THE COUNTY ASSEMBLY OF BOMET

THIRD ASSEMBLY: THIRD SESSION

THE COUNTY PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE REPORT ON THE REPORT OF THE AUDITOR GENERAL ON THE BOMET COUNTY EXECUTIVE FOR THE YEAR ENDED 30TH JUNE, 2022

JUNE, 2024

Hon - Speaker
You may approve
for tabling
Kiprotich
28/08/2024

THE COUNTY ASSEMBLY OF BOMET

THIRD ASSEMBLY – THIRD SESSION

THE COUNTY PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE REPORT ON THE REPORT OF THE AUDITOR-GENERAL ON THE BOMET COUNTY EXECUTIVE FOR THE PERIOD ENDING 30TH JUNE 2022

BOMET COUNTY ASSEMBLY
SPEAKER
28 AUG 2024
Sign.............
P.O BOX 190-20400, BOMET

Approved
28/08/2024

JUNE, 2024

Tabled on 28/08/2024

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Abbreviations and Acronyms

CIHMIS	-	County Integrated Hospital Information System
COB	-	County of Bomet
CRF	-	County Revenue Fund
HELB	-	Higher Education Loans Board
HRISP	-	Human Resource Information System Payroll
IFMIS	-	Integrated Financial Management Information System
IPPD	-	Integrated Payroll and Personnel Data Base
IPSASs	-	International Public Sector Accounting Standards
KRA	-	Kenya Revenue Authority
LIMS	-	Laboratory Management Information System
LPO	-	Local Purchase Orders
LSO	-	Local Service Orders
MDA	-	Ministry, Department & Agency
MES-	-	Managed Equipment Service
MOH	-	Ministry of Health
MPMC	-	County Performance Management Committee
NHIF	-	National Health Insurance Fund
NSSF	-	National Social Securtiy Fund
PAYE	-	Pay As You Earn
PFMA	-	Public Finance Management Act.
RFQs	-	Request For Quotations
UHRIS	-	Unified Human Resource Integrated System

1 INTRODUCTION

Pursuant to the mandate of the County Public Investments and Accounts Committee and on behalf of the members of the Committee, I beg to present the Report of the Committee on the issues raised in the Report of the Auditor-General on County Executive of Bomet for the period ended 30th June, 2022.

The audit objective was to ascertain whether the systems formulated and applied by the County Executive were reliable for the management of the County Executive's Finances in delivering its mandate.

The Audit covered the County Executive of Bomet expenditure for the period commencing 1st July 2021 to 30th June 2022. Upon concluding the audit the Auditor-General prepared a report touching on the following areas:

a) Report on the Financial Statements

b) Report on the Lawfulness and Effectiveness in use of Public Resources

c) Report on Effectiveness of internal controls, Risk Management and Governance

1.1 Establishment of the Committee

The County Public Investments and Accounts Committee is a select Committee established under the Standing Order No. 198 (1) and is responsible for the examination of the workings of public accounts and investments within the County.

1.2 Committee Membership

The Committee as currently constituted comprises of the following Honourable Members: -

1. Hon. Charles Langat - Chairperson
2. Hon. Denis Kiplangat - Vice Chairperson
3. Hon. Leonard Rotich - Member
4. Hon. Olivia Koskei - Member
5. Hon. Richard Ruttoh - Member
6. Hon. Denis Busienei - Member

7. Hon. Caroline Chelangat - Member

1.3 Mandate and powers of the Committee

Pursuant to Standing Order 198 (2), the Committee is mandated to do the following: -

a) The examination of accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and such other accounts laid before the County Assembly as the Committee may deem fit.

b) The examination of the reports, accounts and workings of the county public investments;

c) The examination, in context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

The Committee, under the provisions of Article 195 of the Constitution of Kenya and Standing Order 184 is mandated to exercise all the powers and privileges bestowed on the County Assembly by the Constitution and relevant statutes, including the power to summon witnesses, examine them on oath, receive evidence and to request for and receive papers and documents from the County Government and the public.

1.4 Guiding Principles

In the execution of its mandate, the Committee is guided by core constitutional and statutory principles on public finance management, as well as established legislative customs, traditions, practices and usages. These principles include:

i. Constitutional Principles on Public Finance

Article 201 provides for the fundamental principles of public finance. Under the said Article, the following principles shall guide all aspects of public finance in the republic;

- *201(a) there shall be openness and accountability, including public participation in financial matters;*
- *201(d) public money shall be used in a prudent and responsible way; and*

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

Therefore, in arriving at its observations and recommendations, the Committee was guided by these principles during the preparation of this report.

ii. Direct Personal Liability

Article 226(5) of the Constitution is emphatic that "If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not''. The Committee has relied on this constitutional provision as the basis for holding each Accounting Officer and other Public Officers directly and personally liable for any loss of public funds under their watch. The Committee has and will continue to invoke this provision in its recommendations to hold those responsible personally accountable. It is envisaged that it will serve as a deterrent measure.

iii. Obligations of the Accounting Officers

Section 156 (1) of the Public Finance Management Act, 2012 provides that:

" If an accounting officer reasonably believes that a public officer employed by a County Government entity has engaged in improper conduct in relation to the resources of the entity, the accounting officer shall –

a) Take appropriate measures to discipline the public officer in accordance with regulations; or

b) Refer the matter to be dealt with in terms of the statutory and other conditions of employment applicable to that public officer."

Section 156 (4):

" For purposes of this section, a public officer or accounting officer engages in improper conduct if the officer-

a) contravenes or fails to comply with this Act or any regulation in force;

b) undermines any financial management procedures or controls;

c) *makes or permits an expenditure that is unlawful or has not been properly authorised by the entity concerned; or*

d) *fails without reasonable cause to pay eligible and approved bills promptly in circumstances where funds are provided for."*

Section 156(5):

" Disciplinary measures under this section may not be taken against a public officer or accounting officer under subsection (1) (a) or (2) (a) unless the officer has been given an opportunity to be heard in relation to the alleged improper conduct concerned."

1.5 Acknowledgement

I wish to take this opportunity to thank the Honourable Members for their hard work and commitment which made the taking of evidence and preparation of this report successful.

It is my pleasant duty and privilege, on behalf of the County Public Investment and Accounts Committee, to present this report on the Financial Statements of the Bomet County Executive for the year ended 30th June, 2022 for debate and consideration.

