

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF HOMA BAY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements County Executive of Homa Bay set out on pages 1 to 74, which comprise the statement of assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and summary statements 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 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material

respects, the financial position of the County Executive of Homa Bay as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the County Government Act, 2012 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Compensation of Employees

1.1. Unsupported Basic Salaries of Permanent Employees

The statement of receipts and payments reflects expenditure on compensation of employees of Kshs.4,093,825,542 which includes basic salaries of permanent employees of Kshs.4,000,333,775 as disclosed in Note 4 to the financial statements which further include Kshs.196,502,226. However, Management did not provide for audit review supporting schedules to expenditure of Kshs.196,502,226 incorporated into the ledgers through a journal entry.

In the circumstances, the accuracy, validity and completeness of the expenditure on permanent employees of Kshs.196,502,226 for the year ended 30 June, 2022 could not be confirmed.

1.2 Unsupported Basic Wages

The statement of receipts and payments reflects expenditure on compensation of employees of Kshs. 4,093,825,542 which includes basic wages of temporary employees of Kshs.11,991,770 as disclosed in Note 4 to the financial statements. However, Management did not provide for audit review evidence of budgetary allocations for the casual costs, requisitions from the departments, approval from the County Public Service Board and evidence on how temporary employees were recruited. In addition, Management did not maintain a muster roll and evidence of actual attendance and participation of casual workers. In the circumstances, the accuracy, validity and completeness of the expenditure on temporary employees of Kshs.11,991,770 for the year ended 30 June, 2022 could not be confirmed.

1.3. Staff Salary Payments Outside Integrated Payroll and Personnel Database (IPPD)

Note 4 to the financial statements reflects an expenditure of Kshs.4,093,825,542 in respect to compensation of employees. The expenditure includes an amount of Kshs.4,000,333,775 in respect to basic salaries of permanent employees out of which Kshs.499,426,726 was processed manually outside the IPPD system. The manual system requires manual calculation of deductions and net pay by the human resource officers and regular monthly and/or annual updates which are prone to human error. It was not clear why management did not pay all its employees using the IPPD.

In the circumstances, the accuracy, validity and completeness of the expenditure of Kshs.499,426,726 in respect of compensation of employees processed manually in the year under review could not be confirmed for the year ended 30 June, 2022.

1.4. Unsupported Increase in Employee Costs

The statement of receipts and payments reflects compensation of employees' expenditure of Kshs.4,093,825,542 for the year ended 30 June, 2022 which is an increase of Kshs.1,047,235,134 from the balance of Kshs.3,046,590,411 reported in the financial year ended 30 June, 2021. However, Management did not provide evidence of budgetary allocations supporting the increment of staff costs. In addition, staff establishment indicating vacant positions and Executive Committee meeting minutes approving increase of staff emoluments were also not provided for audit review.

Though the Management explained that the increase was due to a collective bargaining agreement which increased medical allowances to the medical staff, the agreement indicating the number of staffs who benefited and the respective allowances was not provided for audit review.

In the circumstances, the accuracy and completeness of the expenditure on compensation of employees of Kshs.1,047,235,134 for the year ended 30 June, 2022 could not be confirmed.

2. Use of Goods and Services

2.1. Unsupported Expenditure on Specialized Materials and Services

Note 5 to the financial statements reflects an expenditure on use of goods and services of Kshs.1,416,731,548 which includes an amount of Kshs.248,698,285 for specialized services. The latter further includes an expenditure of Kshs.19,944,513 incurred by the Department of Health Services in procuring various pharmaceutical and non-pharmaceutical items. However, Management did not provide for audit review payment vouchers and records in support of the expenditure.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.19,944,513 for the year ended 30 June, 2022 could not be confirmed.

