BCA/PACPIC/02/2016/1:

REPUBLIC OF KENYA

BOMET COUNTY ASSEMBLY

THE FIRST ASSEMBLY – FOURTH SESSION

REPORT OF THE

PUBLIC ACCOUNTS & INVESTMENTS COMMITTEE

ON THE

FINANCIAL OPERATIONS OF THE COUNTY EXECUTIVE

FOR THE

YEAR 2013/2014

For
17/2/2016.

Tabled on
17/2/2016
at 2:30 pm.

Table of Contents.

Abbreviations and Acronyms.

MR	Miscellaneous Receipt.
PFM	Public Finance Management.
CEC	County Executive Committee.
CRBR	Counterfoil Receipt Book Register.
HA	Hectare.
FY	Financial Year.
IFMIS	Integrated Financial Management Information System.
GK	Government of Kenya.

Annexes.

Minutes of 28^{TH} PAC/PIC Committee meeting held on 15^{th} December, 2015.

PREFACE

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 Special Report of the Committee on the audit queries raised by the Auditor General on the Financial Operations of the County Executive of Bomet for the period ending 30th June, 2014.

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 workings of public accounts and investments. The Committee was constituted by the Assembly in 2013 pursuant to Standing Order No. 189.

Committee Membership.

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

1. Hon. Samson Towett -Chairperson.
2. Hon. John Chepkwony - V/Chairperson.
3. Hon. Reuben Langat - Member.
4. Hon. S. Changmorik Koech -Member.
5. Hon. Benard Ngeno -Member.
6. Hon. Leah Chepkoech - Member.
7. Hon. Robert Serbai - Member.

Mandate of the Committee.

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 county public investments;

iii. 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 Committee has power, under the provisions of Article 195 of the Constitution of Kenya to summon witnesses, examine them on oath and receive evidence.

Despite a few challenges that were noted, the Committee discharged its mandate as provided for by the Standing Orders.

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 Bomet County executive for the FY 2013/2014 for debate and consideration.

Signed .... Date 17/02/2016

HON. SAMSON TOWETT

CHAIRPERSON

PAC/PIC COMMITTEE.

Committee Membership and Ownership.

We, Honourable members of the PAC/PIC 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. Samson Towett	Chairperson	
2.	Hon. John Chepkwony	Vice Chair	
3.	Hon. Reuben Langat	Member	
4.	Hon. Benard Ngeno	Member	
5.	Hon. Leah Chepkoech	Member	
6.	Hon. Robert Serbai	Member	
7.	Hon. Stephen Changmorik	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.

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 the delivery of services to the local residents.

The Audit covered the County Executive of Bomet for the period 1 July 2013 to 30 June 2014. 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 resources

The County Assembly of Bomet received the Auditor General's report which was then tabled and referred to the Public Accounts & Investments Committee. Subsequently the PAC/PIC Committee sat and resolved to invite the Accounting Officer and other witnesses to answer all the audit queries raised in respect of the Financial Operations of the County Executive for the FY 2013/2014.

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 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 is glad to note the enactment 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.

Section 156 (1) provides, " *if an 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 in terms of the statutory and other conditions of employment applicable to that public officer.

(2) If the County Executive Committee Member for finance reasonably believes that an accounting officer has engaged in improper conduct within the meaning of subsection (4), the County Executive Committee member of finance shall-

a) take appropriate measures to address the matter in accordance with laid down procedures; or

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

(3) the measures referred to in subsection (2) (a) include the County Executive Committee member for finance revoking the designation as accounting officer.

(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.

(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."

Committee Proceedings

The Committee held one meeting on 15th December, 2015 at 2.00 pm during which time the CEC Finance and Economic Planning tabled a written response to all the audit queries on the Financial Operations of the County Executive for the FY 2013/2014. He also took time to verbally explain issues as raised.

Committee Observation.

The Committee noted with concern that there exist no accounting officer in charge of Finance. Therefore the Committee had opted to invite the CEC Finance to answer audit queries.

Committee Recommendations.

There is need to urgently fill the vacant post of Chief Officer, Finance.

In this report, the Committee has applied Sections 226(1) (5) of the Constitution of Kenya, 2010

PAC/PIC REPORT ON FINANCIAL OPERATIONS OF THE BOMET COUNTY EXECUTIVE FOR FY 2013/2014.

1.1 Inadequate allocation of Development Expenditure.

Issues Raise.

