

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL OPERATIONS OF
HOMA BAY COUNTY EXECUTIVE**

**FOR THE PERIOD 1 JULY 2013
TO 30 JUNE 2014**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
Introduction.....	1
Terms of Reference	1
Methodology.....	2
Scope and Determination of Responsibilities	2
KEY AUDIT FINDINGS	2
1.1 Failure to Maintain Revenue Cashbook	2
1.2 Failure to appoint County Receiver of Revenue	3
2.0 NON CURRENT ASSETS	3
2.1 Additional Hostel at Sero Polytechnic.....	3
2.2 Purchase of Furniture and Fittings	3
2.3 Renovation of Governor’s Office.....	3
2.4 Ablution Block, Sentry and Perimeter Wall	3
2.5 Alteration and Extension of the Governor’s Office.....	4
2.6 Partition of the Education Hall.....	4
2.7 Solar Lighting Project (Okonyo Welo) - (Ministry of Energy)	4
2.8 Poultry Hatcheries (Ministry of Agriculture).....	4
2.9 Renovation of Governors/Deputy Governors Residences	4
2.10 Rehabilitation of Sewerage Works in Homa Bay Town (Min. of Water &	5
Sanitation)	5
3.0 BUDGET PERFORMANCE.....	5
3.1 Non-Compliance with the Budget process.....	5
4.0 PROCUREMENT OF GOODS AND SERVICES.....	5
4.1 Printing and Advertising Expenditure.....	5
4.2 Irregular Hire of Motor Vehicles	5
5.0 PERSONNEL.....	5
5.1 The County Organizational Structure.....	5
5.2 Payroll Audit.....	5
5.3 Expired Contract for Consultancy Service (Ministry of Trade).....	6
6.0 EXPENDITURE	6

6.1	Weaknesses in the Processing of Imprest.....	6
7.0	CASH AND BANK BALANCE.....	6
9.0	NON MAINTENANCE OF CREDITORS LEDGER.....	6
	DETAILED FINDINGS COUNTY EXECUTIVE.....	7
1.0	REVENUE.....	7
1.1	Failure to Maintain Revenue Cashbook.....	7
1.2	Failure to appoint County Receiver of Revenue.....	7
2.0	NON CURRENT ASSETS.....	7
2.1	Additional Hostel at Sero Polytechnic.....	7
2.2	Purchase of Furniture and fittings.....	8
2.3	Renovation of Governor’s Office.....	8
2.4	Ablution Block, Sentry and Perimeter Wall.....	9
2.5	Alteration and Extension of the Governor’s Office.....	9
2.6	Partition of the Education Hall.....	9
2.10	Solar Lighting Project (Okonyo Welo)- (Ministry of Energy).....	10
2.11	Poultry Hatcheries (Ministry of Agriculture).....	11
2.12	Renovation of Governors/Deputy Governors Residences.....	11
2.13	Rehabilitation of Sewerage Works in Homa Bay Town (Min. of Water & Sanitation).....	12
3.0	BUDGET PERFORMANCE.....	12
3.1	Non-Compliance with the Budget process.....	12
4.0	PROCUREMENT OF GOODS AND SERVICES.....	13
4.1	Printing and Advertising Expenditure.....	13
4.2	Irregular Hire of Motor Vehicles.....	13
5.0	PERSONNEL.....	13
5.1	The County Organizational Structure.....	13
5.2	Payroll Audit.....	14
5.3	Expired Contract for Consultancy Service (Ministry of Trade).....	15
6.0	Expenditure.....	16
6.1	Weaknesses in the Processing of Imprest.....	16
7.0	Cash and Bank Balance.....	16
9.0	Non Maintenance of Creditors Ledger.....	17

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF HOMA BAY COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Constitution of Kenya 2010 created a decentralized system of government by setting up County Governments. Homa Bay County is listed as county No.43 on the first schedule of the Constitution of Kenya 2010. The county has eight (8) Sub Counties namely; Homabay, Mbita, Suba, Rangwe, Karachuonyo, Kasipul and Kabondo-Kasipul.

Introduction

The financial operations audit for the period 1 July 2013 to 30 June 2014 was undertaken to assess the adequacy and reliability of the systems of controls instituted by the management of the County Government in running its affairs in as far as utilization of public funds is concerned.