Signed .... Date 28/08/2024

Hon. Charles Langat

Chairperson, County Public Investment and Accounts Committee

1.6 Committee Ownership

We, Honourable members of the County Public Investments and Accounts Committee do hereby append our signatures to this report to affirm our approval and confirm its accuracy, validity and authenticity: -

NO.	NAME	DESIGNATION	SIGNATURE
1.	Hon. Charles Langat	Chairperson	
2.	Hon. Denis Kiplangat	Vice Chair	
3.	Hon. Leonard Rotich	Member	
4.	Hon. Olivia Koske	Member	
5.	Hon. Caroline Chelangat	Member	
6.	Hon. Denis Busienei	Member	
7.	Hon. Richard Ruttoh	Member	

2 THE COMMITTEE REPORT ON THE ISSUES RAISED BY THE AUDITOR GENERAL FOR THE FINANCIAL YEAR 2021/2022

2.1 Introduction

The County Assembly of Bomet received the Auditor-General's report which was subsequently tabled and referred to the County Public Investments and Accounts Committee on **12th April, 2023**. In dealing with the report, the Committee invited the Accounting Officer and other witnesses to respond to all the audit queries raised in respect of the Financial Operations of the County Executive for the Year ended 30th June 2022.

2.2 Committee Proceedings

The Committee held a total of six sittings to deliberate on the issues raised by the Auditor-General. On 15th May, 2024, the Accounting Officer of the County Executive appeared before the Committee and responded to the audit queries for the year under review.

The Accounting Officer was tasked to explain in detail all the measures the County Executive has put in place to ensure that public funds are expended in compliance with the law. During its sittings, the Committee closely examined and heard evidence from the witnesses and also reviewed various relevant documents.

In taking evidence, the Committee was guided by the existing procedures and modalities of operation of the Bomet County Assembly derived from the Constitution of Kenya, the Standing Orders, common practices and rulings and directives.

2.3 General Overview of the Auditor-General Report for the Period Under Review

The committee noted that the Auditor-General upon auditing the Financial Statements of the County Executive which comprise of the statement of financial assets as at 30 June 2022 and the statement of receipts and payments, statement of cash flows, summary statements of appropriation, recurrent and development combined for the year then ended in accordance with the provisions of Article 229 of the Constitution of Kenya and section 35 of the Public Audit Act, 2015, was able to express qualified opinion.

The Committee further observed that the basis for Qualified Opinion were thrity-five (35) issues which had been raised by the Auditor-General with regards to the County Executive Financial Statements for the Year ended 30th June, 2022.

3 RESPONSES, OBSERVATIONS AND RECOMMENDATIONS ON ISSUES RAISED IN THE AUDIT REPORT

3.1 Report on the Financial Statements

3.1.1 Understated Exchequer Releases (Transfer from CRF)

The statement of receipts and payments reflects exchequer releases (transfers from CRF) amounting to Kshs.6,155,811,191. However, the amount does not include income received from lease of medical equipment amounting to Kshs.153,297,872 as disclosed under other important disclosures at Note 8 to the financial statements which was recovered at source by the National Treasury. Further, the lease agreement and list of the leased equipment were not provided for audit verification.

Management Response

The Accounting Officer submitted the income from lease of medical equipment amounting to Kshs. 153,297,872 was not included in our receipts statement since the amount was not received in the CRF account and could not be recognized as revenue received under the cash basis in our books.

Furthermore, the amount deducted at source does not have any supporting documentation by way of communication to the county treasury for it to be recognized as income. Further, there was no handing over documents indicating the details of lease, nature of lease equipment handed over from the parent ministry of health to the county government.

Committee Observation

The Committee was satisfied with the response and the matter was **marked as resolved**.

Committee Recommendation

The Committee recommends that:-

i) The accounting officer must at all times ensure that proper documentations and explanations are given to the Auditor-General on time in order to avoid audit queries.

ii) The Senate should ensure that the lease agreement detailing the scope of the programme including equipment types, costs, specifications be availed to the County Government by the relevant state ministry within the next three months.

3.1.2 Misclassification of Foreign Travel and Subsistence

Note 5 to the financial statements reflects foreign travel and subsistence expenditure amounting Kshs. 25,268,634. The expenditure includes payments made to local hotels amounting to Kshs. 8,114,300. However, the expenditure is not foreign travel and subsistence in nature.

Management Response

The anomaly in classification of the transactions was noted and corrected accordingly in the financial statement. The journals indicating the corrected journal entries have been availed for audit verification and copies have been attached herein. (**Annex 1; Journal vouchers).**

Committee Observation

The committee noted that the Management has provided journal vouchers (**Annex 1**) of Kshs.8,114,300 to correct the anomaly from foreign travel to hospitality. **The matter is marked as resolved**.

Committee Recommendation

The Committee recommends that the accounting officer must at all times ensure that proper documentations and explanations are given to the Auditor-General on time in order to avoid audit queries.

3.1.3 Unsupported Legal Dues/Fees, Arbitration and Compensation

Included in the other operating expenses amounting to Kshs.283,015,068 reflected in Note 5 to the financial statements is legal dues/fees, arbitration and compensation expenditure amounting to Kshs.5,980,400. However, examination of the legal documents and current status of legal matters revealed cases still pending in courts. However, the pending cases have not been disclosed in the financial statements as contingent liabilities contrary to paragraph 100 IPSAS 19 which states that unless the possibility of any outflow in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, where practicable an estimate of its financial effect.

Management Response

The county indeed had pending cases in the courts in the financial year under review. The omission to disclose the contingent liabilities was noted and was majorly because the amount of the liability had not been adequately estimated at the time of preparation of the financial statement. This has however, been rectified in the subsequent financial year 2022-23 by disclosing all contingent liabilities as required. An extract of the financial statement was attached for review. **(Annex 2 - extract of financial statement showing contingent liabilities)**.

Committee Observation

The Committee noted that the Management provided evidence of the disclosure of Contingent Liabilities (**Annex 2**) under annexure 5 of the Financial Statements for the year ended 30 June 2023. The committee was satisfied with the management response and the matter was **marked as resolved**.

Committee Recommendation

The Committee recommends that the accounting officer must at all times ensure full compliance with the provisions of IPSAS and that proper documentations and explanations are given to the Auditor-General on time in order to avoid audit queries.

3.1.4 Transactions after the Reporting Period

The statement of receipts and payments reflects total payments of Kshs. 7,814,437,956. The amount includes payments made after 30 June, 2022 amounting to Kshs. 273,015,458. This is contrary to the International Public Sector Accounting Standards (Cash Basis) reporting framework and Regulation 97(1) of the Public Finance Management (County Governments) Regulation, 2015 which states that the accounts of the County Government entities shall record transactions which take place during the financial year running from 1 July to 30 June.

Management Response

The Accounting Officer submitted that the payments under review were clearing transactions pending transmissions at Central Bank following approvals from COB. These payments were processed at IFMIS and accounted before 30th June but were still pending transmission to the beneficiary accounts after the year ended due to the delay in exchequer releases. The approval forms and CRF statement indicating the date when the amounts were received have been attached for audit verification. (A**nnex 3 Form C and CRF statement.)**

Committee Observation

The Committee noted that the management provided forms B and C pertaining to the transactions in question (**Annex 3**). It was further noted that in the financial statements for the year ended 30 June, 2023 there were no transaction after the reporting period.**The issue was marked as unresolved**.

