

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF HOMA-BAY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of County Executive of Homa-Bay set out on pages 9 to 36 , which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, together with a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

Basis for Disclaimer of Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements for the year ended 30 June 2018 revealed variances between the figures in the financial statements and figures from the Integrated Financial Management Information System(IFMIS) as shown in the table below;

Item	Amount as Per Financial Statement (Kshs)	Amount as Per IFMIS (Kshs)	Variance (Kshs)
Exchequer Releases	6,523,200,000	5,188,392,000	1,334,808,000
Compensation of Employees	2,437,524,927	2,796,715,771	-359,190,844
Acquisition of Assets	1,691,926,934	854,233,617	837,693,316
Use of Goods and Services	1,405,813,058	459,326,115	946,486,948
Social Security Benefits	64,480,491	81,035,067	-16,554,576
Finance Costs	0	7,000,000	-7,000,000

The resulting variances have not been explained, reconciled nor supported.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June 2018 could not be confirmed. .

2. Inaccuracy of the Statement of Assets and Liabilities

The figure of total net financial assets is indicated as Kshs.734,322,532 while casting of the figures in the statement of assets reflects a balance of Kshs.724,322,532 hence it is overstated by an unexplained difference of Kshs.10,000,000. Further, the representation section of the statement of assets on casting of the totals is understated by Kshs.245,736,826.

In consequence, the statement of assets and liabilities correctness is in doubt.

3. Cash and Cash Equivalents

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.734,429,167 as at 30 June 2018 which could not be confirmed as correct due to the following:

- i. Included in cash and cash equivalents balance of Kshs.734,429,167 is Kshs.648,676,161 which was held in the Central Bank Revenue Account. However, the total closing bank statements balance of the same accounts was Kshs.500,804,129 resulting in a understatement of Kshs.147,872,032 which has not been explained nor reconciled.
- ii. The cash and cash equivalents balance of Kshs.734,429,167 did not include a balance of Kshs.12,998,646 held in the retention account at the close of the financial year. Further, the retention balance has been disclosed as negative (Kshs. 12,998,646) under accounts payables instead of being reported as a liability.
- iii. Included in cash and cash equivalents balance of Kshs.734,429,167 are four bank accounts whose reported balances do not tally with the balances in the respective bank reconciliation statements.
- iv. The statement of assets and liabilities together with Note 12A reflects cash balances of Kshs.21,912 as at 30 June 2018. However, cash in hand balance of Kshs.18,022,157 held by the Department of Finance as per cash book folio No.42 at the close of the financial year has not been disclosed.
- v. The main cash books for the sectors were not balance regularly as required. Other weaknesses involved huge cash withdrawals from the main accounts which were used to pay suppliers through cash payments. Further several entries in the departments cash books were not dated and the books were not balanced at the close of the year as required by the Public Finance Management (County Government) Regulations, 2015.
- vi. Payment vouchers were not properly supported and some payments were made without approvals from the examination section and the accounting officer.

Consequently, the accuracy of the cash and cash equivalents balance of Kshs.734,429,167 could not be ascertained as correct as at 30 June 2018.

4. Inaccuracy of Deposits and Retention

The statement of assets and liabilities reflects account payables on deposits and retention as negative balance of Kshs.12,998,646 as at 30 June 2018. However, Note 14 to the financial statements reflect deposits and retention of Kshs.13,010,091 which differs with the figure of negative Kshs.12,998,646 disclosed in the statement of financial assets and liabilities.

As a result, the accuracy and validity of the deposits and retention balance of Kshs.12,998,646 as at 30 June 2018 could not be confirmed.

5. Outstanding Imprests

The cash and cash equivalents balance of Kshs.737,321,178 includes outstanding imprests of Kshs.2,892,011 as at 30 June 2018. However, some of the imprests date back to November 2017 and ought to have been retired at the close of the financial year. Further, imprests totaling Kshs.17,068,000 which were issued have not been disclosed in the financial statements.

In view of the foregoing, the outstanding imprest balance of Kshs.2,892,011 as at 30 June 2018 cannot be confirmed as correct.

6. Health Facilities Revenue Accountability

6.1 Unaccounted for Health Appropriations-in Aid Revenues

Included in the statement of receipts and payments under Note 4 to the financial statements are other receipts which include Kshs.25,024,120 from public health facilities operations and Kshs.2,260,430 from public health services thus raising the total amount in the financial statements to Kshs.27,284,550. An analysis of revenue collected per health facility indicated that a total of Kshs.40,471,175 was collected by health facilities during the year under review. Therefore the total collections in the financial statements are less than those on record by Kshs.13,186,625 which difference has not been explained.

