BCA/PAEPIC/03/2017/12

REPUBLIC OF KENYA

BOMET COUNTY ASSEMBLY
CLERK
18 JUL 2017
P. O. Box 590-20400 BOMET

COUNTY GOVERNMENT OF BOMET

COUNTY ASSEMBLY

FIRST ASSEMBLY- FIFTH SESSION

THE PUBLIC ACCOUNTS AND INVESTMENTS COMMITTEE REPORT ON THE AUDITOR GENERAL'S REPORT FOR FY 2014/15 ON THE FINANCIAL OPERATIONS OF THE COUNTY ASSEMBLY.

BOMET COUNTY ASSEMBLY
CLERK
18 JUL 2017
P. O. Box 590-20400 BOMET

Tabled on 19th July, 2017
at 9:00 am.

27TH FEBRUARY, 2017

Mr. Speaker Sir,

On behalf of the Members of the Bomet County Assembly Public Investments and Accounts Committee, I beg to move the adoption of the Audit Report of the Committee on the Auditor General Report on the Financial Operations of the County Assembly of Bomet for the period ending 30th June, 2015.

The Public Investments and Accounts Committee is a select Committee established under the Standing Order No. 189 and is responsible for the examination of the working of public investments. The Committee was constituted by the Assembly in 2013 pursuant to Standing No. 189.

Committee Membership.

The Committee is composed of the following members:-

1. Hon. Samson Towett MCA - Chairperson
2. Hon. John Chepkwony, MCA - V/ Chairperson
3. Hon. Reuben Langat, MCA - Member
4. Hon. Benard Ngeno, MCA - Member
5. Hon. John Molel, MCA - Member
6. Hon. Leah Chepkoech, MCA - Member
7. Hon. Leonard Kirui, MCA - Member

Committee Mandate.

The Committee is mandated to do the following;

i) 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 think fit.

ii) Examine the reports and accounts of the public investments;

iii) Examine the reports, if any, of the Auditor General on the public investment;

iv) Examine, 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 shall however not examine: -

a) Matters of major Government policy as distinct from business or commercial functions of the public investments;
b) Matters of day-to-day running and
c) Matters for the consideration of which machinery is established by any special statute under which a particular public investment is established.

The procedure of a Select Committee and other related matters thereto is covered under the Standing Order No. 189. The Committee has power, under the provisions of Article 195 of the Constitution of Kenya, to summon witnesses, examine them on oath and receive evidence.

Allow me Mr. Speaker to thank the entire Membership of this Committee for its hard work and commitment which made the taking of evidence and production of this report a success.

It is therefore my pleasant duty and privilege, on behalf of the PAC/PIC Committee, to table this report on the Financial Operations of the County Assembly of Bomet for the FY 2014/15 for debate, consideration and adoption.

Signed .... Date 18.7.2017

HON. SAMSON TOWETT

CHAIRPERSON

PAC/PIC COMMITTEE.

Committee Membership and Ownership.

We, Honorable members of the PAC/PIC 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. Samson Towett	Chair	
2.	Hon. John Chepkwony	V/Chair	
3.	Hon.John Molel	Member	
4.	Hon. Leah Chepkoech	Member	
5.	Hon. Benard Ngeno	Member	
6.	Hon. Reuben Langat	Member	
7.	Hon. Leonard Kirui	Member	

Background.

The Public Accounts and Investments Committee has the mandate to examine audit reports on the financial transactions of the County Governments, both Executive and County Assembly under Standing Orders No. 189 and Article 229(5) of the Constitution of Kenya.

The audit objective was to ascertain whether the systems formulated and applied by the County Assembly were reliable for the management of the County Assembly's finances in the delivery of services to the local residents.

The Audit covered the County Assembly of Bomet for the period 1 July 2014 to 30 June 2015. The terms of reference set for the audit included verifications and confirmations of transactions in respect but not limited to the following areas:

- Budgetary control and performance.
- Annual operational/Activity plans.
- Cash and bank balances.
- Procurement and procurement of goods, works and services.
- Allowances including travelling and accommodation expenses for local and foreign trips.
- Cash and bank balances.
- Motor vehicle running expenses and fuel.

- Non-current assets.
- Human resource records.

The County Assembly of Bomet received the Auditor General report which was then tabled and forwarded to the Public Accounts & Investments Committee. Subsequently the PAC/PIC sat and resolved to invite the Accounting Officer and other witnesses to answer all the audit queries in respect of the Financial Operations of the County Assembly for the FY 2014/2015.