2.2. Unsupported Expenditure on Refined Fuels, Oil and Lubricants

Note 5 to the financial statements reflects an expenditure on use of goods and services of Kshs.1,416,731,548 which includes an amount of Kshs.35,033,284 incurred on refined fuel, oil and lubricants. The latter further includes an expenditure of Kshs.7,421,570 incurred by the Department of Roads and Executive Services in respect of refined fuels, oil and lubricants. However, Management did not provide for audit review payment vouchers and records in support of the expenditures

In the circumstances, the accuracy and completeness of the refined fuel, oil and lubricants expenditure of Kshs.7,421,570 for the year ended 30 June, 2022 could not be confirmed.

2.3. Unsupported Legal Fees

Note 5 to the financial statements reflects an expenditure on use of goods and services of Kshs.1,416,731,548 which includes an amount of Kshs.134,028,208 for contracted professional services. The latter further includes an expenditure of Kshs.12,277,900 on legal services. However, Management did not provide for audit review the case files containing respective invoice raised, court rulings/judgement, subject matter in dispute, fee note and related work as basis for billing in accordance with Advocates (Remuneration) (Amendment) Order, 2014.

In the circumstances, the completeness and validity of the expenditure of Kshs.12,277,900 on legal fees for the year ended 30 June, 2022 could not be ascertained.

3. Misstatement of Transfers to County Assembly

The statement of receipts and payments reflected transfers to County Assembly of Kshs.1,177,145,243 as disclosed in Note 6 to the financial statements. However, Homabay County Assembly financial statements reflects County Revenue Fund transfers of Kshs.1,122,267,322 resulting into unexplained and unreconciled variance of Kshs.54,877,921.

In the circumstances, the accuracy of the transfers to County Assembly of Kshs.1,177,145,243 for the year ended 30 June, 2022 could not be confirmed.

4. Acquisition of Assets

4.1. Unsupported Expenditure on Construction of Roads

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.3,126,081,869 on acquisition of assets. Included in the expenditure is an amount of Kshs.844,809,089 relating to construction of major roads, access roads and bridges which includes payments of Kshs.71,918,951 for seven (7) projects implemented during the year. However, Management did not provide for audit verification duly processed payment vouchers and tender documents supporting the expenditure.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.71,918,951 for the year ended 30 June, 2022 could not be confirmed.

4.2. Unsupported Expenditure on Construction of Buildings-Non-Residential

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.3,126,081,869 on acquisition of assets. Included in the expenditure is an amount of Kshs.297,682,134 relating to construction of buildings which includes payments of Kshs.51,871,709 for which the Management did not provide for audit supporting documents which include duly processed payment vouchers and tender documents.

In the circumstances, the accuracy and completeness of the construction of non-residential buildings expenditure of Kshs.51,871,709 for the year ended 30 June, 2022 could not be confirmed.

4.3. Other Infrastructure and Civil Works

4.3.1. Unsupported Expenditure on Other Infrastructure and Civil Works

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.3,126,081,869 on acquisition of assets. Included in the expenditure is an amount of Kshs.1,561,467,073 relating to other infrastructure and civil works which includes payments of Kshs.43,952,784 for which the Management did not provide for audit verification supporting documents which include duly processed payment vouchers and tender documents.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.43,952,784 for the year ended 30 June, 2022 could not be confirmed.

4.3.2. Unsupported Expenditure on Purchase of Specialized Plant, Equipment and Machinery

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.3,126,081,869 on acquisition of assets. Included in the expenditure is an amount of Kshs.245,700,926 relating to purchase of specialized plant, equipment and machinery which further includes payments of Kshs.101,998,346 for which the Management did not provide for audit verification supporting documents which include duly processed payment vouchers and tender documents.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.101,998,346 for the year ended 30 June, 2022 could not be confirmed.

4.4. Unexplained Variances in the Summary of Non-Current Asset Register

Included in the historical cost balance of summary of non-current asset register of Kshs.5,523,571,940 is additions during the year totaling Kshs.2,214,615,113 as disclosed under Annexure 5 of the financial statements which is at variance with the acquisition of assets balance of Kshs.3,126,081,866 thus 9 disclosed under Note 9 to the financial statements leading to unreconciled variance of Kshs.911,466,756.