Committee Recommendation

The Committee recommends that the National Treasury should ensure that exchequer releases to the County are effected on time to enable the County Government comply fully with the requirements of International Public Sector Accounting Standards (Cash Basis) reporting framework and Regulation 97(1) of the Public Finance Management (County Governments) Regulation, 2015.

3.1.5 Unsupported Pending Accounts Payables

Disclosure 1 under other importance disclosures to the financial statements reflects pending accounts payable balance of Kshs. 874,731,953. However, the pending bills were not supported with invoices, delivery notes, aging analysis and signed contracts. Further, the balance included pending accounts payable amounting to Kshs 842,392,069 relating to 2020/2021 and earlier years which have not been paid. This is contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations.

Management Response

The Accounting Officer submitted that the management prepared the list of pending bills in each subsequent year. The pending bills are always processed through pending bills module in Ifmis as the first charge on the budget at the start of each financial year. However, due to budget constraints, not all pending bills are paid in the financial year. The pending bills for the previous financial years have been paid on priority based on the certificates that had been raised on certified work done upon meeting the threshold of requisite supporting documentation. Its noteworthy that project management in construction and civil works is prone to challenges especially on the side of the contractors and to some extent environmental factors.

Payment of suppliers is also affected by the late release of the equitable share by the national treasury which seriously affects contractors seeking for part payments to complete the projects leading to slug in project completion. **(Annex 4 – Copies of payment vouchers attached with invoices.)**

Committee Observation

The committee was not satisfied with the management response. The Committee observed that:

1) Review of the pending bills schedule provided for audit revealed a total amount of Kshs 913,467,480 resulting to unexplained and unreconciled variance of Kshs.197,777,459.

2) Further, pending bills totalling to Kshs.221,127,366 were not supported with completion certificates and invoices for constructions and civil works, delivery notes and inspection and acceptance reports and procurements documents.

3) The Pending Bills remains a great challenge that requires serious consideration and intervention by the County Government.

4) The issue was **marked as unresolved**.

Committee Recommendation

The committee recommends that:

i) The County Government must urgently take necessary steps to ensure that payment of Pending Bills is prioritized.

ii) The County Executive should report progress of payment of pending Bills to the County Assembly on quarterly basis.

3.2 Inaccuracies of the Financial Statements

3.2.1 Transfer to County Assembly

Note 7 to the financial statements reflects transfers to County Assembly of Bomet totalling Kshs. 731,128,005. However, the amount is in variance with the amount of Kshs. 721,128,005 reflected both at Disclosure 5 under other importance disclosures and Annexure 7 to the financial statements resulting to an unreconciled and unexplained variance of Kshs. 10,000,000.

Management Response

The Accounting Officer submitted that the total transfers to County assembly as indicated in Note 7 to the financial statements is Kshs. 731,128,005. The discrepancy was due to latter amendments to the financial statement after reconciliations were made. Copies of the annex disclosures were attached for review. (Annex 5 – Excerpt of financial statement disclosures).

Committee Observation

The committee noted that the specific amendements alleged to have been made to the financial statements and the journal vouchers in support of the amendments were not provided for audit review.

Committee Recommendation

The Committee recommends that the accounting officer must at all times ensure that proper documentations and explanations are given to the Auditor-General on time.

3.2.2 Scholarships and Other Educational Benefits

Note 8 to the financial statements reflects scholarships and other educational benefits totalling Kshs. 134,026,107. The amount included Kshs. 91,916,005 transferred to Bomet

County Bursary Fund. However, the transfer has not been reported under transfers to other government entities and disclosed as related party transaction in Disclosure 5 under other importance disclosure to the financial statements. Further, the transfer is in variance with the bursary fund transfers totalling Kshs. 39,250,698 as reflected in Annexure 7 to the financial statements resulting to an unreconciled and unexplained variance of Kshs. 52,665,307.

Management Response

The anomaly noted in categorization of Scholarships and other educational benefits under other grants and payments instead of transfers to other government entities has been noted. This is because the template had indicated Scholarship and other educational benefit under other grants and payments. The noted misclassification has since been corrected in the subsequent financial year by categorizing all self - reporting entities under Transfers to other government entities.

Further the transfers has been included under related party transactions in the cumulative amount of Kshs.134,026,17 in Disclosure 5 of the financial statement. Subsequently the anomalies noted herein have been taken note of and corrected accordingly in financial year 2022-2023. The total transfers to bursary fund are Kshs.91,916,005 as per note 7 Annex 6 Note 7 and inter entity transfers.

Committee Observation

The committee noted that the management have provided financial statement extracts for the period ended 30 June, 2022. Disclosed under related party transactions is Transfers to Non-Reporting Entities E.G Schools and Welfare totaling 134,026,107. Disclosed under Annex 7 – Inter-Entity Transfers is Bursary fund amount confirmed as received totaling Kshs.91,916,005. The Committee was satisfied and the issue **was marked as resolved**.

Committee Recommendation

The committee recommends that;

a) The Accounting Officer should always avail all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

b) That the Accounting Officer should ensure full and proper disclosure in the financial statements

3.3 Variances Between Financial Statements Amounts and Integrated Financial Management Information System (IFMIS) Records

A comparison of the financial statements figures and IFMIS records revealed the following anomalies:

3.3.1 Variances with IFMIS Payments

The statement of receipts and payments reflects total payments of Kshs.7,814,437,956 which vary with IFMIS total payments of Kshs. 7,535,000,459 resulting to an un-explained and unreconciled variance of Kshs. 279,437,497.

Management Response

The Accounting Officer submitted that it is true that variances with IFMIS records abound since there are modules in IFMIS which are non-functional. Additionally, there were clearing transactions and reconciling items in the cashbook that caused these variances.

Therefore, reconciliations with IFMIS records during system cleaning are always done at the close of the financial year. The preparation of financial statement is done after extracting data and cleaning data to reflect the payments reported under cash basis of accounting.

The variances with IFMIS payments were majorly due to cash on transit and other items for reconciliation in cash book. Bank reconciliations were done to explain the discrepancy.

Committee Observation

The committee was not fully satisfied with the management response. It was also noted that Un-explained variance of Kshs.279,437,497 has not been supported with Journal vouchers. However, the matter was marked as resolved upon further explanation from the Accounting Officer.

Committee Recommendation

The Committee recommends that the National Treasury should ensure that all the IFMIS Modules are operationalized.

3.3.2 Duplicated Payments

The statement of receipts and payments reflects total payments of Kshs.7,814,437,956. Review of IFMIS records revealed duplicated payments amounting to Kshs.2,272,162,523. However, no explanation has been provided for the duplicated payments.

Management Response

The Accounting Officer submitted that there were no duplicated payments, however the appearance of duplicated system generated voucher numbers is due to the different charge accounts made. One payment voucher is used for salaries but charged to various votes carrying single voucher number i.e basic salaries, commuter allowance, House allowance etc.