Section 107(2) (b) of the Public Finance Management Act, 2012, requires County Governments to allocate at least 30% of their budget to development expenditure. However, during the period under review, the County Executive spent Kshs. 927,215,878 on capital/development expenditure representing 26% of the total expenditure of Kshs. 3,552,909,533. Failure to allocate adequate funds for development will negatively affect the County's development.

Management Response.

The CEC reported that the County Executive surpassed the development minimum threshold set out by Section 107(2) (b) of the PFM Act, 2012 of 30%. The development index recorded a 52%, Operation and Maintenance of 22% and Personal Emoluments of 26%. These records are available for audit verification.

Committee Observation.

The committee was scrutinized the financial statements and were satisfied that they were authentic. They were satisfied with the response given.

Committee Recommendation.

The County Government should always adhere to the budgetary provisions for development expenditure in order to enhance development in the County.

2.1 Unreconciled Revenue Collection 27,309,502.

Issues raised.

Section 109 (2) of the Public Finance Management Act requires that all revenue raised is banked in the County Revenue Fund. In addition, Chapter 6.8.3 of the Government Financial Regulations and Procedures requires collectors of revenue to remit, record and bank all monies received intact and prompt latest by the end of the following business day. However, during the period under review, the County Executive collected revenue totalling Kshs. 221,374,679.65 but only Kshs. 194,065,176.80 was banked. The difference of Kshs. 27,309,502.85 has not been reconciled, explained or accounted for as detailed.

Management Response.

The CEC responded that it was true that there was unreconciled revenue as at the time of audit. This problem existed then since the County had not built capacity, an issue which has so far been sorted out.

Bank Reconciliation Statement has been done and it was discovered that some Miscellaneous Receipts (MRs) had been issued with no specific code item charged and the reconciliation had not been completed as at the time of audit. However, the bank reconciliation statement has been done and that there is no revenue that has not been accounted for and that all records used for collection of revenue from all Sub-Counties for the period 1st July, 2013 to 30th June, 2014.

Committee observation

The Committee noted that the County Executive may not achieve its development agenda if loop holes are not sealed.

The committee further felt that the revenue targets may not be achieved in such a scenario.

Committee Recommendations.

In this regard, the committee recommends that the County Executive should urgently seal any existing loopholes in revenue management.

2.3 Un-surrendered Revenue Collection Books.

Issues Raised.

Examination of the Counterfoil Receipt Book Register (CRBR) revealed that miscellaneous revenue collection books issued for revenue collection had not been returned or and accounted for promptly. Sixty books with receipts of undetermined value issued to revenue collection officers had not been returned or accounted for after use by 30th June, 2014. Further, it was not possible to confirm to whom some books were issued as the issue register was not properly maintained. The column indicating the person issued and the date books were issued was not completed. In addition, revenue collectors were issued with new books before the ones issued earlier had been surrendered.

Management Response.

The CEC stated that the Revenue Collection Books had been reflected in the County records as if they were not all returned. He further stated that verification through the counterfoil receipt book register (CRBR) has been done and that all the books in the field have been surrendered. The anomaly in the records was caused by challenges in human capacity. However, the county government has so far built capacity and this problem cannot recur in future. The County has instituted a system where visits are done to the field to ensure that the books issued are in existence and in safe hands awaiting for completion, accounting and final handing over to the head office for safe custody.

Committee Observation.

The Committee noted that there was weak internal control in management of revenue collection in terms of issuance of receipt books, management of CRBR and intact banking of revenue collected.

The Committee Recommendations.

i. The management, custody and control of revenue collection books should be strengthened.
ii. The County Executive should have all the books returned and revenue accounted for.
iii. The Counterfoil Receipt Book Register should be properly maintained in order to enhance accountability.

2.4 Embomos Tea Farm Revenue.

Issues Raised.

The County Government of Bomet took over Embomos Tea Farm previously owned by the defunct County Councils of Bomet and Bureti. The farm measured 343 acres (130.3 Ha) with a tea farm covering 57 acres (27.9 Ha). On 29th November, 2011, the two councils entered into an agreement with Kapset Tea factory Company Ltd to manage the Tea Farm for three years with effect from 1st July, 2011. According to the agreement, the company was to charge a management fee of 7.5% of the gross green leaf value delivered to the factory. The company was to make prompt payment of the dues to the councils for the monthly green leaf delivered and for the second annual payment over and above the monthly payment of the green leaf delivered. However, there was no evidence that the company made monthly payments for the monthly green leaf delivered as per the agreement.