In the circumstances, the accuracy and completeness of additions for the year ended 30 June, 2022 of Kshs.2,214,615,113 could not be ascertained.

5. Misstatement of Fund Balance Brought Forward

The statement of assets and liabilities reflects fund balance brought forward of Kshs.2,346,031,390 whereas the summary statement of appropriation: recurrent and development combined reflects other receipts including balance brought forward of Kshs.886,748,289 resulting to an unexplained and unreconciled variance of the Kshs.1,459,283,101.

In the circumstances, the accuracy and completeness of fund balance brought forward of Kshs.886,748,289 could not be confirmed.

6. Nugatory Expenditure on Tax Penalties

The statement of receipts and payments reflects an expenditure of Kshs.602,267,548 on Kenya Revenue Authority agency notice recoveries which as disclosed in Note 16 to the financial statements. Audit review revealed that the expenditure was in respect for non-remittances of pay as you earn (PAYE) and other taxes totalling Kshs.1,360,545,874 vide agency notice reference number P051419131B dated 5 July, 2021. Management did not provide a plausible explanation as to why there was delayed deduction and remittances of statutory obligations resulting into avoidable costs of Kshs.602,267,548.

In the circumstances, the propriety, accuracy, completeness and value for money of the nugatory expenditure of Kshs.602,267,548 for the year ended 30 June, 2022 could not be confirmed.

7. Misstatement of Transfers to Municipality of Homabay

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.71,713,579 on capital grants and payments. Included in the expenditure is an amount of Kshs.65,685,635 relating to Homa Bay Municipal Board (KUSP-UDG) which differs with the balance of Kshs.70,175,301 reflected in the financial statements of the Municipality of Homabay resulting to an unexplained variance of Kshs.4,489,666.

In addition, the Municipality annual report and financial statements reflects transfers from County Government of Kshs.19,694,360 which was not recognized in the statement of receipts and payments of the County Executive.

In the circumstance, the accuracy and completeness of the capital grants and payments expenditure balance of Kshs.65,685,635 for the year ended 30 June, 2022 could not be confirmed.

8. IFMIS Data Analysis Report - Unexplained Voided Transactions

Analysis of the system payments indicated that 20 transactions of Kshs.529,625,874 were voided during the year under review. Management has indicated, without providing evidence, that the voiding of these transactions was as a result of a Central Bank of Kenya directive to void all pending transactions in IFMIS and Internet Banking System due to non-release of exchequer disbursements.

In the circumstances, the accuracy and validity of voided transactions for the year ended 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Homa Bay Management in accordance with ISSAI 130 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Pending Bills

Disclosed in Annexure 4 of the financial statements are pending account payables amounting to Kshs.882,328,436 which were not settled during the year under review but were carried forward to 2022/2023 financial year. Management has continued to accumulate pending bills contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations.

In addition, audit review revealed that Management did not maintain a permanent ledger for the pending bills and there was no proper movement schedule to show individual opening balance, additions, and specific amount settled during the year and closing balance as well as their ages. Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent years as they form a first charge.

In the circumstances, Management was in breach of the law.

2. Late Exchequer Releases

Note 1 to the financial statements reflects exchequer releases totaling Kshs.7,556,144,978 which includes an amount of Kshs.1,365,936,828 received by the County Government from the National Treasury towards the end of the month of June, 2022 as detailed below:

Received Date	Reference Number	Amount (Kshs)
03 June, 2022	FT22154MTC5F	702,481,797
17 June, 2022	FT22168PZMD3	663,455,031
		1,365,936,828

In addition, other exchequer releases of Kshs.624,428,161 were disbursed by the National Treasury in the month of July, 2022 for the budgeted funds for 2021/2022 financial year.