Committee proceedings

The Committee held four (4) meeting on 26th January,2017,30thJanuary,2017,6thFebruary,2017 and 13th February, 2017.During the meeting of 13th February, 2017, the Accounting Officer of the County Assembly responded to all the audit queries on the Financial Operations of the County Assembly for the FY 2014/2015. He also took his time to explain in details all the measures the County Assembly has put in place to ensure that public funds are used as per the law to benefit the residents of Bomet County.

During its sitting, the Committee closely examined and heard evidence from the witnesses and also reviewed various documents and received written evidence from the Accounting Officer.

While 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, 2010; Bomet County Assembly Standing Orders, common practices and rulings and directives of the Chair.

The Legal Framework.

Article 226 (1) (5) of the Constitution of Kenya, 2010 stipulates that:-

"If the holder of a public office, including a political office, directs or approves the use of public funds contrary to the 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."

Section 74 of the Public Finance Management Act, 2012 states that:-
In pursuance to Article 226(1) (5) of the Constitution of the Republic of Kenya, Section 74 of the Public Finance Management Act, 2012 gives Accounting Officers powers to discipline errant officers under their jurisdiction. The same section of the Act also gives the Appointing Authority of Accounting Officers powers to discipline errant Accounting Officers. Section 74(3) of the Act empowers the Appointing Authority to revoke appointment of errant Accounting Officers.

The Committee is glad to note the existence of the Public Finance Management. Act and calls on the Appointing Authority to strictly apply provisions of this Act to ensure fiscal discipline over public funds.

In this report, the Committee has applied Sections 226(1) (5) of the Constitution of Kenya, 2010 and 74 of the Public Finance Management Act to make recommendations.

THE PAC/PIC REPORT ON THE ISSUES RAISED BY THE AUDITOR GENERAL FOR THE FINANCIAL YEAR 2014/15.

1.0 Budget Performance Analysis

The County Assembly of Bomet had an approved budget of Kshs. 305,000,000 which was on recurrent expenditure only. Out of this amount, the County Assembly spent Kshs. 296,824,220 or 97 % of the budgeted amount on various expenditure items. The County Assembly realized an overall under expenditure of Kshs. 8,175,780 during the year.

Management Response

In his response to the Committee, the Clerk stated that it was true that County Assembly had a balance of Kshs 8,175,780 at the end of financial year 2014/2015.This amount related to (1) compensation for employees and (2) the use of goods- out of which the sum relating to the use of goods was carried forward to FYI 2015/16.
With regard to the compensation for employees, the County assembly had planned to recruit twelve (12) additional staff during the financial year, but owing to a court case in which the Executive sued the Assembly regarding the matter, the Assembly was only able to recruit seven (7) additional staff and thus spent less than the amount budgeted for. The staff recruited were as follows:
Personal Secretary-One (1) Officer
Driver I- Two (2) Officers

Driver III- Three (3) Officers
Records Management Officer-One (1) Officer
Assistant Sergeant At Arms- One (1) Officer
The following positions were however not filled:
Procurement Assistant-One (1) Officer
Media Relations Officer-One (1) Officer
Gardener/Cleaner-One (1) Officer
Driver III-One (1) Officer

Additionally, one (1) staff was dismissed on October, 2014 and another One (1) staff transferred to the Executive in January, 2015 after being appointed by Executive as a Ward Administrator.

It should be noted also that the payment of salaries and allowances during the financial year 2014/2015 was managed by the County Executive.

iii) There was no under expenditure regarding the acquisition of braille machine because by the close of the financial year, the Braille machine had been procured but had not been delivered. However, the item was carried forward to the next financial year as commitment as shown in the financial statement.

iv)The Clerk also stated that there was no under expenditure since procurement for good and service relating to that vote had been done but had not been paid at the close of the financial year. The same had been committed in the vote book. The commitment had been carried forward to the next financial year as shown in the financial statement.

Committee Observations.

Though the committee agreed with the Accounting officer's response, they raised the following concerns;

1. The County Assembly was unable to implement human resource plan due to pending court cases between the County Assembly and the County Executive.

2. Pursuant to Section 12(7)(b) of the County Government Act 2012, the County Assembly Service Board has mandate to recruit staff of the County Assembly.

Committee Recommendations.
The Committee recommends that;

1. The County Assembly should be independent in carrying out its mandate without interference by the County Executive as provided by the County Government Act 2012.
2. The County Assembly should adhere to its Annual Procurement Plan as provided by the Public Procurement and

Disposal Act 2015.