Documents availed indicated that the company paid Bomet County Government Kshs. 11,944,584 being net revenue of the farm for 2012/2013 financial year. However, there were no audited financial statements to confirm the accuracy of the amount paid.

Management Response.

The Embomos Tea Farm was taken over from the defunct Local Authority when a contract had been signed between her (Bomet/Bureti County Councils) and the Agency (Kapset Tea Factory). The agent, as per the contract was to manage the farm on commission terms. **Appendix 2** attached shows how the agency calculated the commission and finally how the revenue of Kshs. 11,944,584.00 was obtained. This report was extracted from the agency's audited Financial Statements.

Committee observation

The committee observed that the executive needed to have taken due diligence in ensuring all revenues due to the county were received as per existing agreements.

It was further observed that the CEC seemed not to have acquainted himself with existing agreements between the County and Kapset Factory.

Committee Recommendations.

The Committee recommends that the County Government should ensure that the agent complies with the terms of the Agreement.

3.1 Receipt in Bank not recorded in the cash books.

Issues Raised.

A review of the cash books maintained at the County Treasury and Bank Statements revealed that by the time of the audit, daily revenue receipts totalling Kshs. 30,414,779 collected during the year under review were banked directly to the County Bank accounts but were not recorded in the cash books or captured in the revenue records. No explanation has been provided for failure to record the receipts in the cash book.

Management Response.

All revenue received even if not realized is receipted. The amounts received in bank and had not been recorded in the cash book was due to timing differences which have so far been addressed by both the inspection committee and the bank reconciliation. The inspection team normally does the inspection by November of every year to ascertain all businesses have complied with the Finance Act. The businesses whose deposits have not been receipted are receipted and recorded as revenue earned. The documentation in support of the collection and banking for the Financial Year 2013/2014 are available in the notes to the Financial Statements for that particular period.

Committee Observation

The Committee felt that there was laxity by the officers manning the revenue section during the transition period which may have led to the failure.

Committee Recommendation.

The County Executive should ensure that all revenue collected and banked is recorded in the Cash Book and reflected in the revenue statements in order to improve accountability and control of revenue collection.

3.2 Failure to prepare Bank Reconciliation Statements.

Issues raised.

A review of cash control and cashbook maintenance revealed that, the County Executive had not prepared bank reconciliation statements for various bank accounts for the period March 2013 to June, 2014. Consequently and in the absence of the reconciliation statements, it was not possible to ascertain the accuracy of the bank and cash balances as at 30th June, 2014. No reason was given for failure to prepare the bank reconciliation statements. There is a possibility of cash pilferage without the knowledge of management.

Management Response.

The bank reconciliations for May and June, 2014 had not been prepared when the audit was conducted. Currently, the Bank Reconciliation for the months in question, which had not been prepared have since been prepared and submitted for audit verification. We will be compiling quarterly reports which incorporate the Bank Statements for submission to the office of the Auditor General. However, the Bank Statements have been verified by the auditor.

Committee observation

The Committee noted that the County Treasury delayed in making reconciliation on time.

The Committee Recommendations.

i. The County Executive should ensure that bank reconciliation statements are prepared monthly.
ii. The committee felt that the quarterly reports should be shared with the County Assembly for information.

3.3 Inward Cheques Register.

Issues Raised.

Chapter 6.10 of the Government Financial Regulations and Procedures require that details of all remittances received must be entered in the inward cheques register. However, the County Executive did not maintain an inward cheques register for the period July 2013 to February, 2014. It was, therefore, not possible to track inward cheque details including dates the cheques were received, nature of remittance, amount of remittance and date the cheques were banked. Failure to maintain an inward cheque register could lead to misappropriation of funds or loss of cheques.

Management Response.

The CEC responded that as mentioned in earlier responses, the human capacity challenges brought about most of the gaps raised by the audit exercise. All cheques received have so far been recorded, receipted and banked. The same Cheques were considered during the preparation of the Financial Statements which have already been authenticated by the auditor.

This is also to confirm to the Committee that the County Government has so far built capacity and have beefed up the process as can be evidenced by the initiation of the Centre of Excellence for Devolved Governance, a County Government facility used to train our human resources.

Committee Observation.

The Committee challenged the officers to explain how such an anomaly could have happened. They expressed their concern that the transition period was not managed properly.

Committee Recommendation.