Consequently, the accuracy, completeness and regularity of the health revenue collections totaling Kshs.27,284,550 as at 30 June 2018 cannot be confirmed.

6.2 Health Facilities Revenue Not Banked

Included in the statement of receipts figure for County own generated receipts of Kshs.101,919,410 is Kshs.25,024,120 collected as public health facilities operations and Kshs.2,260,430 as public health services. However, payment records for collections and banking's by various hospitals in the county revealed that total collections during the year

under review was Kshs.40,471,175 although only Kshs.29,627,558 was banked leaving a balance of Kshs.10,843,617 which was spent at source.

Consequently, the management was in breach of the regulations.

7. Unconfirmed Cess Collection - Own Generated Revenue

Included in the statement of receipts and payments figure for county own generated receipts of Kshs.101,919,410 is cess figure of Kshs.13,031,141 as at 30 June 2018. The monthly revenue report provided for the same were not supported with schedules indicating individuals/institutions who made payments and summary collection sheets.

Consequently, the cess collection balance of Kshs.13,031,141 as at 30 June 2018 cannot be confirmed as correct.

8. Use of Goods and Services

Included in the statement of receipts and payments is Kshs.1,405,813,058 on use of goods and services which includes Kshs.269,143,084 under other operating expenses which in turn include expenditure on civil works and rehabilitation of buildings amounting to Kshs.18,148,546 instead of being captured under acquisition of assets.

Consequently, the use of goods and services is misstated by Kshs.18,148,546.

9. Unsupported Expenditure

9.1 Foreign Travel and Subsistence

Included in the statement of receipts and payments balance of Kshs.1,405,813,058 on use of goods and services is Kshs.43,349,720 as foreign travel and subsistence. The supporting schedule for this balance comprised of payments to department operation accounts which were not supported by foreign travel records such as individual passports and air tickets for the participants.

Under the circumstance, the accuracy and regularity of the expenditure of Kshs.43,349,720 cannot be confirmed.

9.2 Specialized Materials and Services and Other Operating Expenses

Included under use of goods and services expenditure under Note 6 to the financial statements is expenditure of Kshs.131,403,607 and Kshs.269,143,084 incurred on specialized materials and other operating expenses respectively. However, supporting schedules and payment vouchers were not made available for audit review.

Consequently, the accuracy and validity of the total expenditure of Kshs. 400,546,691 for specialized materials and other operating expenditure cannot be confirmed as a proper charge on public funds.

10. Other Grants and Other Payments

Included in the statement of receipts and payments is Kshs.165,546,000 under other grant and other payments which also includes Kshs.102,546,000 as emergency relief and refugees assistance. Payments generated from IFMIS paid from the Department of Finance and Executive show that a total of Kshs.238,556,249 was charged to emergency relief or emergency fund. The difference of Kshs.136,010,249 between the IFMIS records and the financial statement balance has not been explained. Further, the expenditures did not also meet and qualify as an emergency fund as per the criteria set in the Public Finance Management Act, 2012 and Regulations 2015 regarding the use of emergency funds. In addition, the existence of an emergency fund as required by the Public Finance Management Act, 2012. The management was in breach of the law and regulations.

In view of the foregoing, the accuracy and validity of Kshs.102,546,000 and the difference between IFMIS and the financial statements of Kshs.238,556,249 cannot be confirmed.

11. Unsupported Transfer of Development Funds

The Department of Finance and Economic Planning transferred development funds totaling to Kshs.78,000,000 without supporting documentation and records of the projects to which they relate as listed below:

Details	Date	Amount-Kshs
County Standing Imprest Account	18 June 2018	13,000,000
County Standing Imprest Account	23 January 2018	10,000,000
County Standing Imprest Account	29 May 2018	5,000,000
County Standing Imprest Account	26 January 2018	4,000,000
County Standing Imprest Account	20 April 2018	20,000,000
Co-Operative Bank -Homa Bay	18 December 17	20,000,000
Co-Operative Bank -Homa Bay	19 December 17	6,000,000
Total		78,000,000

Consequently, the purpose of the transfers and accountability of the Kshs.78,000,000 cannot be confirmed.

12. Social Security Benefits

Included in the statement of receipts and payments is social security benefits of Kshs.64,480,491. However, examination of the payroll shows that the total pensions figure is Kshs.50,855,791. The difference of Kshs.13,624,700 has not been explained or reconciled.

In the circumstances, the accuracy and validity of the social security benefits balance of Kshs.64,480,491 cannot be confirmed.