The late exchequer releases had adverse effects on the implementation of the planned activities and projects by the Homa Bay County Executive for the year ended 30 June, 2022.

3. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.9,684,356,474 and Kshs.8,599,884,767 respectively, resulting to an under-receipt of Kshs.1,084,471,707 (or 11%) of the budgeted amount. The County Executive expended an amount of Kshs.10,055,656,030 against an approved budget of Kshs.9,684,356,474 resulting to a net over expenditure of Kshs.371,299,556 (or 4%) of the budget.

The under-receipts of Kshs.1,084,471,707 may have impacted negatively on the delivery of goods and services to the residents of Homa Bay County.

4. Failure to Implement Budgeted Projects

Review of projects implementation status report as at 30 June, 2022 revealed that projects budgeted at a cost of Kshs.1,172,132,018 were not implemented by the County Executive during the year ended 30 June, 2022 as summarised below:

Project Activity	Budgeted Amount Kshs
Contraction of Morgue -HBCTRH	10,000,000
Construction of Emergency unit -HBCTRH	20,199,182
Construction of KMTC – Sindo	10,000,000
Modern Slaughter house development at Oyugis	11,360,299
Environmental Audit and Slaughter house improvement/ repair (Homa Bay slaughter house)	1,520,000
Construction of Revenue and Enforcement Offices	38,518,578
Capital Reserves for Developmental Emergencies	48,027,739
Purchase of Computers, Printers and other IT Equipment	2,000,000
Other Infrastructure Works (IT systems)	7,782,626
Kenya Devolution Support Programme (KDSP)	2,852,830
Routine Maintenance - Ward Projects	574,317,500
Opening of New Roads- Ward Projects	130,358,387
Routine Maintenance (Fuel-levy)	121,646,157
Construction of Bridges (Fuel Levy)	66,467,114
List of Roads for the additional Supplementary	127,081,606
Total	1,172,132,018

In the circumstance, the residents of Homa Bay County did not obtain benefits which would have accrued from the implementation of these projects.

5. Progress on Follow up of Previous Auditor General's Recommendations

The Public Sector Accounting Standard Board (PSASB) financial reporting template issued in June, 2021 stipulates that the Management should reflect a progress on follow up on auditor's recommendations indicating issues raised by the auditor, status and timeframe

when the issues are expected to be resolved. However, Note 12 on other important disclosures to the financial statements shows fifteen (15) issues raised by the Auditor General in the report for 2020/2021 had been resolved. However, Management did not provide supporting documents to prove the status.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, public resources were not applied lawfully and in an effective way.

Basis for Conclusion

1. Accounts Receivables-Outstanding Imprests

Note 13 to the financial statements reflects accounts receivables – outstanding imprests of Kshs.11,600,000 which were not surrendered within seven (7) days after the imprest holders had returned to their duty station. Included in the balance is an amount of Kshs.11,000,000 issued to various members of staff who participated in capacity building exercise at the annual devolution conference. This is contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

In the circumstances, Management was in breach of the law.

2. Compensation of Employees

2.1. Compensation of Employees-Unsustainable Wage Bill

Note 4 to the financial statements reflects an expenditure of Kshs.4,093,825,542 in respect to compensation of employees which translates to 53% of the total County Executive's receipts of Kshs.7,713,136,478 in the year under review. This is contrary to Regulations 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015, which states that the County Government expenditure on wages and benefits for public officers should not exceed 35% of the County Government total revenue.

In the circumstances, Management was in breach of the law.

2.2. Staff Ethnic Composition

Review of the personal records revealed that the County Executive of Homa Bay had a staff composition of 4793 members as at 30 June, 2022 out of which 3850 (or 74%) comprised members of the ethnic community dominant in the county. This is contrary to Section 65(1) of the County Government Act, 2012 which require that at least thirty percent (30%) of the

vacant post at entry level are filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of the law.