2.0 Car and Mortgage Loan Schemes

The County Assembly disbursed Kshs.81, 610,000 for the car loan and mortgage facilities to the members of the County Assembly through the Transnational Bank Limited during the year. An audit review of the operation of the schemes revealed that the administrator of the fund was in violation of the regulations since the following documents were not in his custody:-

i) Copies of the log books jointly registered in the name of the Bomet County Assembly Service Board and the borrower.

ii) Original documents (titles) relating to property financed from the fund.

Further, the 3% interest charged on members which translates to Kshs. 2, 448, 300 could not be traced in the books of the County Assembly and it was therefore not possible to confirm the interest income was being accounted for.

In the absence of the records mentioned above, the county Assembly may not be able to enforce recovery in case of default.

Management Response

In his response to the Committee the Clerk of the County Assembly stated that the car and mortgage loan facilities were not a program of the Assembly and hence the Assembly did not disburse the said Kshs. 81,610,000 as stated. However, the program was an agreement entered between the Transnational Bank Limited (the Bank) and the County Executive. Therefore, the County Assembly was not party to the said agreement as evidenced by the agreement. (see Annex 1). Hence the County Executive is better placed to respond to the query.

The Clerk finally clarified to the committee that the Assembly will recover the entire loan advance to the MCA in full before the expiry of the current Assembly. The last recovery is expected to be finalized on 04/04/2017. (Annex 2)

Committee Observation.

The Committee noted the following;

i. The car and mortgage scheme was not administered by the County Assembly.

ii. The County Executive executed the scheme as evidence by the contract agreement.
iii. The Committee was glad that despite the challenges the repayment was being done in a smooth manner.

Committee Recommendations.

1. The CEC Finance should in future adhere to laid down laws and procedures.
2. The loan disbursed to honorable members should be repaid in full.

3.0 Cost of Employees

The County Assembly of Bomet incurred Kshs. 199,784,966 on employee costs out of the total expenditure of Kshs. 296,874,220 or 67.3% of the total expenditure. This was an increase of Kshs. 116,069,658 in one year compared to Kshs. 83,685,308 or 137% as at 30 June 2014.

If employment freeze is not instituted, further increase in expenditure item will greatly curtail the operation of the County Assembly.

Management Response

In their response to the Committee, the Accounting Officer stated that the apparent sharp rise in the cost relating to employees can be explained by the fact that the Kshs 199,784,966 included other allowances whereas the Kshs 83,685,308 reported as at 30 June 2014 included basic pay only.

Committee Observations.

The Committee observed that the Accounting Officer may not have given to the auditors a breakdown of the increased salaries and allowances, the increased members of staff and new SRC Circulars which came into effect in the middle of the financial year.

Committee Recommendations.

The Committee recommends that the Accounting officer should ensure that current trends are factored in while making the budget.

4.0 Foreign Travelling Allowances

An expenditure of Kshs. 11,080,271 was incurred on foreign trips to various countries during the year. One of the trips took nine (9) members and three (3) staff of Health Committee to New Delhi-India at a cost of Kshs. 4,517,985. The Committee was attending a workshop on Successful Heath Care Model at New Delhi between 17 and 21 November 2014. According to the invitation letter, the workshop was to start on 17 November 2014 and end on 21 November 2014. However, copies of the passports attached to the payment voucher in support of the expenditure, indicated the team left Jomo Kenyatta International Airport on 23 November 2014 and returned on 29 November 2014. It was therefore not clear what the delegation was doing in New Delhi India after the closure of the workshop on 21 November 2014.

Management Response

In his response to the Committee, the Accounting Officer and his team responded that the training took place on 24th to 28th November, 2014 in New Delhi, India. The Pan African Institute of Management and Governance Limited who were the organizers of the said training changed the training programme of the event from 24th to 28th November, 2014 due to delay in visa processing of the participants by Indian High Commission. He stated that the travel documents had been submitted to the auditor for audit verification.

Committee Observation.

The Committee noted that the supporting documentation on change of dates might not have been availed during the time of audit.

Committee Recommendation.

The Accounting Officer of the County Assembly should always avail documents during the time of audit.

4.1 Domestic Travelling and Subsistence Allowance

An expenditure of Kshs. 43,716,924 was incurred during the year under review in respect of domestic travel and subsistence allowances paid to members of the County Assembly and staff while on official duties on diverse dates.