13. Inaccuracy of Acquisition of Assets Expenditure

Report of the Auditor-General on the Financial Statements of County Executive of Homa-bay for the year ended 30 June 2018

Included in the statement of receipts and payments is acquisition of assets balance Kshs.1,691,926,934 as at 30 June 2018. The supporting schedules for this balance comprised of payments to departments Kshs.140,000,000, payments to department standing imprest account Kshs.112,000,000, Kshs.70,000,000 as transfers to department as overhaul and refurbishment of civil works and Kshs.157,713,608 as payments to Kenya Medical Supplies Agency(KEMSA) for purchase of specialized plant and equipment adding upto Kshs.479,713,608. However, the transfers were not supported by documents such as procurement data, payment vouchers, invoices and LPOs relating to acquisition of assets.

In consequence, the accuracy and propriety of Kshs.479,713,608 expenditure on acquisition of assets cannot be confirmed.

14. Unsupported Research Study Funds

Included in the acquisition of assets expenditure of Kshs.1,691,926,934 is Kshs.55,114,832 paid to various supplies for research studies, project preparation, design and supervision. However, there were no supporting documentary evidence to confirm the projects to which the research studies and design related. As a result, the propriety of the payments of Kshs.55,114,832 on research studies cannot not be confirmed.

15. Ineligible Payments of Staff Allowances

Between the month of December 2017 and June 2018, the Executive Services paid a total of Kshs.6,335,000 described as staff allowances and refunds to 31 officers. In all the payment schedules, a provision of Kshs.100,000 was made only described as 'Probox hire'. The payments were all supported by a similar schedule that was replicated in other months. No specific dates were shown for which the payments related and the signature on the schedules were of two officers who collected on behalf of others.

Consequently, the validity and regularity of the staff allowances totaling Kshs. 6,335,000 could not be confirmed.

16. Leasing of Medical Equipment

The statement of appropriation recurrent and development combined reflect budgeted total revenue of Kshs.7,568,991,255 excluding conditional grant of medical equipment allocation. Further, the County Allocation of Revenue Act, No. 23 of 2017, section 5(1) (e) on conditional allocations for leasing of medical equipment as set out in Column F of the Second Schedule, Kshs. 95,744,681 was to be included in the budget estimates according to Intergovernmental agreement in line with Article 187 of the Constitution. In addition, no Intergovernmental agreement on leasing of medical equipment was availed for audit verification.

Consequently, the County Executive management was in breach of the law and the value for money and supply of equipment could not be determined.

17. Unsupported Payment of Commission Agents

Payment totaling to Kshs.9,758,000 were made to various revenue agents in the months of April and June 2018. However, the payments not disclosed in the financial statements were made to Mr. Kepha Rombe through cheques No.000311 and 000320 of April 2018 and cheques No. 000420 and 000437 of May 2018 were not supported with a schedule of revenue collected by the agents and the commission percentage applicable.

In the circumstances, the propriety and validity of the expenditure of Kshs.9,758,000 could not be confirmed.

18. Preparation of Land Development Plan

On 22 May 2018 the department of Lands transferred Kshs.5,004,000 from the Treasury Development Account to the departments recurrent account to help in the preparation of local area development plan for affordable housing in Homa-Bay town. The process involved the preparation of inception report, needs assessment report, visioning, data collection, social economic survey and formulation of land development plan. The management ought to have procured the services through consultancy. The amount as said had not been accounted for as an expenditure incurred during the year nor explained as for what purpose it had been used for. However, IFMIS records for the department shows that the balance of Kshs.5,004,000 has been charged under infrastructure and civil works.

Consequently, the propriety and validity of the expenditure could not be confirmed.

19. Understatement of Pending Bills

The financial statements reflect pending bills totaling Kshs.742,315,940 as at 30 June 2018. However, examination of pending bills records from the twelve (12) sectors revealed that the total pending bills was Kshs.781,034,345 resulting in understatement of the bills by Kshs.38,718,405. Further, the supporting documents for the pending bills were not provided for audit review.

In view of the omission, the accuracy and validity of pending bills balance of Kshs.742,315,940 as at 30 June 2018 cannot be confirmed as correct.

20. Irregular Transfer of Funds to County Assembly

The Department of Executive Services transferred Kshs. 8,000,000 from development vote and Kshs. 64,622,400 from recurrent vote to the County Assembly of Homa-Bay contrary to provisions of Section 154(1) of the Public Finance Management Act 2012 which prohibits unapproved transfers of budgeted funds from one County government entity to another. However, the transfers have not been disclosed in the County Assembly financial statements as receipts. Consequently, the propriety of the transfer of Kshs.72,622,400 could not be confirmed and the management was also in breach of the law.

