

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COUNTY GOVERNMENT OF BOMET**

**FOR THE YEAR
ENDED 30 JUNE 2015**

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY GOVERNMENT OF BOMET FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Government of Bomet set out on pages 8 to 35, which comprise the statement of assets as at 30 June 2015, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229(4) of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County Government's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1.0 Revenue

1.1 Revenue Analysis

The County Government total revenue for the year was Kshs.4,333,003,972 against a revenue budget of Kshs.4,401,000,000 as detailed below:-

Revenue Item	Projected Revenue Kshs.	Actual Revenue Realized Kshs.	Variance Kshs.
Exchequer Releases	4,008,000,000	4,123,084,263	115,084,263
Proceeds from domestic and foreign grants	12,570,000	12,570,000	0
Other Receipts	380,430,000	361,697,854	(18,723,146)
Total	4,401,000,000	4,497,352,117	96,352,117

However, the following was noted:-

- i) The County Government received more funds than it had anticipated from the National Government through the exchequer releases by Kshs.115,084,263 which had not been budgeted for going by the original budget submitted to the Controller of Budget.
- ii) The other receipts which represents the County own sources of revenue (local collections) were under realized by Kshs.18,723,146 which implies that the County Government relies heavily on the exchequer releases for its operations.

1.2 Under Collection of Revenue

Revenue totaling Kshs.274,914,070 as detailed below was not collected during the year despite the amount having been factored in the current year's budget:-

Code	Revenue Source	Budgeted amount (Kshs)	Actual collection (Kshs)	Variance (Kshs)
Various	Land rates, land rent, clearance fees, survey	206,390,000	15,022,716	191,362,284

Code	Revenue Source	Budgeted amount (Kshs)	Actual collection (Kshs)	Variance (Kshs)
	fees and building plan approvals			
1420328	Single Business Permit (SBP)	66,000,000	39,173,567	26,826,433
1530302	Cess	31,100,000	3,933,240	27,166,760
1420404	Parking fees	2,000,000	13,786,715	(11,786,715)
1420502	Water	26,000,000	0	26,000,000
1550100 & 1580401	Markets and slaughter fees	13,100,000	13,834,625	(734,625)
1410501	Rental incomes	2,040,000	3,527,411	(1,487,411)
	Embomos Tea Farm	12,000,000	8,441,407	3,558,593
1420404	Parking fees	2,000,000	13,786,715	(11,786,715)
	Hospital charges	15,500,000	31,155,205	(15,655,205)
		376,130,000	142,661,601	274,914,070

Although, several revenue items like parking fees and hospital charges exceeded the targets, land related revenue and single business permits grossly underperformed. Evidently, the County Government did not exploit her revenue potential during the year.

1.3 Failure to Prepare Revenue Reconciliation Statements

The statement of receipts and payments as at 30 June 2015 reflects total revenues of Kshs.4,497,352,117. However, the monthly reconciliations for revenue collected and banked in the County Revenue Fund as required by Section 165 of the Public Finance Management Act, 2012 were not prepared. The County Treasury did not also maintain a cashbook for recording the revenue collected from the Sub Counties as well as for revenue collected by other agencies.

In the circumstances, the accuracy of the figure of Kshs.4,497,352,117 could not be confirmed.

1.4 Wrong Classification of Revenue

Examination of the local revenue collection sheets revealed that the actual total revenue collected during the year was Kshs.197,349,709 while the revenue reported in the statement of receipts and payments under other receipts was Kshs.205,971,892 resulting to unexplained difference of Kshs.8,622,183.

Included in the revenue item was non-regular revenue items such as salary recovery of Kshs.244,400 and insurance recovery of Kshs.5,190,436.

In the absence of reconciliation and/or explanations, it has not been possible to confirm the accuracy of self-generated revenue reported in the financial statements.

2.0 Compensation of Employees

Employees cost increased from Kshs.1,012,461,176 as at 30 June 2014 to Kshs.1,669,702,726 as at 30 June 2015, an increase of Kshs.657,241,550 or 65% in one year. Further, the cost of employees has taken 70% of the total recurrent expenditure for the year.

An increase of 65% wage bill in one year and 70 % of recurrent expenditure going to salaries and wages is certainly not tenable and unless employment freeze is introduced, fiscal responsibility principle will remain violated.

3.0 Use of Goods and Services

The cost of goods and services reduced from Kshs.1,199,012,229 as at 30 June 2014 to Kshs.649,026,218 as at 30 June 2015. This was a reduction of Kshs.549,986,011 or 45%. Significant reduction under this category was in “other operating expenses” which reduced from Kshs.783,944,637 to Kshs.68,758,696 as at 30 June 2015 being a reduction of Kshs.715,185,941 or 91%. However, no explanation was given for this reduction.

4.0 Domestic and Foreign Travel

The expenditure of domestic and foreign travel increased from Kshs.73,377,529 in 2013/2014 to Kshs.94,124,134 for the year ended 30 June 2015. This was an increase of Kshs.20,746,605 or about 28.3% in one year. However, there were no reports made after every foreign trip.