However, it was noted that funds were transferred directly to individual bank accounts after the approvals of the expenditure and the posting done directly to expenditure account thereby eliminating the need to account for the imprest after the safari. It was therefore not possible to confirm whether indeed all journeys were undertaken after the receipt of the money by both the County Assembly members and staff.

In the circumstances, the propriety of the expenditure of Kshs. 43,716,924 could not be confirmed.

Management Response

The Accounting Officer responded to the Committee that the County Assembly has a proper management of imprest on travel. However, due to irregular releases and delays of cash from National Treasury most of the payments were done in form of claims rather than as imprest as would normally be the case.
The documents relating to domestic expenditure have been submitted to the Auditor General for audit verifications.

Committee Observations.

The Committee agreed with the response of the Accounting officer and encourage him to always adhere to laid down procedures.

Committee Recommendations.

The County Assembly should always adhere to the laid down laws and procedures.

4.2 Unsupported Sitting Allowances

The Members of the County Assembly were paid a total of Kshs. 44,822,000 as sitting allowance during the year. However, the County Assembly did not accurately maintain attendance registers for recording all sessions attended by the Members of the County Assembly (MCA's) during the year.

No explanation was given for failure to accurately maintain attendance registers for all the plenary sessions and committee meetings held in the assembly. Some members may have been paid for days or sessions they did not attend.

Consequently, the accuracy of the expenditure on sitting allowances paid to MCAs totaling Kshs. 44,822,000 as at 30 June 2015 could not be confirmed.

Management Response

In his response to the Committee, the Clerk of the County Assembly stated

that the clerks of the various committees maintained an attendance register of each committee sittings.
All the plenary session register is maintained by the Sergeant- At-Arms. He stated that the related documents have been submitted to the Auditor General for audit verification.
The rate of sitting allowance per each MCA is per the SRC Circular which is taxable.

Committee Observation

The County Assembly filing systems need to be improved to facilitate retrieval of documents when need arise.

Committee Recommendation

The Committee recommends that the Accounting Officer should put in place a proper filing system and should be proactive in availing documents in accordance with the audit queries raised.

4.3 Unsupported Expenditure on Motor Vehicles Repairs

Examination of the expenditure records presented for audit revealed that Kshs. 677,046 was spent on repairs of various motor vehicles. However, the following anomalies were noted: -

i) No records were maintained to show the motor vehicles were inspected prior to and after the repairs.

ii) No defects had been reported by the drivers and recommendations for repair made by the officers in charge of the motor vehicles and it was therefore not clear what formed the basis of the repairs.

iii) No records were maintained to show the motor vehicles were repaired.

In the absences of inspection reports and drivers report on defects, the propriety of the expenditure could not be confirmed.

Management Response

The Accounting Officer responded that the County Assembly maintains proper records on motor vehicles.

i. Repairs and maintenance are recorded in a logbook.
ii. Defects noted are recorded in the work ticket.

Committee Observation.

The Committee noted that there was little effort made in provision of the documents required by the auditors. In addition, it was observed that the annexure provided by the Accounting Officer lacked some details such as the registration numbers of the motor vehicles being repaired **(see Annex 3)**

Committee Recommendations.

The Committee recommends that the transport and logistic officers (drivers) should be capacitated with mechanical knowledge on maintenance and repairs of motor vehicles.

4.4 Irregular Reimbursement of Medical Expenses

An expenditure of Kshs. 196,894 was incurred in respect of reimbursement of medical expenses to members of the County Assembly and staff.

However, it was noted that there was a medical scheme for both the members of the County Assembly and staff which ordinarily make refund for such expenses. It was therefore not clear why the medical expenses were reimbursed by the Assembly.

Management Response

In his response to the Committee the Clerk of the County Assembly pointed out that Medical ex-gratia is given when there is no medical cover or in the event a cover has been exhausted. During FY 2014/2015 the County Assembly had no medical cover for both the staff and members in the first 7 months of the Assembly. However, the Assembly entered into a contract with Britam for provision of medical cover on 5th January, 2015 for County Assembly Members which took effect from1st February, 2015.
The contract copy of the agreement had been forwarded to the Auditor General for audit verification. (Annex 1)

Committee Observation.
The Committee observed that the contract for provision of medical services was entered to in the third quarter of the financial year.

Committee Recommendations.

The Accounting Officer should ensure that all contracts are entered on time.

4.5 Unaccounted for Training and Conference Expenses

An expenditure of Kshs.3, 178,975 was incurred during the year on training and conferences. However, the purpose of the training, the number and names of the participants were not disclosed and further no invitation letters were produced for audit and it was therefore not possible to confirm whether the expenditure was incurred for the intended purpose.