21. Irregular Transfer of Funds to Other Departments

Report of the Auditor-General on the Financial Statements of County Executive of Homa-bay for the year ended 30 June 2018

During the year under review, the Executive made transfer of funds totaling Kshs.21,500,000 from one department to another contrary to Section 154(1) of the Public Finance Management Act 2012, which states that an Accounting Officer shall not authorize the transfer the transfer of appropriated funds to another county government entity or person without authority of the County Assembly as shown below;

From	To	Amount (Kshs)
County Public Service Board	Department of Transport and Infrastructure	500,000
Department of Energy and Natural Resources	Department of Roads and Transport	500,000
Department of Tourism	Ministry of Energy	500,000
Department of Roads and Transport	Finance	20,000,000
Total		21,500,000

Consequently, the transfers breached the law and adversely affected service delivery by the respective departments.

22. Loss of Funds on Payments for Works Not Done

The Ministry of Trade and Industry contracted Pharmacol Products Limited to upgrade a temporary market in Oyugis town at a cost of Kshs. 1,205,190. The contractor was paid the whole amount yet several works had not been done as at the time of site visit in November 2018. The following works had not been done, gabion beds(600x600) mm Kshs. 297,000, culverts(600mm) Kshs. 101,500 and thick concrete grade (1:3:6) at Kshs.180,000.

Consequently, the management lost Kshs. 578,500 paid to the contractor for works not done not yet recovered.

23. Unsupported Payments – Domestic travel and subsistence

Included in the statement of receipts and payments under Note 6 is domestic travel and subsistence expenditure of Kshs.82,615,462. However, it was noted that payments totaling Kshs.6,957,740 were made by the Department of Education and Kshs.4,593,200 by the County Public Service Board without appropriate documentation.

Consequently, the propriety of the expenditure Kshs.11,550,940 cannot be confirmed.

24. Excess Vote - Payment Not Budgeted For

The department of Health services made a payment of Kshs.500,000 to Papako Agencies for supply of food stuff to Ndhiwa Sub County Hospital on various dates in the year 2015.

However, this supply has never been captured in the pending bills for the previous years and was not budgeted for in 2017/2018.

Consequently, the regularity of the excess vote expenditure of Kshs.500,000 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Conclusion on Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Annual Reporting by Accounting Officers

The entities of the County government have not prepared separate departmental financial statements relating to their operations as required by Section 164 of the Public Finance Management Act, 2012.

Consequently, the management was in breach of the law.

2. Failure to Spend At least 30% on Development

The statement of receipts and payments for the year ended 30 June 2018 reflects a figure of Kshs. 1,691,926,934 on acquisition of assets which is 25% of the total expenditure of Kshs. 6,845,291,410. The development expenditure was below the permitted limit of 30% as set in the Act.

Consequently, the management was in breach of the law and residents of the County did not receive the required development as per the Act.

3. Procurements

3.1 Fish Cooler Boxes

The Executive awarded a contract for supply of double layered plastic fish tubs cooler boxes to Kentainers Limited in May 2016 at a contract sum of Kshs.4,000,000. The payments charge code was agricultural materials, supplies and small equipment. However, no records were availed to show that the fish cooler boxes were competitively procured.

Consequently, the propriety of Kshs.4,000,000 spent on plastic fish tubes could not be confirmed.

3.2 Provision of Catering Services

Included in the use of goods and services balance of Kshs.1,405,813,058 is expenditure of Kshs.114,117,221 under hospitality, supplies and services. The Executive paid a total of Kshs.7,533,697 to Pepeta Enterprises Limited for the provision of catering services. The payments details revealed that this payment was made in cash Kshs.6,350,000 and Kshs.1,183,697 by cheques. The cash payments resulted in failure to withhold value added tax totaling Kshs.359,433. Further, the purchases were done through direct placement of orders with the supplier and no quotations have been availed to show how the procurement was done and pricing established. Therefore, the management breached the procurement regulations and value for money cannot be confirmed.

3.3 Supply of Stationery

In the year under review, the County Executive Services paid a total of Kshs.7,374,800 to Zico supplies for the supply of stationery. The award of the tender to a single supplier contravened procurement regulations as the tender was not competitively sourced.

The payments under charge code of supplies were mostly made in cash Kshs.5,461,800 and Kshs.1,913,000 by cheques. The payments in cash led to failure to withhold value added tax totaling Kshs.309,168. In addition, payments vouchers were not supported by inspection and acceptance committee reports and counter receipt vouchers. Consequently, the validity and propriety of the expenditure of Kshs.7,374,800 in the year under review could not be confirmed.