The County Executive should ensure that an inwards cheques register is put in place, properly maintained and monitored.

3.4 Outstanding Imprest.

Issues Raised.

Examination of imprest records maintained by the Bomet County Treasury revealed that temporary imprest totalling Kshs. 899,488 issued to officers in various departments of the County Government which ought to have been surrendered or otherwise accounted for on or before 30 June, 2014 were still outstanding. Further, some officers were issued with more than one imprest contrary to the regulations governing issuance of imprest.

Failure to surrender imprests when they fall due is a pointer to weak financial control which may lead to unauthorized loans and loss of public funds.

Management Response.

The accounting officer stated that there were outstanding imprest as at the closure of the Financial Year. These imprest were issued to officers who were on duty away from office hours before the end of the financial year as the disbursement of funds from the National Treasury was released late. Though these imprest were not surrendered at the close of the period, they were accounted for within the stipulated time of 48 hours from when the officer came back to the office. This was therefore short variances which have so far been sorted out.

Committee Observation

The Committee observed that Government Financial Regulation was not adhered to by the Accounting officer. Outstanding imprest which ought to have been recovered before the end of 48 hours was not effected. The control of issuance of imprest was not strong enough as the Accounting officer failed to institute an imprest register as evidence of issuance of double imprest to applicants.

Committee Recommendations.

i. The County Executive should follow the law as per the Public Finance Management Act, 2012. Temporary imprest should be surrendered or accounted for as per regulations.
ii. The committee further recommends that the Accounting officer should immediately take action to recover the full amount from the salary of the defaulting officers with an interest at prevailing Central Bank Rate.
iii. If the Accounting Officer does not recover the temporary imprest from the defaulting officers as provided for in the regulation he or she commits an offence as provided for under the PFM Act.
iv. An accounting Officer or AIE Holder should ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.

4.1 Processing of Transactions in IFMIS and G-Pay.

Issues Raised.

The County Executive did not process all financial transactions through IFMIS as required. Although the IFMIS system had been installed in the County Treasury, it was not adequately utilized to process all financial transactions during the financial year 2013/2014 and some transactions were processed manually. Consequently, the accuracy and completeness of financial data relating to expenditure could not be confirmed.

Management Response.

IFMIS and G-Pay were indeed installed by the National Treasury and were not fully operational. The reason for this was that there were no adequately trained officers to operate the systems. The other challenge was poor network that occasionally grounded operations although with the fibre optic connectivity, the network efficiency has been enhanced.

The County Treasury is fully connected and operational. The County intend to roll out the IFMIS system to the sub-counties.

Committee Observation.

The Committee observed intermittent use of IFMIS and manual systems in financial transactions was not right. It could have led to loss of public funds.

Committee Recommendation.

The County Executive should ensure that all transactions are processed through IFMIS.

4.2 Irregular Payment of Salary Advance of Kshs. 3,991,350.

Issues Raised.

Section H. 10 (1) of the Government Code of Regulations states that an advance of not more than one month's salary may be granted by an accounting officer to an officer on permanent establishment when the officer, owing to circumstances beyond his control, is placed in a difficult financial position requiring assistance from the Government. In applying for the advance, the officer should explain in detail the circumstances leading to the situation which he could not have foreseen and therefore planned. However, the County Executive granted salary advances totalling to Kshs. 3,991,350 to several officers for various non-emergency reasons such as offsetting individual bank loans, construction of rental houses, and purchase of plots among others. In some cases, officers were issued with more than one salary advance.

Management Response.

It is true that this occurred, since then there were no proper systems to detect and control the anomaly, however recoveries were effected accordingly and stringent measures have been put in place to ensure no such anomalies are recorded. The Government Code of Regulations, 2006 has been adhered to.

Committee Observations.

i. The committee observed that the CEC Finance has consistently used lack of capacity as an excuse and yet the committee is aware that the Transition

Authority deployed qualified, competent and experienced officers to handle all departments.

ii. The Committee observed that the CEC ought to have taken more responsibility in management of financial resources.

The Committee Recommendations.

i. Salary advance should only be granted on exceptional cases.

ii. The County Executive should utilize available qualified, competent and experienced officers.

4.3 Repairs of GK Vehicles.

Issues Raised.

The Bomet County Executive paid a total of Kshs. 9,429,743 in respect of repair and maintenance of County Motor vehicles to various companies as detailed in **Appendix 6**. However, notification of motor vehicles defects from respective drivers and inspection certificates for the repairs from the mechanical department were not availed for audit verification. Further, the services and repairs carried out on the motor vehicles were not entered in the respective motor vehicles log books thus making it difficult to confirm whether the work was done.