2.3. Officers on Acting and Delegation of Duty

Review of employee records revealed that five (5) employees were acting or delegated without appointment letters. The acted positions include one (1) chief officer, one (1) director, two (2) deputy directors and one (1) senior assistant director. Further, the acting/delegation period was not determined and it was not possible to confirm whether they had been acting within the time limit as prescribed by law.

In the circumstances, the Management was in breach of Section 34(3) of the Public Service Commission Act 2017, which states that, “an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.”

2.4. Unsupported Recruitment of New Staff

Note 4 to the financial statements reflects an expenditure of Kshs.4,093,825,542 in respect to compensation of employees which includes an amount of Kshs.176,953,701 in respect of salary for the newly recruited one thousand two hundred and forty (1240) employees during the year under review.

However, Management did not provide for audit review staff establishment indicating the vacant positions filled, newspaper adverts requesting for qualified and interested members of public to apply for the vacant positions, Executive Committee Members minutes approving the appointments, County Public Service Board list of candidates who applied, those shortlisted for the various positions and how the rankings was done for those interviewed.

In the circumstances, regularity of the expenditure of in respect of compensation of employees for the new staff processed manually in the year under review could not be confirmed and Management was therefore in breach of the law.

3. Use of Goods and Services

3.1 Payments to Council of Governors

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.1,416,731,548 on use of goods and services. Included in the expenditure is an amount of Kshs.229,797,811 relating to domestic travel and subsistence which includes payments of Kshs.2,000,000 to the Council of Governors in respect to contribution for the 7th Annual Devolution Conference. The payment was made in contravention of Section 37(b) of the Intergovernmental Relations Act, 2012 which requires that the operational expenses in respect of the Council of Governors to be provided for in the annual estimates of the revenue and expenditure of the National Government.

In the circumstances, Management was in breach of the law.

4. Acquisition of Assets

The statement of receipts and payments for the year ended 30 June, 2021 reflects an expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed under Note 9 to the financial statements. The following anomalies were noted:

4.1. Construction of Buildings

4.1.1. Construction of Maternity at Kodula Dispensary

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed in Note 9 to the financial statements includes an amount of Kshs.297,682,134 relating to construction of buildings-non residential. The latter further includes an amount of Kshs.2,584,577 paid to a contractor for the construction of Maternity at Kodula Dispensary at a contract sum of Kshs.5,931,638. Audit inspection conducted in the month of November, 2022 revealed that only superstructure was done. Roofing, floor finishes, ceiling finishes, wall finishes, painting, electrical works, mechanical works, windows and doors fittings remained incomplete and contractor was also not on site

In the circumstances, the value for money of the expenditure of Kshs.2,584,577 for the year ended 30 June, 2022 could not be ascertained.

4.1.2. Construction of Maternity at Okiki Amayo Health Centre

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed in Note 9 to the financial statements includes an amount of Kshs.297,682,134 relating to construction of buildings-non residential. The latter further includes an amount of Kshs.2,047,991 paid to a contractor for the construction of Maternity at Okiki Amayo Health Centre at a contract sum of Kshs.5, 456,026. Audit inspection conducted in the month of November, 2022 revealed that the wall finishes, ceiling finishes, mechanical works including plumbing, drainage, construction of septic tank and electrical works had not been completed and the contractor was not on site.

In the circumstances, the value for money of the construction of buildings-non residential expenditure of Kshs.2,047,991 for the year ended 30 June, 2022 could not be ascertained.

4.1.3. Construction of Outpatient Block at Thuon Gweno Dispensary

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed in Note 9 to the financial statements includes an amount of Kshs.297,682,134 relating to construction of buildings-non residential. The latter further includes an amount of Kshs.3,530,431 paid to a contractor for the construction of Outpatient Block at Thuon Gweno Dispensary at a contract sum of Kshs.4,620,003. Audit inspection conducted in the month of November, 2022

revealed that the wall finishes, ceiling finishes, and mechanical works and electrical works had not been done. The balustrade had been vandalized and the contractor was not on site.