Further, domestic travel and subsistence expenditure increased from Kshs.43,815,213 in 2013/2014 to Kshs.67,059,695 in 2014/15. However, the schedules in support of the expenditure were not produced for audit verification. Further, no work plans for the year were produced for audit and it was therefore not possible to confirm the propriety of expenditure of Kshs.94,124,134.

In addition, the County Government incurred an expenditure of Kshs.27,064,439 on foreign travel during the year 2014/2015 down from Kshs.29,562,316 incurred in the year 2013/2014. It was observed that no work plans from the County Assembly and the Executive for year 2014/2015 were produced for audit and the expenditure was not supported with schedules.

In the absence of schedules, the details of the expenditure including the foreign stations visited, the number of officials undertaking the trips, the purpose and duration of the trips could not be established. Consequently, the authenticity of the expenditure could not be confirmed.

5.0 Other Grants and Transfers

The statement of receipts and payments reflects a figure of Kshs.58,999,950 in respect of other grants and transfers for the year ended 30 June 2015. However, the

balance differed with vote book balance of Kshs.56,160,564 occasioning unexplained difference of Kshs.2,839,386.

Further, the management did not provide documents to support the transfers or the beneficiary institutions. It was therefore, not possible to confirm the propriety of the expenditure.

6.0 Cash and Cash Equivalents

The statement of assets reflects a cash and cash equivalents balance of Kshs.43,594,090. It was observed that the County Government operated twenty five (25) bank accounts including three (3) maintained at the Central Bank of Kenya (C.B.K).

However, no monthly bank reconciliation statements for all the bank accounts were prepared and produced for audit verification. In addition, the bank balances reflected in the statement of assets for the period ended 30 June 2015 were bank statement balances instead of the reconciled cash book balances.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.43,594,090 could not be confirmed.

7.0 Utilities, Supplies, and Services

Note 13 to the financial statements shows that utilities supplies and services expenditure increased from Kshs.24,859,100 as at 30 June 2014 to Kshs.75,664,197 as at 30 June 2015. This was an increase of Kshs.50,805,097 in one year or 204%. The management did not produce documents to explain the cause of this huge increase.

8.0 Pending Accounts Payables

Note 26.1 to the financial statements reflect pending bills balance of Kshs.209,861,001. However, schedules showing dates the liabilities were incurred, age analysis and even the types of goods and services supplied were not produced for audit verification. Further, names of suppliers or creditors who were owed the bills were not presented for audit examination.

It was therefore, not possible to confirm the accuracy, existence and completeness of the pending accounts payable.

9.0 Summary Statement of Appropriation: Recurrent and Development

The County Treasury did not prepare separate summary statements of appropriation for recurrent and development as required by the Public Sector Accounting Standards Board.

Failure to produce the two statements separately has violated the disclosure principle which requires the recurrent and development expenditure to be reported separately.

In view of the above, the accuracy and completeness of the combined summary statement of appropriation; recurrent and development could not be confirmed.

10.0 Variance between the Financial Statements and Supplementary Budget

During the year under review, the approved supplementary budget for the County Government of Bomet was Kshs.4,510,469,996 with Kshs.2,448,145,902 (54%) allocated to the recurrent expenditure and Kshs.2,062,324,094 (46%) to development. However, the financial statements budget figures differed with the figures in the County's Supplementary Budget as shown below:-

Vote	Budget figures as per financial statements (Kshs)	Budget figures as per Supplementary Budget (Kshs)	Variance (Kshs)
Recurrent	2,367,536,734	2,448,145,902	-80,609,168
Development	2,143,738,171	2,062,324,094	81,414,077
Total	4,511,274,905	4,510,469,996	804,909

No explanation was provided for the differences.

In the circumstance, the accuracy of the financial statements and the total budget figures could not be ascertained.

11.0 Assets and Liabilities from Defunct Local Authorities

As previously reported, the County Government inherited assets and liabilities from the defunct Local Authorities within the County. However, no formal handing over / taking over was done by the Transition Authority. Failure to formally take over the assets and to recognize them in the books may result to future accountability problem. In addition, omission of liabilities in the financial statements will distort the budget and financial operations of the future period when they crystalize and get liquidated.

12.0 Budget and Budgetary Controls

12.1 Budget Performance Analysis

During the year under review, the approved supplementary budget for the County Government of Bomet was Kshs.4,510,469,996 with Kshs.2,448,145,902 (54%) allocated to the recurrent expenditure and Kshs.2,062,324,094 (46%) to development.

Vote	Actual Expenditure as Per Financial Statements 2014/2015 (Kshs)	Budgeted Allocation 2014/2015 Kshs	Absorption rate %	% of Total Expenditure
Development	2,135,062,761.00	2,062,324,094.00	103.5%	47.9%
Recurrent	2,318,728,944.00	2,448,145,902.00	94.7%	52.1%
Total	4,453,791,705.00	4,510,469,996.00	98.7%	

The following was however noted:-

- (i) The absorption rate for the development vote is 103.5% of the total allocation. The amount spent on development out of the total expenditure was 47.9%. This implies that the development expenditure of Kshs.2,135,062,761.00 was above the threshold of the prevailing regulations.
- (ii) The absorption rate for recurrent expenditure of Kshs.2,318,728,944 was 94.7% and it accounted for 52.1% of the total expenditure for the year. This was well above the fiscal responsibility requirement.