Committee Observation

The Committee observed that Management have provided payment vouchers in support of payment vouchers for salaries in response to duplicated payments (Annex 7) but have not supported the duplicate payment totaling Kshs.2,272,162,523. The Committee was satisfied with the explanation from the Accounting Officer.

Committee Recommendation

The Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

3.3.3 Voided Payments

Three thousand and six (3,006) transactions in IFMIS amounting to Kshs. 2,108,031,630 were voided. However, supporting documents such as the voided payment vouchers, request to void payments, National Treasury approval and Exchequer requisitions from the Controller of Budget were not provided. Further, the voided payments have not been disclosed as pending accounts payable. The utilization of funds meant for voided transaction was also not confirmed.

Management Response

The Accounting Officer submitted that the voided payments are made because of the following reasons.

a) Request by merchants to change bank details.

b) Transmission failures to Internet Banking due to tax obligation and system integration failure.

c) Year-end closing procedure of system cleaning

d) The disclosure of pending bills for merchants have been availed for verification.

Committee Observation

The Committee was concerned by the failure by the Accounting Officer to avail supporting documents such as the voided payment vouchers, request to void payments, National Treasury approval and Exchequer requisitions from the Controller of Budget during the audit.

Committee Recommendation

The committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

3.3.4 Payments Higher than Local Purchase Orders and Local Service Orders

Payments in IFMIS amounting to Kshs. 19,925,559 were billed higher than the corresponding local purchase orders'/local service orders' amount totalling to Kshs.17,567,435. No explanation was provided for the over invoicing amounting to Kshs. 2,358,124.

Management Response

These relates to five payment vouchers under review. One out of these payment vouchers was erroneously keyed in by transposing values with a difference of Ksh 19,000. One payment did not relate to the county executive amounting to Ksh 4,733,200. Two payment vouchers were made to a tune of their contractual amount as per the LPO/LSO. Attached are payment vouchers and the corresponding LPOs. (Annex 8)

Committee Observation

The Committee was concerned by the failure by the Accounting Officer to provide required information and supporting documents at the time of audit. The management further provided payment vouchers that do not provide explanation to payments higher than IFMIS LPOs and LSOs resulting to over invoicing of Kshs.2,358,124 (Annex 8). **The issue is marked as unresolved**.

Committee Recommendation

The committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

3.3.5 Payments in Internet Banking not in IFMIS

Three hundred and forty-five (345) payments amounting to Kshs.593,326,428 were reflected in the internet banking (IB) but were not in IFMIS payment details.

Management Response

The variance was caused by reconciling items in the cash book for clearing transactions at the end of the previous financial year 2020/2021. These are transactions that did not capture their respective charge accounts after passing journal entries in the system.

Committee Observation

The committee observed that the Accounting Officer did not give satisfactory explanation.

Committee Recommendation

The committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

3.3.6 Payments without Invoices

IFMIS records indicate that payments of amounting to Kshs. 96,139,223 were made without invoices. The basis for the payments could not, therefore, be confirmed.

Management Response

The Accounting Officer submitted that the payments under review were fully supported by invoices. Copies of invoices are availed for verification.

Committee Observation

The committee was concerned by the failure to submit invoices at the time of audit. **The issue was marked as unresolved.**

Committee Recommendation

The committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

3.3.7 Unsupported Adjustments of Financial Statements

The financial statements presented for audit were adjusted. However, the revised financial statements were not supported with approved journal entries. Further, adjusted trial balance was not provided for audit verification.

Management Response

The Accounting Officer submitted that All the adjustments made to the financial statements are supported by journal vouchers. The copies of journal vouchers have been availed for audit verification.

Committee Observation

The committee was confirmed by the failure to submit approved journal entries and adjusted trial balance were not provided at the time of audit. **The issue was marked as unresolved.**

Committee Recommendation

The committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

3.4 Report on Other Matter

3.4.1 Budget Controls and Performance

The statement of comparison of budget and actual amounts reflects a final receipts budget of Kshs.8,803,243,742 against actual receipts of Kshs.7,197,378,557 resulting to budget under funding of Kshs.1,605,865,185 or 18% of the budget. Similarly, the statement reflects a final expenditure budget of Kshs.8,803,243,742 against the actual expenditure of Kshs.7,814,437,956 resulting to under absorption of Kshs.988,805,785 or 11% of the budget. The budget under funding and under absorption affected the planned activities.

Management Response

The Accounting Officer submitted that it's true that there was under funding of Kshs. 1,605,865,185 or 18% of the budget. Late disbursement of exchequer release and equitable share also led to subsequent under absorption of Kshs. 988,805,785 or 11%. This was majorly due to unreleased proceeds from donor grants budgeted for the financial year thus resulting in the shortfall of revenue. We hope that all budgeted revenues are received on time going forward to ensure that the county activities are not affected.

Committee Observation

Upon the submission by Accounting Officer, the Committee observed that:

i) The management has provided analysis of actual revenue received showing Kshs.519,883,660 was not realized

ii) A Central bank statement was also provided showing Exchequer issues received after the financial year from national treasury.

iii) Underfunding issue remains: In the financial year ended 30 June, 2023, the statement of comparison of budget and actual amounts - recurrent and development combined reflects final receipts budget and actual on comparable basis amounts of Kshs.7,192,138,652 and Kshs.5,966,951,222 respectively resulting to under-funding of revenue of Kshs.1,225,187,430 or 17% of the budget.

Committee Recommendation

The committee recommends that the County Government should liaise with other National Government Institutions and agencies including the Council of Governors and the Senate to ensure timely disbursement of funds by the National Treasury for timely implementation of projects and service delivery.

3.5 Progress on Follow Up of Auditor Recommendations

The County Executive has not submitted a report on how it has addressed the Senate and County Assembly recommendations and findings of audit reports for the years 2013/2014 to 2019/2020.This is contrary to Section 31(1) (a) of the Public Audit Act, 2015 which states that within three months after Parliament has debated and considered the final report of the Auditor General and made recommendations, a state organ or a public entity that had been audited shall, as a preliminary step, submit a report on how it has addressed the recommendations and findings of the previous year's audit. Further, Management has not disclosed how prior year audit matters were resolved. In the circumstances, the recommendations of oversight bodies have not been implemented.

Management Response

The Accounting Officer submitted that the Prior year audit issues for years 2013/2014 to 2019/2020 have been deliberated and the management has acted on the recommendations given during PAC senate committee proceedings in March 2023 and another sitting in December 2023.

Committee Observation

The Committee was not fully satisfied with the management response and explanation. The Committee noted that several recommendations which had been made by the Committee in the previous financial years are yet to be acted upon including the following:

(i) Maintenance of Accounting Records: -

The Committee noted that there still exists persistent challenge of weak and inadequate maintenance of accounting records including cashbooks, schedules, payment vouchers and bank accounts in the county executive during the year under review.

It was further noted that there were numerous anomalies and errors in figures reported regarding various expenditures leading to adjustments and amendment of financial statements. A number of financial statements differed materially with the ledgers and trial balances from where, ideally, they ought to have been derived.