In the circumstances, the value for money of the construction of buildings - non residential expenditure of Kshs.3,530,431 for the year ended 30 June, 2022 could not be ascertained.

4.1.4. Construction of Theatre at Ramula in Kabondo Sub-County

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed in Note 9 to the financial statements includes an amount of Kshs.297,682,134 relating to construction of buildings - non residential. The latter further includes an amount of Kshs.9,756,504 paid to a contractor for the construction of Theatre at Ramula in Kabondo Sub-County at a contract sum of Kshs.28,104,770. Audit inspection conducted in the month of November, 2022 revealed that doors, windows, external finishing, internal finishes, balustrading and railing were incomplete and the contractor was not on site.

In the circumstance, the value for money of the construction of non-residential buildings expenditure of Kshs.9,756,504 for the year ended 30 June, 2022 could not be ascertained.

4.1.5. Construction of Health Facilities on Private Land

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed in Note 9 to the financial statements includes an amount of Kshs.297,682,134 relating to construction of buildings-non residential. The latter further includes an amount of Kshs.25,522,806 spent towards the construction of nine (9) health centres within the county as tabulated below:

Health Facility	(Kshs.)
Oyombe Health Centre	4,522,631
Kamser Seka Health Centre	3,901,963
God Agulu Health Centre	3,776,120
Rapogi Health Centre	3,547,078
Got Rachar Health Centre	2,584,577
Dudu Health Centre	2,245,702
Thuon Gweno Health Centre	1,859,750
Chamkuwa Health Centre	1,547,500
Midland Health Centre	1,537,485
Total	25,522,806

Audit inspection and interviews with the local residents in the month of July 2022 revealed that the parcels of land on which the projects stand were donated by the local residents. However, Management did not provide for audit review the evidence of transfers of the parcels of lands to County Government of Homa bay.

In the circumstances, the construction of non-residential buildings expenditure of Kshs.25,522,806 for the year ended 30 June, 2022 could not be confirmed as a result of legal disputes with the owners of the private parcels of land.

4.1.6. Construction of Ward Administrators Office at Rakwaro - Wang'chieng Ward

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed in Note 9 to the financial statements includes an amount of Kshs.297,682,134 relating to construction of buildings. The latter further includes an amount of Kshs.4,808,722 paid to a contractor for the Construction of Ward Administrators Office at Rakwaro - Wang'chieng Ward. Physical verification in the month of November, 2022 revealed that doors, windows and window panes, plastering and general painting as well as electrical installation works were not done and it remained incomplete and the contractor was not on site

In the circumstances, the value for money of the construction of buildings - non residential expenditure of Kshs.4,808,722 for the year ended 30 June, 2022 could not be ascertained.

4.1.7. Construction of Ward Administrator's Office at Ibo-Homa Bay East Ward

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed in Note 9 to the financial statements includes an amount of Kshs.297,682,134 relating to construction of buildings - non residential. The latter further includes an amount of Kshs.4,762,124 paid to a contractor for the construction of Ward Administrator's Office at Ibo-Homa Bay East Ward. Audit inspection conducted in the month of November, 2022 revealed that the foundation and walling done to lintel level while roofing, doors, windows and window panes, plastering and electrical installations were not done

In the circumstances, the value for money of the construction of buildings - non residential expenditure of Kshs.4,762,124 for the year ended 30 June, 2022 could not be ascertained.

4.1.8. Construction of Ward Administrator's Office at West Kasipul Ward

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed in Note 9 to the financial statements includes an amount of Kshs.297,682,134 relating to construction of buildings - non residential. The latter further includes an amount of Kshs.4,620,003 paid to a contractor for the construction of Ward Administrator's Office at West Kasipul ward. Audit inspection conducted in the month of November, 2022 revealed that the doors, windows and window panes, plastering and general painting as well as electrical installation works were not done and it remained incomplete. It was also noted that the contractor was not on site.