Terms of Reference

The Office of the Auditor-General is an Independent Office mandated by the Constitution under Article 229 to audit the accounts of the National and County Governments. In this regard, the office planned an audit of the systems of management and financial controls of Homa Bay County for the period July 2013 to 30 June 2014 with the following terms of references:

- Assessment of controls over management of cash and bank accounts.
- Assessment of controls over management of assets under the control of the county Government.
- Assessment of compliance with the procurement laws in the process of acquisition of goods and services
- Assessment of compliance with Public Finance Management Act, 2012 in the utilization of public funds.
- Compliance with other relevant laws and regulations
- To ascertain the integrity and reliability of financial and other information used by management in the utilization of public funds.
- All necessary supporting documents, records, and accounts have been kept in respect of all transactions

Methodology

The approach used in carrying out this audit included the following:

- Interviews with key officers at the County headquarters.
- Review of applicable legislation and regulations.
- Examination of payment vouchers, cashbooks, vote books, bank statements, bank slips, receipt books, procurement documents, stores records, asset registers and other related records.
- Review of minutes of various meetings where there were resolutions regarding utilization of public funds.
- Physical inspection and verifications
- Observation of processes and activities.
- Review of documents used by management to monitor use of funds.

Scope and Determination of Responsibilities

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, expenditure incurred is fairly stated and fair recording is achieved in all financial transactions.

The maintenance of effective control measures and compliance with laws and regulations are the responsibility of the management. My responsibility is to report on the weaknesses that were identified in the course of the audit.

KEY AUDIT FINDINGS

1.0 REVENUE

1.1 Failure to Maintain Revenue Cashbook

The officer in charge of the County revenue had failed to maintain a cashbook for revenue, making it difficult to ascertain how much was collected by the revenue clerks, banked and accounted for in accordance with the Public Finance Management Act, 2012. Further, they did not carry out a bank reconciliation to ascertain whether all the revenues collected had been banked/ accounted for.

1.2 Failure to appoint County Receiver of Revenue

As at 30 June 2014 the County Executive Committee had not appointed in writing the County Receiver of revenue as required in the Public Finance Management Act, Section 157 (1).

2.0 NON CURRENT ASSETS

2.1 Additional Hostel at Sero Polytechnic

The County Government sponsored the construction of an additional Hostel at Sero Polytechnic at a cost of Kshs.4,300,000. A local purchase order for supply and delivery of building materials totalling Kshs.2,494,919 was issued to a firm on 21 November 2013, an invoice of the same amount issued on the same date and payment made on 21 November 2013. The bills of quantities, tender documents or quotations were not availed for audit verification. The invoice attached to the payment voucher totalled Kshs.2,494,919; however analysis of items supplied totalled Kshs.1,467,980 leading to overpayment of Kshs.1,026,939. The County Government further purchased building materials worth Kshs.2,597,020 between February and June 2014 from other firms for the same project. In the absence of bills of quantities and records of delivery it was not possible to confirm that the right quantities were bought and delivered and that the County Government obtained value for money in the construction of the hostel.

2.2 Purchase of Furniture and Fittings

During the year under review the County Government procured furniture worth Kshs.1,264,000, Kshs.1,475,000, Kshs.958,300 and Kshs.10,058,500 from four different firms all totalling to Kshs.13,755,800 by use of restricted tendering which was however not justified. Further, the payments to the suppliers were not supported by counter receipt vouchers, nor examined, approved or posted to the cashbook.

2.3 Renovation of Governor's Office

During the year under review the administration block renovation work was awarded to a contractor at the contract sum of Kshs.11,600,000 by use of restricted tendering which was later scaled down to Kshs.4.3 million by management citing inadequate funds as the reason for scaling down the project. However, bills of quantities to show the estimate of the renovation of the building and how it was arrived at were not availed for and verification and comparison with the tendered amount. There is no evidence the scaling down of the project was approved by the County Tender Committee.

2.4 Ablution Block, Sentry and Perimeter Wall

During the year under review, a construction contract of ablution block, sentry and perimeter wall was awarded to a contractor at a contract sum of Kshs.16,307,934. However, the bills of quantities to show the estimate of the construction and how it was arrived at was not availed for audit verification and comparison with the tendered amount. The payments were made without certificates of inspection and acceptance as the County did not appoint an inspection and acceptance committee for the project.

2.5 Alteration and Extension of the Governor's Office

During the year under review the Governor's Office was altered and extended at a cost of Kshs.19,596,027, by use of restricted tendering, however, the bills of quantities to show the estimate of the renovation of the Building was not availed for audit verification and comparison with the tendered amount. The payments were made without the certificates of the inspection and acceptance committee as the County did not appoint the committee for this project.