3.4 Procurement for Web-design for County Public Service Board (CPSB)

The CPSB in the month of April 2016 invited quotations (HB/CTY/PSB/45/2015-2016) from three local suppliers for design and installation of web site. The contract was awarded to Brookly Enterprises Limited at a cost of Kshs.415,000. However, the supplier who did not fill the business questionnaire was issued with a local service order number 1048327 on 26 April 2016 while the quotations were opened on 28 June 2018. The supplier had been paid Kshs.215,000 as at 30 June 2018 leaving a balance of Kshs.200,000.

Consequently, the validity and propriety of the payment of Kshs.215,000 could not be confirmed as correct.

3.5 Hire of Prado Cars

The Executive in the month of May 2017 invited quotations from three local suppliers for hire of three (3) Prado cars. The tender was awarded to Nimella tours and travel, a company that was not pre-qualified to provide hire and transport services. The quotation did not provide specifications of the services to be provided and also disclosed the trade mark (PRADO) which is contrary to procurement regulations. The management structured the procurement as two or more procurements as two local service orders (1507051 of 1 September 2017 amount Kshs.370,000 and No.1304286 of 19 October 2017 amount not indicated) were issued based on the quotation of 24 May 2017. This was contrary to Section 54 of the Public Procurement and Asset Disposal Act , 2015.

The supplier was paid a total of Kshs.7,102,000 under charge code of travel cost and hire of transport in the year under review. The payments were based on a quotation opened on 24 May 2017. The management asserts that the contract was based on a contract frame work, however no contract agreement for indefinite quantity frame was provided for audit scrutiny.

In view of the discrepancies in the process, the validity and propriety of Kshs.7,102,000 paid to the supplier cannot be confirmed as correct charge to public funds.

3.6 Irregular Procurement of Medical Insurance

In the month of June 2017, the County Public Service Board invited request for proposals from several reputable insurance companies for the provision of medical insurance to its staff and families. The proposals were received, analyzed and evaluated on. CIC insurance was recommended as the most responsive, however the firm was not able to provide the service due to payment terms. The contract for CIC was cancelled due to disagreement on payment terms.

An evaluation report of 16 May 2017 was used to award the tender to a new service provider AAR Insurance at a contract sum of Kshs.8,544,019. However, it is not clear how AAR was awarded the contract on 21 August 2017 being the 6th lowest bidder.

In view of the discrepancies in the evaluation report, the propriety of the Kshs. 8,544,019 contract could not be confirmed as correct.

3.7 Cash Payments for Contracted Goods and Services

The Department of Roads and Transport engaged in direct procurement for goods and services amounting to Kshs.11,757,800 that were readily available in the market contrary to the Public Procurement and Disposal Act. Further, the departments procurement plan for the year under review provided that the goods were to be procured through quotations.

In addition, services such as hire of taxi were paid to individuals and not registered companies prequalified by the County Executive contrary to procurement regulations. Value added tax at the rate of 6% was not withheld resulting in a loss of approximately Kshs.706,468 to the Government.

Consequently, the propriety of the expenditure of Kshs.11,757,800 on common user goods and services cannot be confirmed and the loss of Government revenue (VAT) of Kshs.706,488 undeducted and unremitted to Kenya Revenue Authority.

3.8 Cash Payments for Contracted Goods-Department of Health Services

The Department of Health Services engaged in direct procurement for various goods and services amounting to Kshs.450,000 that were readily available in the market contrary to the Act. Further, the departments' procurement plan for the year under review provided that the goods were to be procured through quotations. The payment was made through a personal cheque to an employee.

4. Stalled Project- Fencing Stadium and Other Works

The County Executive on 20 June 2016 awarded Manjano Enterprises Limited a tender for construction of a perimeter wall fencing and related works for the County Stadium in Homa-Bay at a cost of Kshs.28,228,308. The firm was paid a total of Kshs.8,317,840 in the year under review. However, a visit to the stadium on 1 November 2018 revealed that the contractor had covered 57% of the work covering over half of the stadium perimeter only but the contractor had abandoned the site.

Consequently, the propriety of the expenditure of Kshs.8,317,840 incurred on the project in the year under review cannot be confirmed and the residents of the County are yet to obtain value for money from the sum of Kshs.14,174,584 spent since the inception of the project.

5. Acquisition of Assets -Up-grading of Nyakwere Market

In the month of July 2017, the County Executive awarded Manpro Engineering Services a tender for upgrading Nyakwere market at a cost of Kshs.50,544,192. The scope of works was divided into two phases,

Phase One

Involved construction of market shade with hardcore floor, steel trusses, roof cover with brick red pre-painted roofing materials and supported with steel columns at a cost of Kshs.35,000,000.