In the circumstances, the value for money of the construction of non-residential buildings expenditure of Kshs.4,620,003 for the year ended 30 June, 2022 could not be ascertained.

4.1.9. Completion of Administration's Office Block, Fencing and Installation of Gate at Suba North Sub-County

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed in Note 9 to the financial statements includes an amount of Kshs.297,682,134 relating to construction of buildings - non residential. The latter further includes an amount of Kshs.6,371,813 paid to a contractor for completion of Administration's Office block, fencing and installation of gate at Suba North Sub-County. Audit inspection conducted in the month of November, 2022 revealed that the project complete but not in use as furniture is yet to be supplied. Further, fencing done, but sections of the fence chain-link vandalized.

In the circumstances, the regularity and value for money of the construction of buildings-non residential expenditure of Kshs.6,371,813 for the year ended 30 June, 2022 could not be confirmed.

4.1.10. Condemned Building at Kendu Sub-County Hospital

Audit review of project records and physical verification revealed that a building in use within Kendu Sub- County Hospital where many crucial services like physiotherapy, clinician consultation rooms, health records, accounts, NHIF, main hospital stores, cash office and kitchen are domiciled had been condemned as not fit for use and recommended for demolition by Ministry of Transport, Roads & Housing & Infrastructure on 8 October, 2019. Management has not made any efforts to correct the structure.

In the circumstances, the lives of the members of the public are at risk in case of collapse of the structure.

4.2. Other Infrastructure and Civil Works

4.2.1. Delayed Completion of Kigoto Post-Harvest Grain Handling Facility in Suba Sub- County

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed in Note 9 to the financial statements includes an amount of Kshs.1,561,467,073 relating to other infrastructure and civil works. The latter further includes an amount of Kshs.2,750,000 paid to a contractor during the year under review for construction of a post- harvest grain handling facility at Kigoto which had been awarded at a contract sum of Kshs.28,844,444.

Review of the project records revealed that the contractor had been paid cumulative amount of Kshs.29,200,396 inclusive of VAT as of 30 June, 2022 thus leading to overpayment of Kshs.355,952. In addition, handing over report of the project was not provided for audit review. Audit inspection conducted on 4 July, 2022 revealed that the project was not in use. It was further noted that the title deed to the parcel of land on which the project is situated was not provided for audit review.

In the circumstance, the regularity and validity of the expenditure on the project could not be confirmed for the year ended 30 June, 2022.

4.2.2. Stalled Project – Kigoto Phase 1

As reported in the previous year, the Department of Trade and Industrialization awarded a contract to a local contractor for construction of a maize milling plant in Kigoto area at a contract sum of Kshs.12,940,392 on 24 June, 2015. The contract period was six months. The initial contract was terminated and completion works retendered and awarded to a new contractor at a contract sum of Kshs.12,284,834 on 19 August, 2022. However, site verification on 4 July, 2022 revealed an abandoned/incomplete structure.

In the circumstances, the value for money of the project could not be confirmed for the year ended 30 June, 2022.

4.2.3. Delayed Construction of Homa Bay Stadium

The expenditure of Kshs.3,126,081,869 on acquisition of assets as disclosed under Note 9 to the financial statements includes an amount of Kshs.1,561,467,073 relating to other infrastructure and civil works. The latter further includes an amount of Kshs.2,750,000 paid to a contractor for construction of Homabay Stadium.

Audit review revealed that the contract was awarded to a local contractor at a contract sum of Kshs.369,781,250 as the main contractor through open tender after being the lowest evaluated bidder. The contract agreement was signed on 20 June, 2019 with a commencement date of 05 July, 2019, contract period of 78 weeks and expected completion date of 01 January, 2021. The main contractor sub-contracted most of the works except the Pavilion/western wing substructure which the contractor was to do at a cost of Kshs.125,199,250, (particular and general preliminaries inclusive). The contractor had been cumulatively paid an amount Kshs.420,209,083 as of 30 June, 2022 which surpassed the contract sum by Kshs.50,427,833.