2.6 Partition of the Education Hall

The County Government partitioned the Education Hall at the cost of Kshs.1.3 million, however there were no tender documents, Bills of Quantities nor breakdown provided to show how the Kshs.1.3 million was utilized and payment vouchers for the same were not availed for audit verification.

2.7 Solar Lighting Project (Okonyo Welo) - (Ministry of Energy)

A joint venture agreement was signed on 28th November 2013 between the County Government of Homa Bay and a media investments company for a solar lighting project (Okonyo Welo) for rural and urban market centres in Homa Bay County. Each of the parties was to contribute 50% of the total project cost of Kshs.143,100,000 exclusive of VAT and share advertising revenue in the same ratio. The project would entail installation of 800 high solar floodlight masks in about 284 selected market centres. However, the commencement date of the project was not stated in the agreement and the project had not been completed by the time of the audit as only 225 lights had been installed out of the 800 translating to about 28% while a payment of Kshs.33,169,736 had been made by the County Government to two contractors hired to install the solar lights. At the time of audit, the media investment company had not made any payment towards the project contrary to an agreement it had signed with the County Government.

2.8 Poultry Hatcheries (Ministry of Agriculture)

The Ministry of Agriculture procured 306 poultry hatcheries to be distributed to 227 groups at a cost of Kshs.123, 663,200. The distribution of the same was done to the various wards through the offices of the Members of the County Assembly. However the number of groups allocated the hatcheries could not be confirmed as management had not done proper documentation. Verification of some of the intended beneficiaries by way of questionnaires done through phone calls revealed that some hatcheries were yet to be given to the registered groups. The ones that were distributed, other than the one given to Makongeni Youth Group, were not yet operational. The county therefore was not getting full value for the Kshs.123,663,200 spent on the project.

2.9 Renovation of Governors/Deputy Governors Residences

A contract of Kshs.11,668,904 was awarded to a contractor to undertake the proposed boundary walling for a Government house proposed to be the Governor's Residence. Another contract of Kshs.10,275,280 awarded to another firm to undertake a similar works

on an adjacent Government house proposed to be the Deputy Governor's Residence. Even after the expenditures the Governor and his deputy still commute every day from far away destinations to work because the residences are yet to be completed. The expenditure of Kshs.21,944,184 is not adding any value to the County Government.

2.10 Rehabilitation of Sewerage Works in Homa Bay Town (Min. of Water & Sanitation)

The County Government carried out rehabilitation of sewerage works in Homa Bay Town worth Kshs.6,335,500 out of which Kshs.3,347,250 had been paid to a Contractor, at the time of the audit. The bills of quantities, tender acceptance letters and contract agreement were not availed for audit verification in total disregard to Section 67(1). Further there was no inspection and acceptance committee in place.

3.0 BUDGET PERFORMANCE

3.1 Non-Compliance with the Budget process

The County Government of Homa-Bay did not follow the process required by section 128 of the Public Finance management Act, 2012 on the preparation of the budget for 2013/2014. The County Government entities were not served with a circular giving guidance on the budget preparation process.

4.0 PROCUREMENT OF GOODS AND SERVICES

4.1 Printing and Advertising Expenditure

The County Government procured receipt books from a Publishing House at a cost of Kshs.1,102,406 without following the Public Procurement procedures through tender as per the requirements of section 54 of the Public Procurement Act, 2005.

4.2 Irregular Hire of Motor Vehicles

Payments totalling Kshs.2,080,000 were made to a tours and travel firm in respect of hire of transport without following the required procurement procedures.

5.0 PERSONNEL

5.1 The County Organizational Structure

The County Government of Homa Bay has not documented its organizational structure that is clearly defined by means of an approved organization chart. It has also not put in place a performance management plan to evaluate the performance of the county public service and the implementation of county policies.

5.2 Payroll Audit

County Government employees on the IPPD payroll increased from 593 employees in August 2013 to 2044 employees in June 2014. This resulted in an increase in monthly payroll wage bill from Kshs.33 million to Kshs.122,701,375. However, a human resource

audit has not been carried out to determine the actual staff position on the ground and the human resource needs. Further, out of 47 doctors introduced in the Health sector payroll of January 2014, 22 could not be identified by the Chief Officer, Health.