12.2 Over/Under Expenditures

Expenditure Item	Budget F/Y 2014/2015	Actual F/Y 2014/2015	Over	Under
Compensation of Employees	1,693,583,574	1,669,702,726		23,880,848
Use of Goods and Services	669,688,446	649,026,218		20,662,228
Transfer to Other Government Units	335,960,994	371,446,282	35,485,288	
Other grants and Transfers	58,999,950	58,999,950		
Social Security	255,523,360	256,050,432	527,072	
Other Payments	70,243,367	73,087,575	2,844,208	
Acquisition of Assets	1,427,275,214	1,375,478,522		51,796,692
Total	4,511,274,905	4,453,791,705	36,012,360	96,339,768

The following was noted:-

- (i) The County Government had an on over expenditure of Kshs.36,012,360 on 3 items of which no authority for re-allocation or regularization through a supplementary budget was availed for audit review.
- (ii) Although the funds were almost fully utilized during the year, there was a problem with disclosure because the management largely used the manual system instead of IFMIS to process transactions.

12.3 Recurrent Expenditure

The recurrent expenditure for the year under review was Kshs.2,318,728,944 against a budgetary allocation of Kshs.2,448,145,902 as shown below:-

Department	Budgetary Allocation Kshs.	Actual Expenditure Kshs.	% Level of Absorption
Office of the Governor,	630,144,225.00	514,655,197.00	54.5%

Department	Budgetary Allocation Kshs.	Actual Expenditure Kshs.	% Level of Absorption
Administration and Public Service			
Finance and Economic Planning	390,538,789.00	376,318,948.00	96.4%
Environment & Public Health	41,323,882.00	40,126,167.00	97.1%
Social Services	43,369,882.00	40,893,402.00	94.3%
Health and Sanitation	478,332,768.00	473,240,429.00	98.9%
Lands, Housing and Urban Planning	68,068,478.00	65,043,086.00	95.6%
Agri-Business, Cooperatives & Marketing	141,587,760.00	140,225,146.00	99.0%
Water & Irrigation	64,229,472.00	61,893,205.00	96.4%
Education, Sports and Vocational Trainings	144,988,077.00	142,373,041.00	98.2%
Roads and Public Works	153,684,569.00	152,998,995.00	99.6%
Trade, Energy, Tourism and Industrialization	16,550,838.00	14,363,731.00	86.8%
County Assembly	305,000,000.00	296,597,597.00	97.2%
Total	2,477,818,740.00	2,318,728,944.00	85.1%

It was noted that the Office of the Governor had an absorption rate of 54.5% which implies the Office was allocated more funds than required.

12.4 Development Expenditure

According to the departmental allocation as per vote book, the County Government allocated Kshs.2,062,324,094 which was used in 97 projects as detailed below;

Department	No. of Budgeted Projects	Budgetary Allocation Kshs.	Actual Expenditure Kshs.	Number of Projects Implemented	% Level of Implementation
Office of the Governor, Administration and Public Service	24	80,500,000	79,379,833	25	98.6%
Finance and Economic Planning	3	7,611,300	7,607,040	2	99.9%
Environment & Public Health	3	12,855,000	9,794,750	3	76.2%
Social Services	14	260,450,432	260,449,832	5	99.9%
Health and Sanitation	10	250,032,247	249,870,239	12	99.9%
Lands, Housing and Urban Planning	11	111,539,743	111,483,623	3	99.9%
Agri-Business, Cooperatives & Marketing	15	220,768,223	218,759,857	13	99.1%
Water & Irrigation	6	167,445,907	167,296,600	4	99.9%

Department	No. of Budgeted Projects	Budgetary Allocation Kshs.	Actual Expenditure Kshs.	Number of Projects Implemented	% Level of Implementation
Education, Sports and Vocational Trainings	17	458,208,562	456,405,857	14	99.6%
Roads and Public Works	13	436,315,855	436,173,377	5	99.9%
Trade, Energy, Tourism and Industrialization	11	56,596,825	55,768,578	11	98.5%
Total	127	2,062,324,094	2,052,989,586	97	99.5%

However, the following was noted:-

- (i) The total expenditure summary per department of Kshs.2,052,989,586 differed with the total actual development expenditure of Kshs.2,135,062,761 reported in the financial statements with an un-explained and un-reconciled difference of Kshs. 82,073,175.
- (ii) The County Government had an overall absorption rate of 99.5% on its development vote for the various projects implemented during the year under review. However, thirty (30) projects were not implemented which implies they will have to be rolled over to 2015/2016 thereby affecting the projects earmarked for implementation in that year.
- (iii) The Office of the Governor implemented an extra project namely purchase of payroll software at Kshs.4,500,000 which was not budgeted for according to the programme-based budget provided for audit. The source of these funds was not explained as no supplementary budget was prepared and approved to regularize the reallocation.