(ii) County Valuation Roll

The Committee noted that the issue have been raised in three successive financial years yet the County Executive has had not concluded on valuation. Consequently, it was the committee's observation that the County Executive ought to have prioritized review and adoption of a new Valuation Roll.

Recommendation:

The County Executive Committee Member in charge of Finance and Economic Planning and all the Accounting Officers **MUST** ensure that;

a) The County Executive keeps up-to-date and reconciled financial and accounting records that comply with provisions of part IX of Public Finance Management (County Governments) Regulations 2015 and Section 163(2) of the Public Finance Management Act 2012 and that complete financial and accounting records are presented within four (4) months after the close of the financial year pursuant to the provisions of Section 163(4) of the Public Finance Management Act 2012.

b) The County Executive Committee Member in Charge of County Treasury should submit the new Valuation Roll to the County Assembly **within three months** upon adoption of this report.

c) The County Executive prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time in compliance with the provisions of the Public Finance Management Act 2012.

d) That the County Executive must ensure that Committee recommendations in respect of deliberations by the County Assembly on audit issues are implemented to avoid recurrence of audit issues in the subsequent financial years.

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

4.1 Delayed Remittance of Statutory Salary Deductions

Review of statutory salary deductions records revealed that the County Executive made salary deductions for Pay as You Earn (PAYE), National Social Security Fund (NSSF), National Hospital Insurance Fund (NHIF) and Provident Fund. However, the deductions were not remitted within the prescribed timelines as detailed below.

4.1.1 National Social Security Fund

Review of documents provided for audit revealed that National Social Security Fund deductions amounting to Kshs.17,312,400 were made from the employees out of which Kshs.3,686,840 was remitted leaving a balance Kshs.13,625,560.

Management Response

The Accounting Officer submitted that it is true that there were delayed remittances due to the delayed releases of exchequer to the county executive. This was due to delay in disbursement of exchequer release to the county government at the close of the financial year. However, all deduction due were subsequently paid when we received the exchequer releases and all NSSF dues were subsequently paid once money was received in our accounts.

Extract of Bank statement has been availed for audit verification as; (**Annex 11;- Extract of bank statement)**

Committee Observation

The committee noted that the management provided an extract of bank statements detailing payments to NSSF totaling to Kshs.12,753,320(**Annex 11**). However, Kshs.4,559,080 remains outstanding. **The issue was therefore marked as unresolved.**

Committee Recommendations

The Committee recommends that County Executive must ensure that NSSF deduction must be remitted on monthly basis.

4.1.2 National Hospital Insurance Fund

The statement of receipts and payments reflects compensation of employee amounting to Kshs.3,074,957,402 as detailed under Note 4 to the financial statements. The amount includes Kshs.8,379,200 paid to National Hospital Insurance Fund out of total deduction of Kshs.19,469,250 made from the employees resulting to unremitted balance of Kshs.11,090,050. In addition, account statements for NSSF, NHIF and Provident Fund were not provided for audit verifications.

Management Response

The Accounting Officer submitted that all NHIF dues were subsequently paid once money was received in our accounts.

Committee Observation

The committee noted that there was no evidence provided for the payment of unremitted NHIF amounts totaling to Kshs.11,090,050. **The issue was therefore marked as unresolved.**

Committee Recommendations

The Committee recommends that County Executive should ensure that NHIF deduction must be remitted within the prescribed timelines.

4.1.3 Outstanding Pay As You Earn

The Kenya Revenue Authority (KRA) I-Tax general ledger of the County Executive reflected outstanding PAYE amount of Kshs. 1,851,905,012 for the years 2016 to 2022 which has attracted penalties amounting Kshs. 662,957,689. No effort has been made to clear or negotiate how the total outstanding PAYE inclusive of penalties of Kshs. 2,514,862,702 will be repaid without incurring further penalties.

Management Response

The Accounting Officer submitted that the county government made all the payments for all PAYE at the end of every month except for the month of June which was made in July. However, the i-tax ledger had not been reconciled by posting the payments in i-tax through e-slip generation. Reconciliations of PAYE was done in January 2024 and a copy of reconciliation statement has been attached for audit verification and hereby attached as Annex 12 – KRA reconciliations. Extract of Bank statement has been availed for audit verification as; (**Annex 11;- Extract of bank statement)**

Committee Observation

The committee noted that the management has provided a copy of reconciliation statement for unpaid PAYE amounts totaling to Kshs.1,316,643,927.88 (Annex 12). However, unremitted PAYE obligations remain outstanding. **The issue was therefore marked as unresolved.**

Committee Recommendations

The Committee recommends that County Executive should ensure that PAYE deduction must be remitted within the prescribed timelines to avoid incurring penalties for delayed remittance.

4.2 Irregular Maintenance of Human Resource Information System

The County Executive maintains both Integrated Personnel Payroll Data (IPPD) and Human Resource Information System Payroll. The Human Resource Information System Payroll is maintained for 2080 employees. This is contrary to Treasury Circular No.13/2019 dated 28 August, 2019 which states that the allocation of personnel emoluments must be supported by Integrated Personnel Payroll Data (IPPD) and each Ministry, Department and Agency (MDA) will be required to provide this information to support personnel requirements. No explanation was provided for maintaining the two payroll systems.

Further, gross salary amounting Kshs.897,809,831 was processed through Human resource information system in the year under review. However, the system did not reflect the essential employee information details such as the designation, identity card (ID) number, KRA PIN, date of birth, date of employment, gender, ethnic code, job group and job scale.

Management Response

The Accounting Officer submitted that the county indeed maintained two payroll systems during the year under review. The Human Resource Information Payroll system was sourced by the County Government of Bomet in the financial year 2014/2015 financial year to bridge gaps between employees in different cadres who did not have designations in the Integrated Personnel and Payroll Database (IPPD) and delay in mapping of staff to IPPD.

The system has since been ceased in January 2023 after migrating all staff to Unified Human Resource Information System (UHRIS). New staff were on boarded to the System upon application to the Directorate of Public Service management.

Committee Observation

The committee noted the County Executive migrated Staff into the Unified Human Resource Information System (UHRIS) in January 2023. **The issue was therefore marked as resolved.**

Committee Recommendations

The Committee recommends that the County Government should ensure continuously that all staff are onboarded to the Unified Human Resource Information System (UHRIS).

4.3 Lack of County Human Resource Plans and Performance Management System

The County Performance Management Committee (MPMC) has not developed and implemented an internal performance monitoring, evaluation and reporting system. Further, the performance of all employees was not evaluated and feedback on performance reported at the end of the year. This is contrary to Policy A.17 of the Human Resource Policies and Procedures Manual, 2017 of the County Government of Bomet which requires the County Performance Management Committee (MPMC) to ensure that the performance of all officers is evaluated and feedback on performance is relayed in writing at the end of the year, and develop and implement the internal monitoring, evaluation and reporting system.