5.3 Expired Contract for Consultancy Service (Ministry of Trade)

The Ministry of Trade hired a consultant to co-ordinate project activities of the County Government from 1 August 2013 to October 2013 at monthly pay of Kshs.143,748. However it was not explained how the consultant was identified and his dues determined. It was further observed that even after the expiry of the contract period the Consultant was still in office in June 2014 leading to an irregular payment of a total of Kshs.1,149,984 for eight months.

6.0 EXPENDITURE

6.1 Weaknesses in the Processing of Imprest

The County imprest processing systems did not have proper control in place as the imprest register was not properly maintained and updated.

7.0 CASH AND BANK BALANCE

The cash books were not updated and reconciled and the recurrent account at CBK and standing imprest account at Co-operative bank had also not been posted and updated as required.

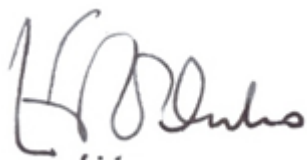
The County Revenue Fund Account at CBK, Revenue collection account at Kenya Commercial Bank and Development account at Kenya Commercial Bank cash books were not properly maintained.

8.0 NON MAINTENANCE OF DEBTORS LEDGER

The debtors ledger was not availed; making it difficult to establish the correct position of the debtors for the period covered by the audit.

9.0 NON MAINTENANCE OF CREDITORS LEDGER

The creditors` ledger was not availed and therefore, it was difficult to establish the amount owed by the County.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi, 28 May 2015

DETAILED REPORT OF THE AUDITOR GENERAL ON FINANCIAL OPERATIONS OF HOMA BAY COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 31 MARCH 2014

DETAILED FINDINGS COUNTY EXECUTIVE

1.0 REVENUE

1.1 Failure to Maintain Revenue Cashbook

The officer in charge of the County revenue had failed to maintain a cashbook for revenue, making it difficult to ascertain revenue collected, banked and accounted for in accordance with the Public Finance Management Act, 2012. Further, they did not carry out a bank reconciliation to ascertain whether all the revenues collected had been banked/ accounted for.

Recommendation:

Revenue Cash book should be maintained by the officer in charge of revenue at the County headquarters. Regular bank reconciliations should be carried out to avert any errors and omissions.

1.2 Failure to appoint County Receiver of Revenue

As at 31 March 2014 the County Executive Committee had not appointed in writing the County Receiver of Revenue as required in the Public Finance Management Act, Section 157(1).

Recommendation:

The County's Executive Committee should appoint a responsible person in writing to be accountable for collection, receiving and accounting for the county government revenue.

2.0 NON CURRENT ASSETS

2.1 Additional Hostel at Sero Polytechnic

The County Government sponsored the construction of the additional Hostel at Sero Polytechnic at a cost of Kshs.4,300,000. The Contract to supply material was awarded to Sulpet Enterprises Ltd, however there was no tender minutes and bills of quantities availed to show how the materials to be used were arrived at and to be compared with tender bids. The firm was paid Kshs.2,494,919 for the supply of building materials, of which no delivery records and other records were availed to confirm that the materials were delivered and received by the polytechnic. Further, the analysis for this payment amounted to Kshs.1,467,980 leading to an unexplained variance of Kshs.1,026,939.

The manager of the polytechnic was paid vide payment voucher number 11 of Kshs.200,000 in his name for the payment of labour cost offered by the trainees from the polytechnic instead of the Institution's name.

On the physical verification, it was noted that the hostel has been constructed to lintel level and the material supplied by the firm like sand, concrete, doors, windows, iron sheets, timber and steel wires were at the site and could not be verified as there were no records to show how they were received.

Recommendation

Proper records should be maintained for all projects for review and future reference.

2.2 Purchase of Furniture and fittings

During the year the County Government procured furniture using restricted tendering worth Kshs.1,264,000, Kshs.1,475,000, Kshs.958,300 and Kshs.10,058,500 from four different firms all totalling to Kshs.13,755,800. The payments to suppliers were not supported by counter receipt vouchers, nor examined, approved and posted to the cashbook.

The payment voucher for Harujo construction was not numbered, delivery note was not signed to confirm receipt of the furniture nor did they avail S13 and S3 for verification. On the physical verification it was noted that the furniture in place were not labelled and it was difficult to identify the furniture supplied by the suppliers.