Phase Two

Involved construction of worktops, eco toilets and precast concrete paving slabs at a cost of Kshs.15,544,192. The project is co-funded by the County government and UN-Habitat. The UN-habitat is to contribute US\$ 250,000 which is equivalent to Kshs.25,000,000 and the County Kshs.25,544,192. From inception the contractor has been paid a total of Kshs.13,743,272 which was reflected in the payment certificates. Further examination of the records and the implementation agreement revealed the following limitations;

- i. Tender documents as evaluation report and award letter for the project was not made available for audit review.
- ii. The contract agreement for the project was signed on 6 June 2017 and the local service order issued on 23 January 2017(LSO No. 1194899).
- iii. The department paid County employees seconded to work on the project a total of Kshs.1,388,000 without authority from the donor as required.
- iv. The total contribution received from the donor has not been disclosed as required. Site verification carried out on 11 November 2018 revealed that the foundation walls, the backfilling and skeleton steel structure supported with steel columns was complete. However, strip foundation, column bases and precast concrete paving slabs costing Kshs.3,200,000 had not been done. The project that was to start in July 2017 with a

completion date of February 2018 is eight months behind schedule which has affected service delivery at the critical market.

Consequently, the residents of the County have not received value for money in the expenditure of Kshs.13,743,272 incurred on the project.

6. Construction of Gendia - Kadongo Road

The County Executive awarded to three contractors, construction of Kadongo – Gendia Road to bitumen standards in 2015 at a total cost of Kshs.687,270,372.60. Contractor's total sum were,

- Nairobi Logistics and Construction Company Kshs.240,145,731.00,
- Bridgestone Construction Company Kshs.207,765,465.60
- Pepeta Holdings Limited Kshs.239,359,176.00.

The contract period was 12 months commencing in October 2015 which expired in October, 2016. Each contractor was to construct eleven kilometers of tarmac.

As reported in the previous financial year, road furniture works costing Kshs.23,900,000 for the three contractors are still outstanding. Further, the three contractors were to provide four-wheel drive pick –ups and provide maintenance at a total cost of Kshs.14,100,000. The section of the road done by Bridgestone Construction is still incomplete as three kilometers still remains undone. The tarmacked section is poorly done and is already peeling off a sign of poor workmanship. In the year under review, the companies were paid as follows, Nairobi Logistics Kshs.27,000,000, Pepeta Holdings Limited Kshs.45,000,000 and Bridgestone Construction Company Kshs.25,000,000.

The management has explained that the project is still running, however no evidence of contract extension has been availed to support the claim. No proper reason has been given as to why the road has not been completed as per the bills of quantities.

Consequently, the public may not obtain value for money invested in this project.

7. Kabonyo Water Pan

The Executive through the Ministry of Water contracted M/s Hapex Contractors Limited to rehabilitate water structure for Kabonyo at a cost of Kshs.7,545,687. The management had paid the contractor a total amount of Kshs.7,545,687 as at the time of audit. Site inspection done in October, 2018 revealed that the weir constructed across the gully to block the storm water and fill the pan was poorly done. The weir was washed away with rain water rendering the pan empty and of no benefit to the community. The contractor had abandoned the site and the whole area was converted to a grazing field. In addition, the sale or lease agreement for the land on which the pan was built were not availed for verification and the project was not branded. It was therefore not possible to establish ownership of the land.

Consequently, the propriety of the expenditure of Kshs.7,545,687 spent on the project could not be confirmed.

8. Homa Hills Water Project

The County Executive contracted Missouri consultants Limited to extend lower Homa hills community water project at a cost of Kshs.20,734,660. The management had paid the contractor a total amount of Kshs.6,745,680 as at the time of audit. During the Audit inspection of the project in October, 2018, it was observed that the project was to be done in two phases. Phase one was the laying of 3-inch G.I and PVC pipes from Obongo to Nalianga a distance of 4000 meters. The second phase included laying of pipes from Nyanja to Ojuju a distance of 2000 meters and from Ojuju to Kanam a distance of 1500 meters. Further observation revealed that the first phase was complete and water was flowing, however the second phase had not yet taken off. The contractor was not on site at the time of audit at it appears the second phase may not commence.

Consequently, the propriety of the expenditure of Kshs.6,745,680 incurred on the project as at 30 June 2018 could not be confirmed.

9. Supply of Skips

On 15 January 2016, the County Executive awarded Tema home cares Limited to supply and deliver 31 skips the County government at a cost of Kshs.11,670,024. The firm was paid a total of Kshs.7,093,544 vide payment voucher No.595. However, examination of procurement records revealed that there was no distribution list of where the skips were taken to, there was no goods received note and inspection and acceptance report for audit verification.