Management Response

The Accounting Officer responded that the purpose of the training, the number and names of the participants are attached to the payment voucher for domestic travel.

Committee Observations.

The Committee noted that accountable documents may have not been submitted to the auditors on time.

Committee Recommendation

The Committee recommends that the Accounting Officer must take immediate action to ensure that all accountable documents are properly filed, kept and registers are maintained to monitor movement of the same.

5.0 Procurement.

During the period under review, an expenditure of Kshs. 5,572,250 was incurred in the procurement of the following equipment.

Item		**Amount (Kshs.)**
Item		**Amount (Kshs)**
(i)	Office furniture and general equipment	1,484,400
(ii)	ICT Equipment	2,206,900
(iii)	Generator	1,880,950
		5,572,250

However, examination of the store ledgers disclosed an amount of Kshs. 6,657,150 as follows: -

Item		**Amount (Kshs.)**
(i)	Office Furniture and General	2,077,000
(ii)	ICT Equipment	2,689,200
(iii)	Generator	1,880,950
		6,657,150

The difference of Kshs. 1,088,900 has not been explained.

Management Response.

The committee was informed that the Management of the County Assembly has noted to ensure that store records are properly maintained at all times.

Committee Observations.

The Committee was satisfied with the response of the Accounting officer, but decried the fact that the documents may not have been availed during the time of audit. They further noted that this failure of provision of documents has been consistent.

Committee Recommendations.

The Accounting officer should ensure that the persistent failure in provision of accountable documents must stop forthwith.

6.0 IT Control Environment and ICT Governance

As previously reported, the County Assembly had not formulated a County Assembly ICT Framework. The Assembly has not developed some of the key ICT documents such as ICT policies and procedures, ICT strategic Plan, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP). Further, and ICT steering committee has not been constituted to address these issues.

Management Response

The Accounting Officer responded that the mentioned policies have since been developed and approved. The final draft of the ICT Governance Framework that creates the ICT Steering Committee has been developed and awaiting final approval by the County Assembly Service Board.

Committee Observation

The Committee appreciates the Accounting Officer for putting in place the requisite policies, however with the absence of the ICT Governance Framework the implementation of the policies may not be achieved.

Committee Recommendation.

The Committee strongly recommends that the Accounting Officer fast track the approval and operationalization of the ICT Governance Framework within a period of a month from the date of approval of this report.

7.0 IFMIS and G. Pay

The Assembly had not installed IFMIS and continued using a manual cashbook and vote book during the period under review. This was in contravention of Section 8(2)(a) of the County Government Public Finance Management Act,2012.

Management Response

The Accounting Officer stated that the IFMIS has been implemented. Almost all financial transactions are carried out in IFMIS. G-Pay has been discontinued by the Central Bank of Kenya. All payments processed in IFMIS are executed in Internet Banking.

The Auditor General confirmed to the Committee that the matter has ceased being an audit query since the IFMIS and Internet Banking had been implemented by the Accounting Officer.

Committee Observation.

The Committee noted that the same has been implemented.

8.0 Overpayment of Per Diem Allowance

No records were produced for audit verification to confirm the overpayment of allowances totaling of Kshs 1,085,300 was recovered as highlighted in the previous report.

Management Response

The Accounting officer stated as follows;

i) The team that attended the training in Mombasa travelled back from 2nd August, 2013 as per the Bus Ticket. However, due to road traffic issues coupled with long distance, the team of MCA's and staff arrived on 3rd August, 2013. The total night outs therefore were seven (7) days.

ii) The Training Program in Kericho ended at 6.00 pm and not 2.00 pm as stated in the Auditor General's report. This necessitated the participants to spend the night of 13th October, 2013 in Kericho hence, the payment of 4 night-out allowances.

iii) The team that attended the training in Nakuru travelled on 25th and came back on 29th September, 2013 as per the Bus Tickets The initial invitation indicated that the participants would report on 26th September, 2013, however the program was changed to 26th and reporting day was on 25th September, 2013.

Committee Observation

The Committee observed that the matter has been handled satisfactorily in the PAC/PIC report of FY 2013/14 which was tabled in the County Assembly on 17th February,2016.

Conclusion

The County Assembly of Bomet should ensure that internal control processes are in existent, strong, efficient and effective as envisaged by the best practice of corporate governance.
The Committee strongly directs that the recommendations made are implemented to address the anomalies noted within a period of three months after tabling of this report as provided for by the Public Audit Act ,2015.