Recommendation

Proper records should be maintained for assets and accounting procedures and pertinent internal controls should be practiced at all times

2.3 Renovation of Governor's Office

During the period under review the administration block renovation work was awarded to Nile Bay General works at a contract sum of Kshs.11,600,000 by use of restricted tendering which was later scaled down to Kshs.4.3 million by management who cited inadequate funds as the reason for scaling down the project. However, there is no evidence that approval of the County tender committee to scale down the project was sought. Also, the project bills of quantities to show the estimate of the renovation of the building and how it was arrived at were not availed for audit verification and the comparison of the tendered amount. The payments were made without the certification of the inspection and acceptance committee as the county did not appoint an inspection and acceptance committee.

The payments made vide payment vouchers numbers 287B, 122C, and 10 to Nile Bay General Works of Kshs.1,800,000, Kshs.1000,000 and Kshs.500,000 were not examined. The vote amount was indicated and approved except that there was no authority to pay.

Recommendation

Management should at all times ensure that the bills of quantities are prepared in accordance with the requirements of Procurement Regulations, 2006 section 33 sub section

1 and all payments for construction works should be made on the basis of certificates issued by the Supervising Engineers/Consulting Engineers.

2.4 Ablution Block, Sentry and Perimeter Wall

During the period under review the ablution block, sentry and perimeter wall construction work was awarded to Obwanda Osum Investments at the contract sum of Kshs.16,307,934. However, the bills of quantities to show the estimate of the construction and how it was arrived at was not availed for verification and the comparison to the tendered amount. The payments were made without the certification of the Inspection and acceptance committee as the County did not appoint an inspection and acceptance committee for the project.

Recommendation

Management should at all times ensure that the bills of quantities are prepared in accordance with the requirements of Procurement Regulations, 2006 section 33 sub section 1 and all payments for construction works should be made on basis of certificates issued by the Supervising Engineers/Consulting Engineers.

2.5 Alteration and Extension of the Governor's Office

During the period under review alteration and extension works on the Governor's Office was awarded to MADIP Investment at a cost of Kshs.19,596,027, however, the bill of quantities to show the estimate of the renovation of the building was not availed for audit verification and comparison with the tendered amount. The payments were made without the certification of the inspection and acceptance committee as the county did not appoint the committee for the project.

The payments made vide un-numbered payment vouchers to MADIP Investments of Kshs.1,425,775, Kshs. 6,660,000, Kshs.7,840,000 and Kshs.428,332 were not examined, vote amount indicated and approval except for the authority to pay. As at the time of audit the work for the alteration and extension was complete. However there was no work in progress register maintained by the county office to indicate how much was spent on the project. The position of the balance of Kshs.3,241,920 could not be established as the payment vouchers were not availed for verification.

Recommendation

Management should at all times ensure that the bills of quantities are prepared in accordance with the requirements of Procurement Regulations, 2006 section 33 sub section 1 and all payments for construction works should be made on basis of certificates issued by the Supervising Engineers/Consulting Engineers.

2.6 Partition of the Education Hall

The County Government partitioned the education hall at the cost of Ksh.1.3 million; however there were no tender documents, bill of quantities nor breakdown provided to show how the Kshs1.3 million was utilized and payment vouchers for the same were not availed for audit verification.

On the physical verification, it was noted that the hall was partitioned into several offices and they were in use. However, there was no information provided as to how the materials were procured, received and utilized.

Recommendation

Management should ensure that all the support documents in respect of any public expenditure are made available for future reference and review.

2.10 Solar Lighting Project (Okonyo Welo)- (Ministry of Energy)

A joint venture agreement was signed on 28 November 2013 between the County Government of Homabay and Horizon Media Investments Limited for a solar lighting project (Okonyo Welo) for rural and urban market centres in Homa Bay County and each of the parties was to contribute 50% of the total project & share advertising revenue in the same ratio. The project would entail installation of 800 high solar floodlight masts in about 284 selected market centres.

The contract sum was Kshs.143,100,000 exclusive of VAT shared in the agreed ratio of which 40% was to be paid immediately,30% halfway through the project and 30% after commissioning of project.

Commencement date of the mentioned project was not stated in the agreement documents although the completion date was 4 months after commencement.

Restricted tendering method was used for supply and delivery of batteries, charge controls, photocell & timers under tender No.HBC/ENR/01/2013-2014, supply and delivery of solar panels under tender No.HBC/ENR/02/2013-2014, supply and delivery of floodlights under tender No.HBC/ENR/03/2013-2014 and tender No.HBC/ENR/04/2013-2014 for supply of remote kits, cabling wires and double sided advertising panels with aluminium casing. Six bidders were invited to tender.