Consequently, the propriety of the expenditure of Kshs.7,093,544 incurred on the supply of skips during the year under review could not be confirmed.

10. Budget Performance Analysis

During the year under review, the approved budget of the County Executive was Kshs.7,568,991,255 comprising of Kshs.5,049,118,783 recurrent and Kshs.2,519,872,472 for development.

10.1 Department Expenditure (Recurrent and Development) as Per Budget

An analysis of the expenditure absorption rates per departments is as shown below:

Item	Budget Kshs.	Actual Kshs.	Under Expenditure Kshs.	Absorption %
Executive(Governor)	540,030,000	537,220,000	2,810,000	99
Finance & Planning	580,890,000	551,230,000	29,660,000	95
Agriculture	419,750,000	133,610,000	286,140,000	31
Water and Environment	507,310,000	57,900,000	469,410,000	11

Item	Budget Kshs.	Actual Kshs.	Under Expenditure Kshs.	Absorption %
Education and ICT	616,810,000	505,130,000	111,680,000	81
Health Services	2,316,390,000	1,704,760,000	611,630,000	73
Lands and Housing	268,740,000	51,830,000	216,910,000	19
Trade and Investments	282,380,000	115,320,000	167,060,000	41
Tourism Culture and Sports	137,200,000	57,900,000	79,300,000	37
Energy and Natural Resources	114,000,000	42,590,000	71,410,000	81
Public Service Board	117,895,345	96,200,000	21,695,345	65
Total	5,901,395,345	3,853,690,000	2,047,705,345	

- i. The Executive underspent in all its departments which is a pointer to poor implementation of projects.
- ii. The department of Agriculture incurred Kshs.3,120,000 to clear pending bills for the year 2016/2017 an amount cleared without authority.
- iii. The department of Water and Environment used Kshs.26,264,044 to clear for pending bills for the period 2015/2016 and 2016/2017 without authority as the expenditure was not budgeted for.

10.2 Analysis of Development Budget

Analysis of the development programs and outputs by sectors is as shown below;

10.3 Department of Agriculture, Livestock and Fisheries

Program	Budget Kshs.	Actual/Output Kshs.	Remarks
Crop, land and agriculture development service	187,746,528	Nil	Output not achieved
Food security enhancement services	64,536,800	Nil	Outputs not achieved
Fisheries resources	51,080,000	Nil	Outputs not achieved
Livestock development program	37,087,952	Nil	Outputs not achieved

Program	Budget Kshs.	Actual/Output Kshs.	Remarks
Total	340,451,280		

10.4 Public Service Board

Program	Budget (Kshs)	Actual/Output (Kshs)	Remarks
Facility Improvement	12,000,000	1,000,000	8% Achieved

10.5 Department of Education and ICT

Program	Budget Kshs.	Actual/Output Kshs.	Remarks
Development of Network and Asset Management System	5,151,000	Nil	Outputs not achieved
Construction and Renovations	156,849,000	Nil	Outputs not achieved
Purchase of Tools and Equipment	10,000,000	Nil	Outputs not achieved
Total	172,000,000		

10.6 Department of Energy and Mining

Programme	Budget (Kshs.)	Actual /Output (Kshs.)	Remarks
Other Infrastructure and Civil Works	40,200,000.00	Nil	Out puts not achieved
Electricity	12,000,000.00	Nil	Out puts not achieved
Contracted Technical	3,000,000.00	Nil	Out puts not achieved
Non Residential Buildings (Offices)	8,000,000.00	Nil	Out puts not achieved
Maintenance of Civil Works- Solar Lights Maintenance	11,800,000.00	Nil	Out puts not achieved
Other Civil Works	3,000,000	Nil	Out puts not achieved
Total	90,000,000		

10.7 Department of Water and Environment-Development

Programme	Budget (Kshs)	Actual/Outputs (Kshs)	Remarks
Construction of water supplies	295,850,000	192,819,526	65% achieved
Hill top afforestation	5,750,000	Nil	Output not achieved
School greening	3,000,000	Nil	Output not achieved
Construction of waste water laboratory	5,000,000	Nil	Output not achieved
Cleaning of markets	45,000,000	Nil	Output not achieved
Purchase of motor vehicle	5,000,000	Nil	Output not achieved
Total	359,000,000		

10.8 Trade, Industry, Cooperatives and Enterprise Development

Programme	Budget	Actual/Outputs	Remarks
County Trade fund	500,000.00		Output not achieved
Animal feed plant	18,000,000	659,000	4% achieved
Pineapple processing plant	500,000	Nil	Output not achieved
Cotton and textile plant	17,500,000	Nil	Output not achieved
Maize processing plant	25,500,000	Nil	Output not achieved
Cassava processing plant	500,000	Nil	Output not achieved
Youth and women economic stimulus	4,400,000	Nil	Output not achieved
Total	66,900,000		

