County regarding the intervention of the Senate in dealing with pending bills had been forwarded to the Senate Standing Committee on Devolution and Intergovernmental Relations. Members noted that the matter ought to have been forwarded to the Committee on Public Accounts and Investment and the Chairperson was tasked to follow up the subject with the Speaker and the Liaison Committee.

MIN. NO. SEN/CPAIC/22/2018: CONSIDERATION OF THE PROPOSED SCHEDULE OF INVITATION OF COUNTY EXECUTIVE FOR THE YEAR 2014/15 AND 2015/16

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

DATE	9.00 AM
Consideration of the Report of the Auditor- General on the Financial Statements for the Financial Year 2014/2015 and 2015/2016	
Tuesday, 10 th April, 2018	Makueni County Executive
Wednesday, 11 th April, 2018	Murang'a County Executive
Thursday, 12 th April, 2018	Mandera County Executive
Tuesday, 17 th April, 2018	Samburu County Executive
Wednesday, 18 th April, 2018	Mombasa County Executive
Thursday, 19 th April, 2018	Kwale County Executive
Thursday, 3 rd May, 2018	Embu County Executive
Tuesday, 8 th May, 2018	Machakos County Executive
Wednesday, 9 th May, 2018	Kakamega County Executive
Thursday, 10 th May, 2018	Uasin Gishu County Executive
Tuesday, 15 th May, 2018	TransNzoia County Executive
Wednesday, 16 th May, 2018	Homa Bay County Executive
Thursday, 17 th May, 2018	Siaya County Executive
Tuesday, 23 rd May, 2018	Nyeri County Executive

Wednesday, 24 th May, 2018	Garissa County Executive
Thursday, 25 th May, 2018	Isiolo County Executive
Tuesday, 29 th May, 2018	Meru County Executive
Wednesday, 30 th May, 2018	Taita/ Taveta County Executive
Thursday, 31 st May, 2018	Marsabit County Executive
Tuesday, 5 th June, 2018	Nyandarua County Executive
Wednesday, 6 th June, 2018	Bomet County Executive
Thursday, 7 th June, 2018	Wajir County Executive
Tuesday, 12 th June, 2018	Laikipia County Executive
Wednesday, 13 th June, 2018	Tharaka-Nithi County Executive
Thursday, 14 th June, 2018	Tana River County Executive
Tuesday, 19 th June, 2018	Kirinyaga County Executive
Wednesday, 20 th June, 2018	Nairobi County Executive
Thursday, 21 st June, 2018	West Pokot County Executive
Tuesday, 26 th June, 2018	Kitui County Executive
Wednesday, 27 th June, 2018	Kisumu County Executive
Thursday, 28 th June, 2018	Bungoma County Executive
Tuesday, 3 rd July, 2018	Baringo County Executive
Wednesday, 4 th July, 2018	Nyamira County Executive

The Committee deliberated on the proposal and resolved to consider the audit queries of a County Executive and its County Assembly at the same time for one financial year 2014/15. The Committee directed the secretariat to re-organize the schedule. Further consultations was to be done by the chairperson on the availability of members during the recess to enable a final determination on the schedule of invitations.

MIN. NO. SEN/CPAIC/23/2018: PRESENTATION BY PARLIAMENTARY BUDGET OFFICE ON AUDIT REPORTS WITH HIGH FUDICIARY RISK

The Parliamentary Budget Office presented an analysis on the Auditor General reports on County Governments (County Assemblies and County Executives) for FY 2015/2016 and the following issues came out-

1. Irregulars in Car and House Mortgage Loans Schemes where there were cases of variation in amount of loan disbursed against the value of the house or car contrary to the regulations governing.

2. Irregularities in procurement: procuring outside the prequalified entities contrary to Article 227 of the Constitution and value for money.
3. Non-compliance with the public sector Accounting Standards Board requirement that a report on follow up of previous year's audit recommendation and summary of fixed assets register should be included as part of the annexures to the financial assets.
4. Cases where Members of the County Assembly are paid for sitting allowances and yet said to be in foreign trips at the same time.
5. Failure by various counties to establish Internal Audit Committee.
6. Unaccounted expenses and undelivered goods.
7. Taxable allowances paid without subjecting to applicable tax as per section 5(2)(a) of the Income Tax Act cap 470.
8. Incomplete and or no fixed assets register at both County Assemblies and County Executives leading to loss of property and other movable assets and office equipment.
9. Outstanding imprest and advances that lack supporting documents.
10. Under collection of local revenue.
11. Other recurring audit queries included: irregular payments, under expenditure, pending bills, unsupported expenditure, unbudgeted expenditure and uncompleted and stalled projects.

The Committee directed the physical analyst from PBO:

- 1) To make a comprehensive analysis on audit queries from 2012/13 to 215 /16 in cooperating the issues in the reports of the Controller of Budget during the same period giving particular attention to development projects.
- 2) Compile list of Counties with high fiduciary risk after the analysis.
- 3) Give clarity on pending bills in the counties.
- 4) List of counties that fail to establish audit committees.

MIN. NO. SEN/CPAIC/24/2018: CONSIDERATION OF WORK OF SCHEDULE FOR THE SUB-COMMITTEES ON REPORT WRITING.

The Committee resolved to undertake a report writing retreat in Kwale County from 22nd to 26th March, 2018 to enable the sub-committees to start their work of clearing the backlog.

MIN. NO. SEN/CPAIC/25/2018: CONSIDERATION OF THE CONCLUDED BY THE PREVIOUS COMMITTEE

The reports were presented before the Committee as part of the pending business from the previous Committee. The Committee resolved that the following six 6 reports be tabled considered and adopted by the previous Committee for the adoption by the House-

- a) Narok County Executive

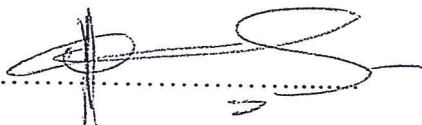
- b) Turkana County Executive
- c) Kilifi County Executive
- d) Kajiado County Executive
- e) Kisii County Executive, and
- f) Nakuru County Executive

The Committee further resolved to unbundle and re-table reports of the previously tabled ten (10) with the exception of three (3) counties (Migori, TransNzoia and Busia) which had petitions and are to be tabled in a revised version.

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

Having considered the business as set out in the agenda, the meeting was adjourned at 11:15 a.m. until Tuesday, 20th March, 2018.

Signed.....



Date.....

27/3/2018

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