It was noted that the County Government paid a total sum of Kshs.83,000,000 which was the total amount expected of them in the agreement while the media company had not met their part of the bargain. The following issues should be clarified.

- The reasons for using restricted tender method were not explained.
- No records were availed to show the receipt and issues of the project components.
- There was advance payment and yet approximately 350 lights were done and not fully completed with the advertising panels and further the County has paid for the expected 800 lights.
- Documents showing payments made by the media were not availed.
- There was delay in execution which would lead to cost over runs. The project should have been completed 4 months after commencement date but is still ongoing several months after the expected completion.
- Prices and costs were inflated with VAT being excluded from the tender prices.

Recommendation

Management should ensure compliance with the Public Procurement and Disposal Act, 2005 and all support documents should be availed when required for review and future reference.

2.11 Poultry Hatcheries (Ministry of Agriculture)

The Ministry of Agriculture procured 306 poultry hatcheries totaling to Kshs.123, 663,200 to be distributed to 227 groups. The distribution of the same was done at the various wards through the offices of the members of the County Assembly. However the number of groups allocated the hatcheries could not be confirmed as management had not done proper documentation. Verification of some of the intended beneficiaries by way of questionnaires done through phone calls revealed that some hatcheries were yet to be given to the registered groups. The ones that were distributed, other than the one given to Makongeni Youth Group were not yet operational. In addition to this, it was noted in some situations that individuals were given the hatcheries instead of the initial plan of giving registered groups or relocated to other groups that were not in the receipt list. In addition not all hatcheries were fully accounted for.

Further, it was noted that most groups were yet to identify sites with electricity to install the hatcheries or were still waiting for distribution of eggs from the county government.

The political interference in the implementation of the procurement output lead to a waste of resources.

The decision to implement the procurement output rested on the Members of the County Assembly which lead to underutilization/waste of resources.

Recommendation

Management should account for all the Hatcheries supplied and distributed and identify a central location for the Hatcheries

2.12 Renovation of Governors/Deputy Governors Residences

A contract of Kshs.11,668,904 was awarded to an investments and general supplies company to undertake the proposed boundary walling for Governor's Residence. Another contract of Kshs.10,275,280 awarded to a different contractor to undertake the similar works at the Deputy Governor's Residence. Section 54(3) of the procurement regulations provides that where restricted tendering is used pursuant to section 73(2) (b) of the Act, the procuring entity shall invite tenders from at least ten firms selected from the list maintained by the entity. However, in this case only three contractors were invited to participate in the tendering process.

According to the letter of award, these contracts were deliberated upon and awarded by tender minute number 10 of 2 December 2013. However, this minute has not been made available for audit verification.

The contract for the Deputy Governor's house had been allocated a budgetary provision of Kshs.7,500,000 leading to a budget overrun of Kshs.2,775,280 that has not been subjected to supplementary estimates as required. To date, the residences are yet to be completed leading to the Governor and his deputy commuting daily from far away destinations using public funds.

Recommendation

Management should ensure compliance with the Public Procurement and Disposal Act, 2005 and provide all supporting documents for future reference and review and in future, all cost overrun should be factored in the supplementary estimates.

2.13 Rehabilitation of Sewerage Works in Homa Bay Town (Min. of Water & Sanitation)

The County Government carried out rehabilitation of sewerage works in Homa Bay Town for Kshs.6,335,500 out of which Kshs.3,347,250 had been paid to the Contractor at the time of audit. The bills of quantities, signed agreement and acceptance letters were not availed for audit verification. The management also acted in total disregard of Section 67(1) of the Public Procurement and Disposal Act, which requires that before the expiry of the period during which tenders must remain valid, the procuring entity shall notify the person submitting the successful tender that his tender has been accepted and Section 68(1) which requires that the person submitting the successful tender and the procuring entity shall enter into a written contract based on the tender documents. Further, there was no inspection and acceptance committee in place. In the circumstances, management did not adhere to the procurement regulations.

Recommendation

Management should ensure compliance with the Public Procurement and Disposal Act, 2005 and availability of supporting documents for future reference and review.

3.0 BUDGET PERFORMANCE

3.1 Non-Compliance with the Budget process

The County Government of Homa Bay did not follow the process required by section 128 of the Public Finance Management Act, 2012 on the preparation of the budget for 2013/2014. The County entities were not served with a circular giving guidance as to what was required for the budget preparation.

Further it was noted that the county government did not have an operational county budget and economic forum as required by section 137(1) of the Public Finance Management Act 2012.