12.5 Office of the Governor and Public Administration

The Office of the Governor was allocated a total of Kshs.715,362,219 (Kshs.195,500,000 development vote and Kshs.519,862,219 recurrent vote) while the actual expenditure as per the expenditure analysis summary was Kshs.692,714,090 which implies that there was under expenditure on the budgetary allocations by Kshs.22,648,129 as detailed below:-

Voted Expenditure Item	Budgeted Amount Kshs.	Actual Expenditure Kshs.	Variance Kshs.
Compensation of employees and support staff services	355,575,752.00	238,616,160.00	116,959,592.00
Security Allowances	3,000,000.00	3,000,000.00	0
Telephone, Telex, Facsimile	1,000,000.00	1,000,000.00	

Hospitality, supplies and services	6,000,000.00	5,977,118.00	22,882.00
Courier and postal services	200,000.00	113,825.00	86,175.00
Domestic Travel and Subsistence Allowances	20,000,000.00	19,499,611.00	500,389.00
Donations	50,000.00	43,000.00	7,000.00
Foreign Travels and Subsistence	16,000,000.00	15,984,168.00	15,832.00
Subscription to Newspapers, Magazines and Periodicals	1,000,000.00	974,450.00	25,550.00
Intergovernmental Relations	10,000,000.00	10,000,000.00	0
Liaison Office-Nairobi	12,514,909.00	12,514,909.00	0
Interdepartmental Relations	21,514,909.00	21,758,374.00	(243,465.00)
Advertising, Awareness and Publicity Campaigns	9,400,000.00	9,299,054.00	100,946.00
Printing, Advertising-Others	4,100,000.00	4,045,000.00	55,000.00
Hospitality supplies & services	4,500,000.00	4,493,578.00	6,422.00
Boards, Committees, Conferences and Seminars (Community Strategy activities)	4,000,000.00	3,972,835.00	27,165.00
Gas expenses	500,000.00	169,594.00	330,406.00
Legal Fees	1,000,000.00	981,715.00	18,285.00
Contracted guards and cleaning services	1,450,000.00	1,148,750.00	301,250.00
General office supplies	2,000,000.00	1,601,332.00	398,668.00
Sanitary and cleaning materials	900,000.00	658,211.00	241,789.00
Local Presidential Visits	1,000,000.00	997,500.00	2,500.00
Rates, Rent residential	1,200,000.00	915,000.00	285,000.00
Purchase of household and institutional appliances	8,742,441.00	8,742,441.00	0
Sundry items	800,000.00	799,575.00	425.00
Specialized materials & supplies e.g. banners	1,850,000.00	1,801,900.00	48,100.00
Compassionate fund	3,000,000.00	3,000,000.00	0
Medical cover	40,000.00	26,660.00	(2,600.00)
Purchase of motor vehicles	20,281,123.00	20,180,000.00	101,123.00
Training Expenses		22,006,891.00	22,006,891.00
Purchase of uniforms and clothing	6,000,000.00	5,632,550.00	367,450.00
Staff Welfare	3,000,000.00	2,975,054.00	24,946.00
Maintenance of police and security equipment	1,500,000.00	1,500,000.00	0
Overall policy direction & leadership	1,000,000.00	990,000.00	10,000.00
Development of infrastructure	75,000,000.00	78,389,833.00	(3,389,833.00)
Purchase of payroll software	4,500,000.00	4,500,000.00	0

Publishing and printing-county newsletter	23,000,000.00	22,773,729.00	226,271.00
Training Expenses	22,750,000.00	22,006,891.00	743,109.00
Telephone, Telex, Facsimile	1,500,000.00	1,499,000.00	1,000.00
Hospitality, supplies and services	3,000,000.00	2,926,250.00	73,750.00
Publishing & printing services-County newsletter	23,000,000.00	22,773,729.00	226,271.00
Domestic travel and subsistence-others	20,000,000.00	19,923,645.00	76,355.00
Purchase of uniforms and clothing-staff	6,000,000.00	5,632,550.00	367,450.00
General office supplies(pencils, papers, forms)	5,735,121.00	5,595,674.00	139,447.00
Medical cover	40,000.00	16,000.00	24,000.00
Staff welfare	3,000,000.00	2,975,054.00	24,946.00
Community participation	40,000,000.00	39,905,825.00	94,175.00
Total	710,644,255.00	692,714,090.00	3,635,898.00

According to the budgetary allocation per department, the office of the Governor received Kshs.715,362,219. However, the supporting schedule of expenditure provided totaled Kshs.710,644,255 resulting in un-explained difference of Kshs.4,717,964.

Further, there was an under expenditure of Kshs.116,959,592 on the compensation of employees which was not explained. In addition, an expenditure of Kshs.39,905,090 was incurred on community participation. It was not explained what was discussed during these forums as no documentation was produced for audit to ascertain whether there was value addition on the funds spent.

13.0 Unsupported Expenditure on National Juakali Exhibition

A restaurant was paid Kshs.2,830,400 vide payment voucher number 1677 of 10 December, 2014 in respect of providing meals for the National Juakali exhibition. However, the venue for the forum was not indicated and it was also not clear how the participants travelled for the exhibition as no travelling expenses were incurred. Further, no procurement records were produced for audit verification to confirm how the services were sourced.

In the circumstances, the propriety of the expenditure could not be confirmed.