Management Response

The Accounting Officer submitted that it is true that the County Government had not developed and implemented an Internal Performance Monitoring, Evaluation and Reporting System during the FY 2021/2022. This is because the County Performance Management Committee had not been formed but its formation was done on in FY 2023/2024 whose first meeting was held on 18th November 2023. Copy of the minutes is hereby attached **(Annexure I)**.

Committee Observation

The committee observed that Internal Performance Monitoring, Evaluation and Reporting System is critical in improving service delivery within the County Public Service. The matter was **marked as unresolved**.

Committee Recommendation

The Committee recommends that the County Executive should fully implement the Human Resource Policies and Procedures Manual, 2017 of the County Government of Bomet.

4.4 Irregular Recruitment of Employees

Review of personnel records revealed the following anomalies:

(i) The vacancies were not declared by the authorized officer to the County public service Board. This is contrary to Policy B.3 (1) of the County government of Bomet Human Resource Policies and Procedures Manual, 2017. Departmental annual recruitment plans for the year were also not provided for audit verification.

Management Response

The Accounting Officer submitted that before recruitment is done all County Departments submits annual Recruitment Plan. The Authorized Officers submits the Job Indent to the County Public Service Board which serves as the vacancy declaration. Consequently, during the FY 2021/2022, all the County Departments submitted their plans and were all compiled together. Attached herewith is the 2021/2022 consolidated Recruitment Plan (Annexure II) and the sample Job Indent for Disaster Management Personnel during the period under review for your reference (Annexure III).

Committee Observation

The Committee noted that the management has provided the consolidated recruitment plan (**Annexure HRII**) and a sample job indent for disaster management personnel (**Annexure HRIII**). The Committee was however, concerned by the failure by the

County Executive to avail Departmental annual recruitment plans for audit verification. The issue was **marked as resolved**.

Committee Recommendations

The Committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

(ii) The newly recruited employees were issued with appointment letters and reported to work before signing the employment contracts letters. This is contrary to Policy B.7 (1) of the County government of Bomet Human Resource Policies and Procedures Manual, 2017 which requires persons appointed to any office to be issued with appropriate letter of offer on appointment, which must be signed before.

Management Response

The Accounting Officer submitted that before taking up the appointment, a person appointed to any office by the Public Service Board is issued with an offer of appointment. The appointee is required to signify acceptance in writing in line with section 3.7 (i) (ii) of the County Human Resource Policies and Procedures Manual. The Officer is then issued with a letter of probationary appointment indicating the effective date of appointment - this being the date the officer reports for duty. Attached here with are sample letters and acceptance of the said appointments **(Annexure IV).**

Committee Observation

The committee was satisfied with the response and the issue was **marked as resolved**.

Committee Recommendations

The Committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

(iii) Newly recruited fifty-seven (57) employees had served on probation for more than 6 months. However, they had not been confirmed into the permanent and pensionable establishment. This is contrary to Policy B.20 of the County Government of Bomet Human Resource Policies and Procedures Manual, 2017.

Management Response

The Accounting Officer submitted that it is true that some officers had not been confirmed during the period under review. Consequently, County Human Resource Management Advisory Committee during its meeting held on 14th July 2022 recommended officers who were serving on probation for confirmation in their appointment. Attached herewith are extract of the minutes for your reference (Annexure V). We have also attached a sample letter from the Board Communicating a list of officers who were confirmed on 8th September 2021(Annexure VI). The remaining group of officers who had not been confirmed were recommended for confirmation during the County Human Resource Advisory Committee meeting held on 5th April 2024 (Annexure VII).

Committee Observation

The committee was concerned by the failure to avail documents at the time of audit. The issue was **marked as resolved**.

Committee Recommendations

The Committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

(iv) Appointment letters for the position of political advisor and gender advisor were signed by the Governor contrary to Section 63(1) of the County Governments Act, 2012 which gives the County Public Service Board absolute power to make appointments and promotions in respect of the offices in the county public service.

Management Response

The Accounting Officer submitted that it is true that the said appointment letters were signed by the Governor but currently a corrective measure was done. Attached are sample letters to that effect for your reference. (Annexures VIII).

Committee Observation

The committee was satisfied with the response and the issue **was marked as resolved**.

Committee Recommendations

The Committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities**.**

4.5 Irregular Staff Promotions

The statement of receipts and payments reflects compensation of employee's expenditure of Kshs. 3,074,957,402 which include Kshs. 276,588,120 paid to 192 employees who had been promoted. However, the promotions were not based on performance appraisals, staff establishment, needs assessment, vacancy advertisement and conduction of interviews. Further, employee records of the promoted employees were not provided. The effective date of promotion, previous Job Groups of the promoted employees and their qualifications were therefore not confirmed. In addition, promotion letters were signed by the County Secretary instead of the Secretary to the County Public Service Board. In the circumstances, Management was in breach of the law.

Management Response

The Accounting Officer submitted that the County Human Resource Management Advisory Committee recommends officers for promotion who are; duly appraised **(Sample Appraisals**

forms IX) after being forwarded by the respective Authorized Officers and based on vacancies in the Staff Establishment. Before then, the officers are assessed if they meet the requirements as per the Scheme of Service and if there are vacancies in the next Job Group. In exceptional cases, a staff can be recommended for promotion to a competitive post where there are more vacancies in the next Job Group. The Office of the County Secretary sometimes gets delegated power to (communicate County Public Service Board's decision) sign letters for promotions. Attached here with are copies of instances / letters of the delegated power during the period under review **(Annexure III).** This is where the county Public Service Board attached a list of officers to be promoted.

Observation

The Committee observed that the management provided the sample appraisal forms, performance appraisals, staff establishment, needs assessment, vacancy advertisement and the letters of delegated authority to the Office of the County Secretary to communicate promotions. It was further noted that in the financial year ended 30 June, 2023 there were no irregular staff promotions. The matter **was marked as resolved.**

Recommendations

The Committee recommends:

a) That the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

b) That all future recommendations must follow the laid down procedures and should be based on performance appraisals, staff establishment, needs assessment, vacancy advertisement and interviews.

4.6 Over Expenditure on Compensation of Employees

The statements of receipts and payments reflects compensation of employees' expenditure amounting to Kshs.3,074,957,402. However, the expenditure is approximately 43% of the County Executive revenue amounting to Kshs.7,197,378,557. This is contrary to Regulation

25 (1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which recommends a limit of 35%.

Management response

The Accounting Officer submitted that the the county sets a limit through the approved budget to meet the requirements of this provision, however, due to the shortfall in own source revenue and other sources of revenue. He further noted that the County Government shall strive to ensure that all revenue targets are achieved going forward.

Committee Observation

The committee observed that the payment on compensation of employees of Kshs.2,637,357,657 constitute 44% of total revenue of Kshs.5,966,951,222 received during the year 2022/2023. This is 9% above the allowable limit. The Committee was concerned that failure to comply with the law was impacting negatively on the availability of funds for development and other activities.