Management Response.

The CEC stated that it is true that there was an expenditure totalling to Kshs. 9,429,743 in respect of repair and maintenance of Motor vehicles without defects reports as the fleet was maintained on a need basis. However, a vibrant system has been put in place to ensure that all expenses incurred in repairs and maintenance is charged to respective motor vehicles. The total cost as mentioned above has been apportioned and charged to respective motor vehicles.

Committee Observation

The Committee was satisfied with the response given.

The Committee Recommendation.

i. The County Government should ensure that motor vehicles undergo mechanical inspections before any repairs are carried out.

ii. Further, all repairs should be entered into the vehicle log book as an indicator of work done.

4.4 Unaccounted for Fuel.

Issues Raised.

The County Executive paid Kshs. 18,842,364 to three fuel service stations in Bomet County in respect of the supply of 147,977 litres of diesel and 7,527.57 litres of petrol as indicated in **Appendix 3.** The fuel was supplied between 27 August, 2013 and 28th April 2014 to the Executive. According to Local Service Orders raised in favour of the fuel service stations, the fuel was usually drawn in small quantities on diverse days. However, no detail orders in respect of fuel requisitioned in small quantities from the fuel stations were availed for audit purposes. Further, the fuel registers availed for audit were poorly maintained and in some cases did not indicate the amount of fuel drawn or the balances after each fuelling. In the absence of detailed fuel orders and properly maintained fuel registers, it was not possible to trace the fuel drawn and entered in the work tickets. This poor record keeping could lead to misappropriation of funds.

Management Response.

The Committee engaged the CEC who responded that so far the County Executive has followed the consumption of fuel without detailed orders against work tickets and found out that all fuel drawn was consumed by government vehicles and hence there were no monies lost. This gap was created by inadequacies in human capacity as the county government was in the process of filling the existing gaps which has so far been addressed. Furthermore, the County Executive has put in place proper systems where fuel registers are monitored by a senior officer.

Committee observation

i. Government vehicles may have been fuelled and used for non-official duties.
ii. Private vehicles may have been fuelled.

Committee Recommendations.

i. Accordingly the committee recommends that forensic audit should be done on the fuel consumption.
ii. The county Executive should use detailed orders when requisitioning for fuel and the orders should be signed by a senior officer to enhance accountability.
iii. Fuel registers should be properly maintained and all fuel drawn should be entered in the specific motor vehicle work ticket.

4.5 Unsupported Expenditure.

Issues Raised.

The County Executive paid Kshs. 6,066,240 to National Hospital Insurance Fund in respect of support of the aged in Bomet through payment voucher no. *10816* dated 30 June 2014. However, no records were availed to confirm the specific beneficiaries of the payment. Consequently, the propriety of the expenditure could not be confirmed.

Committee Observation

The committee observed that the CEC could not explain nor provide records of all the beneficiaries of NHIF in FY2013/2014. The Accounting Officer had undertaken to provide an adequate response by 16th December, 2015 but by the time of writing this report, the information had not been availed.

The Committee felt that the issue remains unresolved until the County Executive avails the records of all the beneficiaries of the financial year 2013/14.

Committee Recommendation.

The Committee recommends for a thorough investigations to establish the actual NHIF beneficiaries in FY2013/2014 to ensure that all public funds are properly accounted for.

5.1 Lack of Personnel Establishment.

Issues Raised.

The County Executive did not have an approved personnel establishment to indicate the number of the employees required in each category. Further, no evidence was availed to indicate that the County had carried out job evaluation to determine the staff requirements, structure and salaries payable per job. It was therefore not possible to ascertain the optimum number of employees required. This could lead to over employment and result in a high wage bill.

Management Response.

The CEC responded that as at the time of audit, the County Executive did not have in place Personnel Establishment as it was the first year since the commencement of the County Government and the County did not have capacity to prepare job evaluation. However, the human resource gaps have been identified through approved departmental organograms.

Committee Observation.

The committee noted that the County Executive did not have an approved organogram contrary to what the CEC stated. The said departmental organogram should have been forwarded to the *County Assembly for approval.*

Committee Recommendation.

The County Executive should forward the said organogram to the County Assembly for perusal and subsequent adoption within three (3) months of tabling of this audit report.