14.0 Contract for the Construction of the Governor's Office

The contract for the construction of the Governor's office was awarded to a construction company on 5 January, 2015 at a contract price of Kshs.31,500,000. The duration of the contract as per the contract agreement was six months effective

from the date of signing of the contract on 5 January, 2015 and the expected date of completion was 5 July, 2015

However, physical verification of the project on 22 December 2015 revealed that the construction works were approximately 50% complete and still on-going despite the contract period having expired. The contractor had not sought for an extension of the contract period and it was therefore not clear why the County Government had not taken any action against the contractor. As at the time of audit in December 2015, the contractor had been paid a total of Kshs.8,313,205.

15.0 Irregular Procurement of Service

During the period under review, the department of roads incurred an expenditure of Kshs.4,945,000 in leasing land from various land owners for extraction of quarry materials for roads construction.

However, examination of expenditure records disclosed the following anomalies:-

- (i) The procurement procedures were not followed since no records were made available for audit verification to show how the land owners were identified thus violating the provisions of the Public Procurement and Disposal Act of 2005.
- (ii) A perusal of expenditure records revealed that it was not possible to confirm whether the various lessors were the real owners of the parcels of land in question as no ownership documents were provided. The lease agreements produced for audit verifications did not indicate whether the lessors were the bonfide land owners.
- (iii) The charge-out rate for the various parcels of land being used to extract the murram was not stated. It was therefore not possible to ascertain whether what was paid to various land owners was the correct amount.

16.0 Incomplete Construction of Bridges

16.1 Construction of Koroma Bridge in Konoin

The contract for the construction of Koroma Bridge in Konoin Sub County was awarded to a contractor at a contract sum of Kshs.14,075,220. Examination of the expenditure records revealed that the contractor had been paid a total of Kshs.15,962,892 which exceeded the contract sum by Kshs.1,88,672. Although it has been explained that the exceeded amount was as a result of variation of the contract sum, no documents including the tender committee minutes approving the variation were produced for audit verifications. Further, it was observed that retention money totaling Kshs.1,596,892 was not deducted from the contractor who appears to have abandoned the site as confirmed during a site visit on 16 December, 2015.

No explanation was given of the overpayment and failure to deduct retention money.

16.2 Construction of Kapsimbiri Motorized Bridge in Bomet Central/East

The contract for the construction of Kapsimbiri Motorized bridge was awarded a construction company at a contract sum of Kshs.14,785,360. The contractor had been paid a total of Kshs.13,183,302 as at the time of audit in December 2015. However, retention money totaling Kshs.1,318,302 had not been deducted and no explanation was given for failure to deduct the amount. Physical verification of the project on 18 December, 2015 revealed the following:-

- (i) The project was supposed to have been completed by February, 2015 but as at the time of audit visit, it had not been completed.
- (ii) The approaches to the bridge had not been constructed and the contractor was not on site.

No explanation was given for the failure to complete the project ten (10) months after the expiry of the contract period.

17.0 Irregular Hire of Ambulances

According to the Supplementary Act, 2015, the County Government was allocated Kshs.45,000,000 for purchase of ambulances under development vote. However, for unexplained reasons, no ambulances were procured but instead six (6) ambulances were leased for a year from Kenya Red Cross at a cost of Kshs.52,950,921.

Although it has been explained that the decision of hiring the ambulances instead of procurement as provided for in the approved budget for the year 2014/2015 was made by the County Executive Committee in a meeting held on 22 October 2013, that decision was only valid in that year and it did not apply to the subsequent years. Therefore, the expenditure incurred in the year 2014/2015 on hire of ambulances instead of procurement was not approved and therefore irregular. Further, the County Government did not present a cost / benefit analysis to justify the lease instead of outright purchase.

18.0 Irregular Engagement of Casual Workers

An expenditure of Kshs.4,463,350 was incurred in respect of payment of casual wages in the Ministry of Health during the year under review. However, examination of expenditure records disclosed that the payments were not supported with muster rolls, the location of deployment, number of days worked and the rates applied in payment of daily wages. Further, no engagement letters were produced for audit verification and it was therefore not possible to confirm whether the casual workers existed or not.

In the circumstances, the propriety of the expenditure could not be confirmed.

19.0 Construction of Bomet Market Shades

Construction of Bomet Market Shades was awarded to a firm at a cost of Kshs.26,003,408, while the lowest evaluated bidder was Kshs.25,328,068.15. Had the contract been awarded to the lowest evaluated bidder, the County Government could have saved Kshs.675,339.85.

A physical verification of project on 18 December 2015 revealed that the project was approximately 65% complete and two payments totalling Kshs.19,962,239 had been made to the contractor. The project was still in progress in December 2015 even though it was meant to be completed one year ago. The County Government had not taken any action against the contractor for breaching the terms of the contract.

20.0 Fencing of Chebunyo Cattle Sale Yard

The fencing of Chebunyo Cattle Sale Yard was done at a cost of Kshs.763,394 by a firm which was paid the full amount vide payment voucher No.691 dated 31 March 2015. According to the information available, the commencement date of the project was 06 November 2014 and the completion date was 17 December 2015. However, physical verification of the project on 18 December 2015 revealed that the project was not completed as per the specification as no excavation was done and the timber used were semi -circular contrary to the round timber rails recommended. The project was not operational and generating revenue as intended and therefore no value for money has been realized.