Recommendation:

The County Executive Committee member for finance should circularize budget requirements and give guidelines to all county entities as required and the County

Government should ensure that there is an operational county budget and economic forum as required by section 137(1).

4.0 PROCUREMENT OF GOODS AND SERVICES

4.1 Printing and Advertising Expenditure

The County Government of Homa Bay procured receipt books from African Herald Publishing House at a cost of Kshs.1,102,406 without following the Public Procurement procedures through tender as per the requirements of section 54 of the Public Procurement Act 2005.

The receipt books were received as per various delivery note numbers and S13, however the entry into S3 and counter foil receipt book register was not availed to confirm how the receipt books were taken on charge in the store and issued for revenue collection.

The receipt books ordered are no longer in use as the county government ordered other types of receipts which are in use and discarded the use of the receipt books ordered from Africa Herald Publishing House.

Recommendation

Procurement regulation should be fully followed while procuring goods and services.

4.2 Irregular Hire of Motor Vehicles

Payments totalling Kshs.2,080,000 were made to a tour and travel firm in respect of hire of transport without following the required procurement procedures. The following anomalies were noted:

- (i) Hire of transport was not advertised
- (ii) Supplier was not competitively sourced
- (iii) Payment Voucher was not fully supported since there was no authority for hire of transport and there were no Local Service Orders issued to the supplier of transport services

Recommendation

Management should follow proper procedures in the hiring of motor vehicles and management should ensure all support documents are properly filed for future reference and review.

5.0 PERSONNEL

5.1 The County Organizational Structure

The County Government of Homa Bay has not documented its organizational structure that is clearly defined by means of an approved organization chart. It has also not put in place a performance management plan to evaluate the performance of the county public service and the implementation of county policies

Section 148(1) of the Public Finance Management Act, 2012 requires the county executive committee member for finance to designate in writing accounting officers to be responsible for managing the finances of the county government entities. However, the accounting officers have not been appointed in writing as required.

Section 41(1) of the County Government Act requires meetings of the county executive committee to be recorded in writing. However, minutes for such meetings were not made available for audit verification.

The County Executive member for finance is required under section 107(1) (c) to develop regulations that limit the county government's expenditure on wages and benefits for its public officers to a percentage of the county government's total revenue. These regulations have not been developed as required by law.

Recommendation

All accounting officers should be appointed as required by Public Finance Management Act, 2012 and management should ensure that minutes of the County Executive committee meetings are properly recorded for future reference and review.

5.2 Payroll Audit

- (i) County Government employees on the IPPD payroll increased from 593 employees in August 2013 to 2044 employees in June 2014 as a result of recruitment of additional staff. This resulted in an increase in monthly payroll wage bill from Kshs.33million to Kshs.122,701,375. However, a human resource audit has not been carried out to determine the actual number of the County Government staff.
- (ii) Forty seven doctors with a monthly wage bill of Kshs.8,084,167 were added into the County IPPD payroll in the month of January 2014. However, a physical verification revealed that twenty two doctors drawing a monthly pay of Kshs.3,496,132 do not work for the County Government.
- (iii) An audit of salary payments revealed that a total of Kshs.100,519,650 was paid to staff that were not on the IPPD payroll between the period September 2013 and June 2014 (Kshs.43,481,814 -September 2013 to March 2014, Kshs.57,037,836.20 - April and June 2014). 2014 and Kshs.10,853,959.35 remitted to various banks on their behalf in respect of loan recoveries. Although this was attributed to payments made to staff that were yet to be allocated personal numbers and those employed on temporary terms, the payroll department did not maintain manual payrolls to support these payments.
- (iv) The list of staff taken over from the defunct Local Authorities, National Government and those employed during the year was not provided. The payment of salaries and

deduction from employees for various institution for the months of April, May and June 2014 of Kshs.150,000,000, Kshs.152,000,000 and Kshs.13,200,000 respectively were made without support documentation to indicate how the salaries and deduction were arrived at and the payment vouchers were not numbered as required.