The matter was **marked as unresolved**.

Committee Recommendation

The Committee recommends that the County Government must put in place proper measures to ensure that Regulation 25 (1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which recommends a limit of 35% on personnel emolument is adhered to.

4.7 Irregular Salary Deductions

The statement of receipts and payments reflects compensation of employees amounting to Kshs.3,074,957,402. Review of the payroll revealed that 142 employees earned net salaries less than a third of their basic pay. This contrary to Section19(3) of Employment Act, 2007 which stipulates that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed.

Management Response

The Accounting Officer submitted that the management is aware of the overcommitted staff salary which mostly occurred through departmental deductions (explicit) like imprest, salary advance recovery and HELB loans. Nevertheless, the management is working to ensure adherence to a third basic salary rule**.**

Committee Observation

The committee observed that adherence to the requirements of Section 19(3) of the Employment Act, 2007 was in the best interest of the employees. Further review of the Integrated Payroll and Personnel Database (IPPD) system for the year ended 30 June, 2023 revealed that one thousand, three hundred and eighty-eight (1,388) officers were drawing net salary less than a third of their monthly basic salary. The Committee was not satisfied by the management's response and the matter was **marked as unresolved**.

Committee Recommendation

The Committee recommends that the County Government must strive to ensure that a third basic salary rule is adhered so that the officers are not exposed to the risk of pecuniary embarrassment.

4.8 Non-Adherence to Affirmative Action on Gender, Ethnicity and Regional Distribution

Review of the County Executive staff establishment revealed that out the 4,358 employees, 4,260 (or 98%) belong to the dominant ethnic community. This is contrary to Section 65(1)(e) of the County Governments Act, 2012 which stipulates that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

Management Response

The Accounting Officer submitted that the county government always encourages people from all over country to apply for positions through footnotes in advertisements done by the county public service board. The management is working on ensuring that ethnic composition is achieved in the coming and every subsequent recruitment**.**

Committee Observation

The committee was satisfied by the management's response.

Committee Recommendation

The Committee recommends that the County Government should continue encouraging applicants across the country during all future recruitments.

4.9 Non-Compliance on Effectiveness of Citizen Participation

Note 5 to the financial statements reflects other operating expenses totalling to Kshs.283,015,068. The amount include expenditure amounting Kshs.144,683,875 incurred by the County Executive on public participation. However, records of the number of public participation meetings held for budget preparation were not provided for audit verification. Further, the County Executive does not have a Public Participation Policy. In the circumstances, Management was in breach of the law

Management Response

The Accounting Officer submitted that the county government has an robust public participation act which was enacted in 2019. We however, did not have our own policy at the time of audit but we were adopting the national policy guidelines on public participation. We have already initiated the process of developing our own policy which is currently at the draft level. Furthermore, all public participations held for budget process were properly documented and kept. (**Annex 14** -; Minutes of public participation)

Committee Observation

The committee observed that the management has provided newspaper extracts of advertisement of public participation forums on Budget Estimates for various sub county venues, public participation minutes (**Annex 14**) and the matter **was marked resolved**.

Committee Recommendation

The Committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit

Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

4.10 Unauthorized Expenditure

Included in the total payments of Kshs.7,814,437,956 reflected in the statement of receipts and payments is expenditure amounting Kshs.5,987,237,926 on various expenditure items which exceeded the approved budget of Kshs. 2,077,105,496 resulting to unauthorized. expenditure of Kshs.3,910,132,430. However, approval of the County Assembly was not sought. This is contrary to Regulation 112 of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to seek County Assembly approval for the excess vote.

Management Response

The Accounting Officer submitted that the statement of receipts and payments amount of Kshs.7,814,437,956 as reflected is well within the budgetary provisions as approved by the county assembly. This is evidenced by the statement of budget – development and recurrent combined and the budget execution by programs and sub-programs of the financial statement and the appropriation act. **(Annex 15 County Appropriation Act 2022).**

Committee Observation

The committee observed that the management provided a copy of the County Appropriation Act 2022 (**Annex 15**) and the matter was **marked as resolved.**

Committee Recommendation

The Committee recommends that the Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

4.11 Transfers to the County Assembly

The statement of receipts and payments reflects transfers to other government entities amounting to Kshs.1,030,121,131. The amount includes transfers to County Assembly of

Bomet amounting to Kshs.731,128,005 (or approximately 10%) of the total County revenue amounting to Kshs.7,197,378,557. However, the amount exceeds seven percent (7%) limit provided for in Regulation 25(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the approved expenditures of a County Assembly shall not exceed seven per cent of the total revenues of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower. In the circumstances, Management was in breach of the law

Management Response

The Accounting Officer submitted that the county's budgeted provisions were within this requirement, however, the shortfall in revenue during the financial year could not accommodate this fiscal responsibility. However, he submitted that the County Government shall strive to ensure that going forward, through enhancement of local revenue to meet this fiscal responsibility.

Committee Observation

The committee observed the management responded that the irregularity was due to a shortfall in revenue. However, the matter was marked as unresolved.

Committee Recommendation

The Committee recommends that the County Government must strive to ensure that its own source revenue is enhanced.

4.12 Uncollected Property Rent and Rates

Review of documents provided for audit revealed that the County Executive collected property rent amounting Kshs. 4,777,093 during the year under review. However, property rates arrears amounting Kshs. 344,782,935 had not been collected. No explanation has been provided for failure to collect the arrears. Further, the collection of property rates arrears amounting Kshs. 344,782,935 was not budgeted for in the year under review. Failure to collect revenue as envisaged will affect implementation of services to the public.

Management Response

The Accounting Officer submitted that the property rates and rent include accumulated penalties of Ksh 226,921,458 over time which has seen the rates ballooning to the current amount of Ksh 349,560,028 from the actual arrears of Ksh 122,638,570. We have instituted waiver measures to attract payment of the principal amount.

Committee Observation

The committee observed that the County Government has not made sufficient steps to put in place measures to reverse the trend of uncollected property rent and rates and improve own source revenue. The matter is **marked as unresolved**.

Committee Recommendation

The Committee recommends that the County Executive must institute measures to recover uncollected rent and property rates within three (3) months upon adoption of this report.

4.13 Delayed Implementation of Projects

Audit inspection conducted in October, 2022 revealed that twenty (27) projects implemented at a cost of Kshs.44,408,803 had not been completed as expected. Further, the contractors were not on site. Management did not provide explanation for the delays and measures being taken to ensure completion of the projects. In addition, a report on the status of development projects was not provided for audit verification.

Management Response

The Accounting Officer submitted that the projects under review were ongoing while a few had stalled. The projects have since completed and a few that did not take off have been terminated following the task force recommendations that all the projects that had stalled be terminated and re-budgeted for in the coming financial years. A copy of status reports, warning letters and termination letters have been availed for audit verification and hereby attached as **(Annex 16 Status Reports.)**.