5.2 Staff Salaries and Allowances Kshs. 94,726,098.

Issues Raised.

A comparative analysis of the monthly payrolls for the period 1 July, 2013 to 30 June 2014 revealed that there was an unproportioned increase in monthly salaries and personal emoluments. The increase has not been explained.

Month	Total Salary and allowances Payment as per the payroll	Total amount increased from the previous months
July 2013	23,224,875.00	
August, 2013	27,510,345.00	4,285,470.00
September 2013	30,817,070.00	3,306,725.00
October 2013	33,033,467.00	2,216,397.00
November 2013	37,789,151.00	4,755,684.00
December 2013	40,471,172.00	2,682,021.00
January 2014	66,703,140.00	26,231,968.00
February 2014	91,606,380.00	24,903,240.00
March 2014	105,140,936.00	13,534,556.00
April 2014	111,399,240.00	6,258,304.00
May 2014	113,208,762.00	1,809,522.00
June 2014	117,950,973.00	4,742,211.00
Total		**94,726,098.00**

Management Response.

There were several restructuring which took place with new Constitutional dispensation. The County continued receiving the devolved functions in piecemeal from the National Government which were accompanied by a workforce. This growth in payroll could not be stopped since the County Executive did not have human capacity in place and the county required more staff.

There were also staff who went through suitability interview in our Public Service Board and were successful. These employees were also considered in our payroll. By so doing, the County managed to render essential services to the citizens which could not wait for the job evaluation to be done.

Committee Observation.

The committee observed that the CEC did not justify the increase with a list of deployed and the newly employed staff which brought the increase in salaries.

Committee Recommendation.

The County Executive should account for the increase in staff salaries by providing proper documentation substantiating the monthly salary variation.

The Committee further recommends for a forensic Audit on the unexplained salary increase in FY 2013/2014 within three (3) months of tabling this report.

5.3 Expenditures on Casual Wages – Kshs. 5,716,950.

Issues Raised.

Examination of expenditure records disclosed that the Director of Roads and the Town Administrator incurred expenditure totalling Kshs. 5,716,950 on casual wages during the period under review. However, there were no records to show how the casuals were hired, the work for which they were hired nor their terms of engagement. Further, no returns including signed master rolls were provided for audit verification to confirm the existence of the casual workers. In the absence of the above records, the propriety of money spent on casual wages could not be confirmed.

Management Response.

The CEC stated that the County paid casual wages after casual labourers were engaged to clear road bushes and beautification of the towns. This was in spirit of empowering the youth. The contracts were awarded for the bush clearance and town beautification using labour-based system so as to enrich the able youth. A Master Roll and registers regarding the payment have been provided for verification.

Committee Observation.

It is observed that the hiring of the casual labourers was not done as per the laid down Government Regulations.

Committee Recommendation.

In order to enhance accountability, the County Executive should maintain records of all casuals at the sub-county level at all times and returns be submitted to the County Executive Headquarters.

It is recommended that any hiring of any staff should be done through the CPSB.

6.1 Purchase of Water Meters – Kshs. 11,984,080.

Issues Raised.

In February 2014, the County Executive spent Kshs. 11,984,080 to purchase 2,300 water meters from a Nairobi based Ironmonger Company. However, it was noted that the purchase had not been budgeted for and the procurement was not in the County Ministry of Water Annual Work Plan for FY 2013/2014. Further, there was no counter receipt vouchers (S13) to confirm the receipts of the goods in the stores and issue to the sub-counties. An audit verification exercise carried in July 2014 at the store of the Ministry of Water disclosed that 1,010 units of water meters were still lying in the stores.

Management Response.

The CEC stated that water meters were acquired based on a work plan to extend the supply of water to new clients and fix the other meters to the already existing clients who had none. As at the time of audit, The County had in the stores the meters which were later distributed to the field when all the fittings were thereafter received. Counter-issuance Forms (S11s) used to distribute the meters have been verified by the auditor.

Committee Observation.

The committee observed that it was wrong to purchase items which were neither in the Work-Plan nor the budget for FY 2013/2014.

Committee Recommendation.

The County Executive should procure goods as per the Annual Procurement Plan and the budget to avoid procuring items which may not be used immediately as this ties funds. All items purchased should be taken on charge.

6.2 Procurement of Miscellaneous Receipt Books (MRs).

Issues Raised.