- (v) The salaries and remuneration commission circular Reference SRC/TS/CGOVT/3/61 dated 20 August 2013 provided that county executive committee members be allocated a motor vehicle of engine capacity not exceeding 1,800 cc. The circular further provided that prior to allocation of the said motor vehicle, the members be paid monthly commuter allowance of Kshs.20,000 each. However, it was noted that the members continued to draw the monthly allowance of Kshs.20,000 despite the fact that they have since been allocated official transport. This has led to an estimated overpayment of Kshs.1,200,000 as at 30 June 2014.
- (vi) Section E.13 (1) of the County Public Service Manual prohibits officers from over-committing their salaries and that no salary deduction will be effected beyond two thirds of an officer's basic salary. In the payroll month of March 2014, thirty seven employees suffered deductions in excess of this set limit.
- (vii) As part of the internal controls, it is a requirement that reconciliation between payroll and human resource records be carried out on a regular basis. However, the human resource department has not put in place vital records such as approved employee list and personal files.
- (viii) Uniform allowances of Kshs.4.8 million were paid to medical staff in the payroll month of March 2014. A circular to support this payment was not made available for audit verification.
- (ix) The entity is required to put in place a backup of its data which should be stored in a secure offsite storage facility. However, the payroll department was unable to make available payrolls for the period July and November 2013 citing loss of data.

Recommendation

Management should manage the payroll functions in accordance with the Human Resource Policy of the County and develop vital internal control payroll systems.

5.3 Expired Contract for Consultancy Service (Ministry of Trade)

The Ministry of Trade contracted a consultant from 1 August 2013 to 31 October 2013 at a monthly consultancy fee of Kshs.143,748. It was however observed that even after the expiry of the contract in October 2014, the Consultant continued to draw the monthly consultancy fee of Kshs.143,748 for eight months to 30 June 2014 leading to an irregular payment of Kshs.1,149,948. Further it was not explained how the consultant was identified.

It was also noted that various consultants were contracted for the various projects that the department was undertaking and as such the position of the Project Coordinator was irrelevant in the months after October 2013.

Further, 5 casuals were engaged at the Homa Bay Feeds Industry with a total salary of Kshs.41,000 per month. It was however not clear how they were hired, what they do and for what period they will be at the factory.

Recommendation

Contract agreement should be signed by both parties and be strictly observed and the irregular payment of Kshs.1,149,948 should be recovered.

6.0 EXPENDITURE

6.1 Weaknesses in the Processing of Imprest

The County imprest processing was noted to be done without proof of authorization by the AIE holder, certification by the vote book accountant, and the payment of casual wages who ought to be paid through bank accounts. Further, imprest register in use did not have information on, employee personal number, date when imprest is due for surrender, details of the AIE holder and department/branch, amounts surrendered in cash, or in receipted bills and outstanding balance or amounts recovered from salary in event of default and surrendered imprest. Also the voucher number was not indicated in the register.

Recommendation:

The management should ensure that all necessary information in the processing of imprest is entered in the register and is updated as required.

7.0 CASH AND BANK BALANCE

The cash books were not updated on a daily basis as required. As at the time of audit in January 2015, the bank accounts of development account-CBK had only been posted up to June 2014 but were not reconciled, while the recurrent account at CBK and standing imprest account at Co-operative bank had been posted up to March 2014 and were without the details of transaction date, allocation/code of the transaction, voucher no, Chq/Ref number.

The county revenue fund account at CBK, revenue collection account at Kenya Commercial Bank and development account at Kenya Commercial Bank cash books were not maintained.

Also, due to weaknesses in the entity's filing system, the following bank statements were missing:

- (i) County Revenue Fund-CBK a/c 1000171065 - for the period 1 April 2013 to 2 July 2013, 6 June 2014 to 30 June 2014.
- (ii) Recurrent account-CBK a/c 1000170627 - for the period April to 30 June 2014.

(iii) Development account-CBK a/c 1000170611 for the period 21 May to 30 June 2014.

(iv) Development account number 11408005649-KCB for the period October 2013 to 30 June 2014.

Recommendation

The updating of all the cashbooks and reconciliations be done regularly and the recording system should be improved including availing missing bank statements for review and future reference.

8.0 NON MAINTENANCE OF DEBTORS LEDGER

The County government did not avail the debtors Ledger and therefore, it was difficult to establish the correct position of the debtors during the period covered by the audit.

Recommendation

The management to ensure that the debtors Ledger is kept and maintained.

9.0 NON MAINTENANCE OF CREDITORS LEDGER

The County government did not maintain the creditors` ledger as required and therefore, it was difficult to establish the amount owed by the county.

However from the correspondence, it was noted that the county Government was required to settle the outstanding contribution for defunct local Authorities staff amounting to Kshs.34,075,806.70.

Recommendation

The County Government should ensure that the creditors' Ledger is kept and maintained.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 May 2015