21.0 Construction of Bomet IAAF Stadium

The construction of Bomet IAAF stadium was contained in the first County Integrated Development Plan for 2013 – 2018 and the objective was to improve sporting activities within the County. The estimated cost of the project was Kshs.221,293,760.47 as per the bills of quantities drawn by the Quantity Surveyor, Ministry of Public Works and Transport.

According to the work plans made available for audit, the construction works were to commence on 4 March, 2014 and the expected date of completion was 22 October, 2014. However, as at the time of audit in December 2015, the stadium was still under construction and approximately 50% complete, while Kshs.196,075,277.50 had been paid as at 30 June 2015. Further, the project is likely to exceed the initially estimated cost. The summary of the total expenditure is as follows:-

Details	Code	Materials/ Services	Casual Wages	Total Amount Kshs.
Non-Residential Buildings	3110201	51,404,833.50	18,169,561.00	69,574,394.50
Other Infrastructure & Civil Works	3110504	45,414,583.00	24,374,950.00	69,789,533.00
Current Transfers	2640499	9,354,950.00	6,438,400.00	15,793,350.00
Sub Total		106,174,366.50	48,982,911.00	155,157,277.50
Wages paid to a				3,050,000.00

member of the special committee				
Sitting allowances paid to other Committee Members				559,600.00
Budgeted amount 2013/2014 and spent				30,000,000
Grand Totals				188,766,877.50

In addition, the following irregularities were noted in the implementation of the project:

(i) Un budgeted Expenditure

It was observed that the construction of the stadium was not provided for in the Programme Based Budget for the year 2014 / 2015 as a stand-alone expenditure item. Instead funds were sourced from other expenditure items under the Ministry of Education. The funds were drawn from non-residential buildings, other infrastructure and civil works and other current transfers as detailed below:

Expenditure Item	Code	Materials/ Services	Casual Wages	Amount (Kshs).
Non-Residential Buildings	3110201	51,404,833.50	18,169,561.00	69,574,394.50
Other Infrastructure & Civil Works	3110504	45,414,583.00	24,374,950.00	69,789,533.00
Current Transfers	2640499	9,354,950.00	6,438,400.00	15,793,350.00
Totals		106,174,366.50	48,982,911.00	155,157,277.50

(ii) Unaccounted for Casual Wages

An expenditure of Kshs.48,982,911 was incurred in respect of payment of wages to casual workers working at the Bomet Stadium. However, it was observed that the master roll was not properly maintained, as it did not indicate the rate paid, the total amount payable to each casual worker and the number of days worked. Although it has been explained that the casual workers both skilled and unskilled were drawn from each sub county, no record was provided to show the number and no engagement letters were produced for audit verification.

In the absence of engagement letters and a record showing the number of casuals drawn from each sub county, it was not possible to confirm the expenditure of Kshs.48,982,911 as a proper charge to public funds.

(iii) Goods not recorded in the Store Records

Examination of store records maintained at the County Treasury and the stadium store disclosed that building materials worth Kshs.4,388,000 were not recorded in the store records. It was observed that fourteen (14) rolls of binding wire worth Kshs.120,000, cement worth Kshs.312,000, Y16 worth Kshs.3,740,000 and Y20 worth Kshs.216,000 had not been taken on charge in the stores ledger cards maintained at the Treasury but had been entered in the stadium's records. Further, the items were physically not found in the store and no requisition orders or issue notes (S11) were made available for audit to confirm the usage.

In the circumstances, the expenditure of Kshs.4, 388,000 could not be confirmed as a proper charge to public funds.

(iv) Land Ownership

The ownership documents for the land where the stadium is being constructed were not produced for audit verifications.

It was therefore not possible to establish whether the land belongs to the County Government.

In view of the following, the expenditure of Kshs.196,075,227.50 on the stadium could not be confirmed as a proper charge to Public funds.

22.0 Incomplete Water Projects

An expenditure of Kshs.8,331,291.35 was incurred during the year under review in procurement of pipes, electric pump and a composite filter unit for various water projects as detailed below :-

Date	P.V. No	Project	Item	Amount (Kshs)
06/01/15	423	a) Nyangombe water supply. b) Ndanai water supply. c) Chepkitwal water supply	Supply of GL Pipes	4,634,717.35
28/09/14	157	Marinyin Water Project	Rift Valley Machinery	1,995,6000.00
28/09/14	399	Kipngosos Water Project	Mongesoi Enterprises Ltd	1,700,794.00
			Total	8,331,291.35

However, the following unsatisfactory matters were observed-

(i) Nyangombe Water Project, Ndanai Water Supply and Chepkitwal Water Supply

It was observed that a total Kshs.4,634,717.35 was spent in procurement of water pipes for the above water projects. However, as at the time of the audit in January 2016, the pipes had not been used and were therefore lying idle one year after their purchase. Although it has been indicated that the laying of the pipes is in progress, no documentary evidence has been produced to confirm the projects are being implemented.

(ii) Marinyin Water Project

The electric pump for the project valued at Kshs.1,995,600 had been installed and the pump house and the supply tank had also been constructed. However, it was observed that the County Government did not apply for electricity supply prior to installation of the pump. The application for electricity supply was done after the installation and consequently, the pump was not in use as observed during a physical verification in January 2016. Although it has been indicated the County Government is engaging the Rural Electrification Authority for speedy installation of electricity, no documents have been produced to confirm the same.