10.9 Department of Health Services

Programme	Budget (Kshs)	Actual/Outputs (Kshs)	Remarks
Construction of Health Headquarters	47,500,000	Nil	Output not achieved

Programme	Budget (Kshs)	Actual/Outputs (Kshs)	Remarks
Construction of Toilets in Health facilities	7,500,000	Nil	Output not achieved
Completion and operationalization of blood bank	15,000,000	Nil	Output not achieved
Construction of facilities in wards	200,000,000	Nil	Output not achieved
Purchase of 6 Ambulance, 2 motor boats	40,000,000	Nil	Output not achieved
Purchase of operational devices (Laundry machines, and vacuum pumps, dental equipment)	30,000,000	Nil	Output not achieved
Construction of Headquarters	47,500,000	Nil	Output not achieved
Totals	387,500,000		

10.10 Department of Roads, Public Works and Transport

Programme	Budget (Kshs)	Actual/Outputs (Kshs)	Remarks
Routine maintenance & construction of roads	385,393,723	261,317,776	68% achieved

10.11 Department of Tourism, Sports, Gender and Culture

Programme	Budget (Kshs)	Actual/Outputs (Kshs)	Remarks
Purchase of Motor Vehicle	6,000,000	Nil	Out puts not achieved
Capacity Development- Youth & Women	12,000,000	Nil	Out puts not achieved
Development of Tourist attraction sites	8,000,000	Nil	Out puts not achieved
Completion of Homa-Bay stadium	46,000,000	8,317,840	18.08% achieved
Total	72,000,000	8,317,840	

10.12 Lands, Housing, Urban Development and Physical Planning

Programme	Budget (Kshs)	Actual/Outputs (Kshs)	Remarks
County Spatial Planning	27,878,898	5,000,000	Achieved 18%
Symbio - City Change Project	23,000,000	Nil	Output not achieved
Survey , Demarcation and upgrading of markets	14,493,132	Nil	Output not achieved
Acquisition for lands for Investments (Re-allocation for H/bay County Cemetery phase II)	2,000,000	Nil	Output not achieved
Inventory and security of Public Lands	5,472,700	Nil	Output not achieved
Re-adjudication of Suba Sub County and part of Rangwe sub county	500,000	Nil	Output not achieved
Housing Improvement Programme	5,000,000	Nil	Output not achieved
Smart Settlement Services(Equipping of Ndhiwa ABTC)	3,655,270	Nil	Output not achieved
Kenya Urban Support Programme	119,892,100	Nil	Output not achieved
Total Expenditure	201,892,100		

The County executive failed to achieve the stipulated budget outputs and no explanation has been provided for the dismal performance.

11. Previous Year Audit Matters

As in the previous year, the Executive did not indicate the status and follow up of audit issues reported in the previous years (2016/2017) financial statements as required in the reporting template prescribed by the Public Sector Accounting Standards Board.

12. Stalled Projects

The Department of Health Services provided a schedule of projects being undertaken and which were in various stages of implementation. It was noted that the projects are way beyond their completion date and are yet to be completed.

The residents of the County have therefore been denied essential services through delays in project implementation as shown below:

Project	Contractor	Contract Sum (Kshs)	Start date	End date	Amount Certified (Kshs)
Completion of Outpatient (OPD) and Administration Block	Nyawaka Enterprises	21,916,800	24 April 2012	24 Oct. 2012	7,900,000
Satellite Blood Donor Unit, Homabay County Referral	NU Plan Construction Company	21,927,700	19 March 2015	19 Sep.2015	6,400,000
Construction of Sindo Mortuary	Liffy Agencies	11,000,000	24 April 2014	24 Oct. 2014	4,900,000

The delay in project implementation may lead to escalation of costs and a delay in provision of services to the public.

REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVE NESS IN USE OF PUBLIC MONEY

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7 (1) (a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Conclusion of Internal Controls, Risk Management and Governance section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Poor Book Keeping

The main cash books for the sectors were not balance regularly as required. Other weaknesses involved huge cash withdrawals from the main accounts which were used to pay suppliers through cash payments. Further several entries in the departments cash books were not dated and the books were not balanced at the close of the year.

Consequently, these worsened the strength of the internal control system in place.

2. Payment of vouchers

Payment vouchers were not properly supported and some payments were made without approvals from the examination section and the accounting officer. Thus weakening the internal control position.

Responsibilities of Management and Those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the County Government either intends to liquidate the or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public

Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

Nairobi

21 January 2019