The County Executive spent Kshs. 6,008,341 on procurement of printing and supply of various miscellaneous receipt books from two companies. The following unsatisfactory matters were, however, noted

i) No Annual Procurement Plan and Work Plans were obtained for audit review;

ii) The original quotations used were not availed for audit verifications;

iii) There was no report from the Inspection and Acceptance Committee to confirm that the goods delivered were in conformity with the tender specifications as required by the Public Procurement and Disposal Act, 2005.

iv) The store records were poorly kept. No specific entries for each delivery of the miscellaneous receipt books indicating a chronological order of serial numbers of each receipt books were entered in the store records making it difficult to confirm delivery of the books.

Management Response.

(i) The CEC stated that it was true that the County Executive spent Kshs. 6,008,341 on receipt books. This purchase was aiming at wiping out the defunct Local Authority Receipt Books which had been misused in the field. A justified Work Plan has been prepared and forwarded to the auditor for authentication.

(ii) The quotation had been misplaced during the time of audit as the systems in place had not been strengthened. However, those quotations have been found after the Stores were arranged and forwarded for verification.

(iii) As mentioned in the previous sections that there was an acute shortage of staff, the County Executive did not have in place the inspection and acceptance committee. These committees have however been put in place and the auditor has confirmed their existence.

(iv)It is fairly true that during this audit, the stores records were poorly maintained. The County inherited the defunct Local Authority staff as they were the only available workforce by then posted to the stores. These staff had not been trained to handle stores and others did not even qualify for office work. This therefore prompted the county to engage qualified and trained staff to handle the procurement and stores. The stores records are currently kept as required.

Committee Observation.

The Committee was not satisfied with the response of the CEC and argued that proper and justifiable reason should be given to address the issues raised.

The Committee further observed that the Work Plan was prepared after the procurement of goods and services contrary to Public Procurement and Disposal Act, 2015.

MINUTES OF THE 28TH PAC/PIC COMMITTEE MEETING HELD ON 15TH DECEMBER, 2015 AT 2.00 PM IN THE BOARD ROOM.

MEMBERS PRESENT.

1. Hon. Samson Towett - Chairman.
2. Hon. Reuben Langat - Member.
3. Hon. Robert Serbai - Member
4. Hon. Stephen K. Changmorik - Member
5. Hon. Leah Chepkoech - Member.
6. Hon. Benard Ngeno - Member

ABSENT WITH APOLOGY.

7. Hon. John Chepkwony - V/Chair

IN ATTENDANCE.

1. Mr. Rono - Office of the Auditor General - Nakuru Hub.
2. Mr. Oluoch - Office of the Auditor General - Nakuru Hub.
3. Madam Beryl Modin - Office of the Auditor General – Nakuru Hub.
4. Mr. Mugo – Office of the Auditor General – Nakuru Hub.
5. Dr. Peter Koror – CEC Finance & Economic Planning.
6. Mr. Mitei Rono - Auditor – Bomet County Governmet (Executive).
7. Susan Koech - Committee Clerk.

AGENDA.

1. Preliminaries.
2. To examine witnesses on the Financial Operations of Bomet County Executive for the year ending 30th June, 2014.

MIN. NO. 110/12 /2015 PRELIMINARIES.

The meeting was called to order at 9.30 am with opening prayers led by Hon Leah Chepkoech.

Confirmation of minutes was deferred therefore there were no matters arising.

MIN. 111/12/2015 TO EXAMINE WITNESSES IN RESPECT OF THE FINANCIAL OPERATIONS OF THE COUNTY EXECUTIVE FOR THE YEAR ENDING 30TH JUNE, 2014.

The Chair welcome the members, officers from the Office of the Auditor General and invited witnesses from the County Executive lead by the CEC Finance & Economic Planning Dr. Peter Koros. Introductions were done and the business of the day commenced.

Each Audit query was addressed in detail and all comments are contained in a detailed audit report to be prepared for tabling on the floor of the House soon. Finally after long deliberations, it was unanimously

RESOLVED

> That a comprehensive audit report incorporating all comments from PAC/PIC committee in respect of all Financial Operations of the County Executive for the year ending 30th June, 2014 be prepared and tabled as required by law.

The meeting at 6.30 pm with prayers led by Hon. Reuben Langat.

Confirmed... Date 17/02/2016

Hon. Samson Towett,

Chair – PIC/PAC COMMITTEE.

Certified ....Date.................................

S. Koech- **Secretary/Committee Clerk – PIC/PAC.**