(iii) Kipngosos Water Project

An expenditure of Kshs.1,700,974 was incurred in procurement of composite filter unit for the water project. However, as at the time of audit in January 2016, the project was incomplete as the water tank had not been roofed and there was evidence of poor workmanship. Further, it was noted that the filtering unit was leaking one year after the procurement.

The implementation of these projects appear not to have been properly planned as it is not clear why they have not been completed

23.0 Unaccounted for Expenditure

Examination of expenditure records for the Ministry of Water and Irrigation disclosed that goods worth Kshs.21,364,292.35 procured during the year were not taken on charge in the store records as detailed below:-

Date	P.V NO.	S13 NO.	Items	Amount Kshs.
05/09/2014	9	843	Water Pipes	552,200.00
05/09/2014	14	2293	Water Pipes	830,655.00
05/09/2014	19	177	Water Pipes & Fittings	1,124,420.00
10/09/2014	12	1229	Water Pipes & Fittings	462,800.00
28/09/2014	118	2053	Water Pipes	643,200.00
28/09/2014	108	835 &	Pipes, Meters &	1,232,410.00

		836	Fittings	
28/09/2014	152	007	Water Pipes & Fittings	1,469,500.00
28/09/2014	154	2054	Water Pipes	857,590.00
28/09/2014	153	1805	Water Pipes	2,787,180.00
28/09/2014	155	927	Pump set Vige	1,226,000.00
28/09/2014	156	822	Bare shaft Pipe	1,765,200.00
28/09/2014	157	823	Electric Pump set	1,995,600.00
03/12/2014	270	3851	Water Fittings	871,625.00
06/01/2015	423	360	GL Pipes	4,634,717.35
06/02/2015	528	3897	PVC Pipes	911,195.00
				21,364,292.35

Although it has been explained the items had been recorded in the store records, no evidence has been produced for audit verifications and therefore the expenditure remains unaccounted for.

24.0 Staff Remuneration/Salaries and Wages

Examination of the payroll disclosed that the County Government had a workforce of 3,750 employees comprising of 1,002 on contract, 1,611 employed by the county executive, 850 seconded from the National Government and 287 absorbed from the defunct local authorities. The approved establishment for the year 2014 /2015 was 2,328 employees against the number in place of 3,750. It was therefore evident that there was an overemployment of 1,422 employees. The newly employed staff included 326 Area and Community Administrators, 411 Enforcement Officers and 685 officers whose designations have not been defined. Further, the recruitment process was not properly documented and the recruitment was not carried out by the County Public Service Board as required by the County Government Act, 2012.

In addition, the County Executive Committee Member for Finance and Economic Planning failed to set wages limit as required by Section 107(2) (c) of the Public Finance Management Act, 2012 which requires him/her to prescribe a certain percentage which should not exceed the County Government's total revenue to be incurred as compensation to employees. In the absence of the limit, the wage bill may grow to unsustainable levels.

25.0 Donations / Bursaries

During the year 2014/2015, the approved budget for bursaries / donations was Kshs.80,000,000. However, the vote book status report for the period 1 July 2014 to 30 June, 2015 indicated Kshs.56,160,564 was spent from the development vote in respect of bursaries /donations. Examination of expenditure records disclosed, only

an expenditure of Kshs. 27,944,908 was supported with payment vouchers as detailed below:-

Payment voucher Numbers and details of payment	Date	Payees	Amount (Kshs)
Bursaries	06/01/2015	Director Youth & Sports	4,689,000.00
489 - Bursaries	06/01/2015	Director Education, Vii Youth & Sports	16,871,500.00
557 - Bursaries	11/02/2015	Moi Siongiroi Girls Sec. Sch	700,000.00
558 - Bursaries	11/02/2015	Moi Siongiroi Girls Sec. Sch	382,774.00
2016 - Bursaries	22/05/2015	Director Youth & Sports	259,323.00
1034 - Scholarships	20/02/2015	Director Youth & Sports	2,898,461.00
2015 - Bursaries	22/05/2015	Director Youth & Sports	1,134,000.00
2013 - Facilitate Transport	19/03/2015	Director Youth & Sports	100,000.00
1111 - Loan processing Fees	29/04/2015	Trans National Bank	509,850.00
3020 - Tata (branding & Tracking devices)	05/05/2015	Tata Africa	400,000.00
Totals			27,944,908.00

The remaining balance of Kshs.28,215,656 was unaccounted for as no payment vouchers were produced for audit examination and it was therefore not possible to ascertain how the amount was spent.

It was further observed that the expenditure of Kshs.27,944,908 was not supported by minutes of the bursary fund committee thus casting doubts as to whether the committee was established as required by Section 6 (3) of the Bomet County's Bursary Fund. It was also not possible to establish whether the County Government opened a fund bank account as no details were provided for audit. It was further observed that out of the total payment of Kshs.27,944,908, Kshs.359,323 was for unexplained reasons, made through imprest system. In addition, examination of the payment vouchers supporting the expenditure of Kshs.27,944,908 disclosed that payments totaling Kshs.25,952,284 were for unexplained reasons made to the Director-Youth and Sports for disbursement to the day schools within the County instead of the disbursement being made direct to the respective schools. Although it has been explained the schedules supporting the payment vouchers drawn in favour of the director of education were submitted to the bank for payment, no evidence has

been produced for audit verifications to confirm the amount reached the intended beneficiaries.