Committee Observation

The committee was concerned that several projects remain stalled, uncompleted or completed but not in use. It was also concerned that documentation and information was not availed at the time of audit. The matter is **marked as unresolved**.

Committee Recommendation

The Committee recommends that the County Government must take demonstrable steps to:

i) Ensure that all the stalled and uncompleted projects be prioritized in terms of funding and completed within one year.

ii) Ensure that contractors that do not have capacity to execute government projects are not contracted to undertake projects.

iii) The Contractors that have undertaken substandard work must be blacklisted and subsequently denied opportunity to undertake any other contract with the County Government

iv) The Accounting Officer should always supply all documentation for audit review in line with provisions of Section 9(1e) of the Public Audit Act, 2015 which gives the Auditor-General powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities.

4.14 Delayed Construction of Bomet Stadium

The construction of Bomet Stadium at a contract sum of Kshs.257,498,105 had not been completed by the completion date of 29 June, 2021. Review of the project's documents and physical verification on 27 October 2022, revealed that the construction stalled with only 1.5% of works completed. The total payments to the contractor amounted to Kshs.14,013,380 (or 5.4%) of the agreed contract sum, which exceeds the 1.5% value of works completed. Further, records provided for audit indicate that the stadium land belongs to Bomet University College. Management did not provide explanations for these anomalies. In the circumstances, the value for money may not be realized from the public funds committed to the projects.

Management Response

The Accounting Officer submitted that the county government indeed entered into a contract for completion of the stadium for a multi- year agreement. However, when the courts issued an injunction on implementation of the project, on the contested land ownership. However, the county government ceased the contract pending court ruling. On a court ruling dated 19th January 2023, the verdict was made in favor of Bomet university college.

Furthermore, the amount paid to the contractor of Kshs. 14,013,380 is commensurate to the billed quantities of work done as measured by the Engineer from a contract sum of Kshs. 257,498,105. The percentage of work done was erroneously indicated in the progress report as1.5%, however measurement sheets, summary of statement of account and billed quantities accounts to 5.4% or Kshs. 14,013,380. Therefore, the correct percentage of work done is 5.4%.

Committee Observation

The committee made the following observation:

i) The management has not provided the annexures in support of the percentage completion of works as submitted.

ii) The ownership of land underwhich the stadium is situated legally belongs Bomet University but the the project has since stalled.

iii) The issue is **marked as unresolved.**

Committee Recommendation

The Committee recommends that the County Government should not commit any further funds to the construction of the stadium.

4.15 Delayed Implementation of the County Integrated Hospital Management Information System

Review of documents revealed that the County Executive through the Department of Finance and Economic Planning incurred an expenditure of Kshs. 1,728,400 for supply, delivery, testing and commissioning of County Integrated Hospital Information System. The contract agreement was signed on 23 June, 2020 between Bomet County Government and the supplier at a contract sum of Kshs. 9,981,220 with an implementation period of six (6) months. However, as at the time of audit, the modules for radiology, health records, procurement and stores had not been fully implemented.

Failure by the supplier to fully implement and commission the system as per the contract agreement would lead to breach of the contract and also hamper service delivery to the public.

Management Response

The Accounting Officer submitted that for Radiology Module, the County Integrated Hospital Information System (CIHMIS) vendor has delivered what was expected except that it was to be integrated with Laboratory Management Information System (LIMS) which was installed by the vendor contracted by the Ministry of Health, National Government. There has been long ongoing and unconcluded discussion with the LIMS vendor to provide the API (Application Programming Interface) to allow integration to be concluded. However, the CIHMIS vendor had also provided its Radiology Module which the Radiographers have not consumed since LIMS was installed by MOH, with its own internet, for continuous monitoring of specific tests.

As for Health Records, the pending issues by time of carrying audit were on accuracy of the output which were mainly related to input from the users (Garbage in Garbage Out) and enforcement of the policies within the Hospital. Furthermore, another issue that had delayed finalization of this module was changes of MOH Templates. All the issues have been resolved.

The Procurement module utilization was hampered by the Procurement module utilization was hampered by the Executive Order No.2 of 2018 – Procurement of Public Goods, Works and Services by Public Entities - by the President that gave directives to Public Entities to use IFMIS for e-procurement. Hence use of HMIS procurement would cause conflict to the said order. However, Stores Module is being used for issues of medical drugs, non-pharms and other commodities.

In Conclusion, the Hospital management is fully cognizant on the need to always implement the contract in totality.

Committee Observation

The Committee observed that:-

i) The management has provided reasons as to why as at the time of audit, the modules for radiology, health records, procurement and stores had not been fully implemented.

ii) The County Integrated Hospital Information System (CIHMIS) is yet to be integrated with Laboratory Management Information System.

iii) The Radiology Module is not in use since LIMS was installed by MOH, with its own internet, for continuous monitoring of specific tests

iv) The matter is marked as unresolved

Committee Recommendation

The Committee recommends that the County Executive should within **six (6) months** take steps to ensure that:-

i) The Integrated Hospital Information System (CIHMIS) be integrated with Laboratory Management Information System

ii) The already connected modules be utilized to achieve value for money.

5 GENERAL OBSERVATIONS AND RECOMMENDATIONS

The Committee draws the attention of the County Assembly to the following general observations and recommendations arising from the Committee proceedings, evidence taking and selected project visits and findings that relate to the fiscal year under review:

5.1 Maintenance of Accounting Records: -

The Committee noted that there still exists challenge of weak and inadequate maintenance of accounting records including cashbooks, schedules, payment vouchers and bank accounts in the county executive during the year under review. It was further noted that there were numerous anomalies and errors in figures reported regarding various expenditures leading to adjustments and amendment of financial statements. A number of financial statements differed materially with the ledgers and trial balances from where, ideally, they ought to have been derived. This implies that capital assets are expensed as a result of which Statements of Assets as at the end of each financial year do not show a complete and true and fair view of the County Government's assets.

Recommendation:

The CECM in charge of Finance and Economic Planning and all the accounting officers **MUST** ensure that;

a) The County Executive keeps up-to-date and reconciled financial and accounting records that comply with provisions of part IX of Public Finance Management (County Governments) Regulations 2015 and Section 163(2) of the Public Finance Management Act 2012 and that complete financial and accounting records are presented within four (4) months after the close of the financial year pursuant to the provisions of Section 163(4) of the Public Finance Management Act 2012.

b) The County Executive prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time in compliance with the provisions of the Public Finance Management Act 2012.

5.2 Prior Year Matters

The audit report for the previous year had highlighted several issues on the financial statements for the year and on lawfulness and effectiveness in use of resources. The Committee noted that several recommendations which have been made by the Committee in the previous financia/l years are yet to be acted upon.

Recommendation:

The County Executive must ensure that recommendations made by the County Public Investment and Accounts Committee and approved by the County Assembly are acted upon within the specified timelines.