26.0 Unsupported Expenditure of Old Person's Stipends and NHIF Contributions

Examination of fund expenditure returns disclosed that an expenditure of Kshs.255,523,360 was incurred during the year in payment of stipends and NHIF contributions for old persons and persons with disability. However, out of the expenditure of Kshs.255,523,360 incurred, only expenditure totaling Kshs.236,278,420 was supported with payment vouchers as detailed below:-

Payment Voucher Numbers	Date	Amount paid (Kshs)
OLD PERSONS		
2636	29.6.15	29,478,500
2335	29.5.15	29,242,372
326	1.12.14	29,256,903
696	1.3.15	29,242,672
66	9.9.14	30,654,521
1326	30.12.14	29,292,672
		29,478,500
	Sub total	<u>206,596,140</u>
NHIF Contributions		
2323	18.5.15	2,464,000
2293	18.5.15	2,416,000
2334	29.5.15	2,432,000
54	29.5.15	2,440,960
483	17.11.14	2,442,440
67	10.9.14	7,680,000
383	17.10.14	2,508,960
	18.05.15	2,416,000
	11.12.14	2,440,960
	06.01.15	2,440,960
	Sub total	<u>29,682,280</u>
	Grand total	<u>236,278,420</u>

The remaining balance of Kshs.19,244,940 was unsupported and it was therefore not possible to ascertain how the money was spent.

Further, examination of the payment vouchers supporting the expenditure of Kshs.236,278,420 disclosed that Kshs.206,596,140 was spent in payment of stipends to old persons while Kshs.29,682,280 was NHIF contributions. Information available indicates that each old person was entitled to Kshs.2,030 per month and the amount

was paid through the MPESA platform but no documents were produced for audit verification to show how the process was being managed and monitored to ensure the payment goes to the payees regularly.

In addition, the details of the fund bank account including the account number, bank statements, bank reconciliation statement, payment vouchers for the 3% administrative costs, list of the authorized bank signatories and monthly schedules supporting each payee paid stipends and NHIF beneficiary were all not presented for audit examination.

In view of the above, it has not been possible to confirm the sustainability and assure if the project does not overlap with that of the national government.

27.0 Irregular Expenditure

An expenditure of Kshs.8,633,108 was incurred in carrying out hydrogeological survey and drilling of five boreholes within the County as detailed below:-

Name of the Borehole	Location	Hydrogeological Survey Cost Kshs	Confirmation Cost Kshs	Drilling Cost Kshs	Total Costs Kshs
Menet	Merigi	49,400	Confirmation not done	1,192,422	1,241,822
Kongotik Girls Secondary School	Kembu	65,000	241,280	1,336,610	1,642,890
Kipysit Central	Kembu-	80,000	222,720	1,756,414	2,059,134
Tiroto Pri. School	Merigi	49,400	222,720	2,131,558	2,403,678
Kitoben Children's Vision	Nyangores	60,000	Confirmation not done	1,225,584	1,285,584
Total		303,800	686,720	7,642,588	8,633,108

However, out of the five boreholes, three had confirmation of the Hydrogeological survey reports while two had no such confirmation. It was further observed that the drilling process went ahead and the end result was that these boreholes did not yield any water and were found to be dry.

Further, payment of Kshs.1,223,800 was made a service provider for rendering hydrogeological survey services to the County Government, through payment vouchers numbers 4 and 3 for Kshs.806,200 and Kshs417,600 respectively. However, it was observed that the service provider was not among the firms which applied and were prequalified for construction of masonry water tanks, hydrogeological services and ground water investigation for the financial year 2014/2015 as provided under minute CGB/38/2014/2015.

Although, the provider was a licensed geologist, the process of engaging him was not subjected to the laid down procurement procedures. It appears the geologist was single sourced.

Further, it was noted that the hydrogeological report's recommended the County Government to sink bore holes at Lelaitich Primary School, Kosia Primary School, Lugumek Secondary School and Terek Secondary. However, as at the time of the audit no evidence was produced for verification to confirm the bore holes as having been sunk despite the recommendations made. Hence, there was no need to carry out the hydro geological survey.

In the circumstances, the propriety of the expenditure could not be confirmed.

28.0 Unaccounted for Expenditure

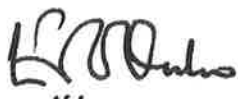
Examination of payment voucher disclosed that Sigor FSA Rural Cooperative Limited and Sigor Co-operative Society were paid Kshs.5,688,888 and Kshs.1,509,797 respectively to facilitate the financing of women, boda boda groups and operation of cattle dips.

However, no minutes approving the disbursements of the funds to the Co-operative Societies by the Department of Co-operatives were made available for audit verification. It was further observed that no records were maintained by the department to show the groups received the money from the co-operative societies.

In the circumstances, the propriety of the expenditure of Kshs.7,197,797 could not be confirmed.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



FCPA Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 September 2016