However, Management did not provide for audit review the variation requests and orders for the variation of more than 25% by the main contractor in line with Section 139(4e) of the Public Procurement and Asset Disposal Act, 2015 which provides that any variation of a contract shall only be considered if the cumulative value of all contract variations do not result in an increment of the total contract price by more than twenty five per cent of the original contract price.

In addition, the electrical works sub-contractor was paid an amount of Kshs.9,621,656 to install high mast flood lights in the stadium. However, audit inspection revealed that works were incomplete and the performance bond had expired without renewal. The project status report was also provided for audit review.

In the circumstances, the regularity and value for money of the cumulative expenditure Kshs.420,209,083 incurred to date on the project could not be confirmed.

4.2.4. Construction of a Classroom at Nyawino EYE Centre at Kanyaluo Ward

The expenditure of Kshs.1,561,467,073 on other infrastructure and civil works includes payments of Kshs.681,290 for construction of a classroom at Nyawino early year education center at Kanyaluo Ward in Karachuonyo Sub County at the construct sum of

Kshs.1,485,183. Audit inspection revealed that the building had been done up to roofing but the walling works inside and out were not yet done, windows and doors were fixed with no glass panes, floor was not done and the classroom was already in use in that pathetic condition an indication of poor workmanship.

In the circumstances, the value for money of the expenditure of Kshs.681,290 for the year ended 20 June, 2022 could not be confirmed.

4.2.5. Construction of Classroom at Waregi EYE Centre at Rusinga Ward

The expenditure of Kshs.1,561,467,073 on other infrastructure and civil works includes payments of Kshs.1,462,481 for the construction of classroom at Waregi early year education center at Rusinga ward in Suba North Sub County at the contract sum of Kshs.1,462,481. Audit inspection revealed that the building was incomplete, no roof, no works for internal and external walling, no windows and doors and contractor was not on site.

In the circumstances, the value for money of the expenditure of Kshs.1,462,481 for the year ended 30 June, 2022 could not be confirmed.

4.2.6. Construction of a classroom at Osani EYE Centre at Kwabwai Ward

The expenditure of Kshs.1,561,467,073 on other infrastructure and civil works includes payments of Kshs.1,543,425 for the construction of a classroom at Osani early year education center at Kwabwai Ward in Ndhiwa Sub County. Audit inspection revealed that the building was at window level and no work in progress. The site had been abandoned by the contractor.

In the circumstances, the value for money of the expenditure of Kshs.1,543,425 for the year ended 30 June, 2022 could not be confirmed.

4.2.7. Renovation and Equipping of Classroom at Aringo EYE Centre at Lambwe Ward

The expenditure of Kshs.1,561,467,073 on other infrastructure and civil works includes payments of Kshs.299,500 for the renovation and equipping of early year education (EYE) Classroom at Aringo Center in Lambwe ward Suba North Sub County. Audit inspection revealed that the renovation was done in three (3) classrooms instead of one classroom as per the contract agreement. However, the classrooms still had several potholes and depressions on the floor, an indication of poor workmanship.

In the circumstances, the value for money of the expenditure of Kshs.299,500 for the year ended 30 June, 2022 could not be confirmed.

4.2.8. Construction of Classroom at Luanda EYE Centre

The expenditure of Kshs.1,561,467,073 on other infrastructure and civil works includes payments of Kshs.1,276,379 for the new early year education Classroom at Luanda EYE Centre at the contract sum of Kshs.1,480,849. Physical verification revealed that the building was complete but the plastered areas were peeling off an indication of poor ratios of cement and sand, the ceiling board had already shown a sign of tear and wear, an indication they were not fitted properly.

In the circumstances, value for money of the expenditure of Kshs.1,276,379 for the year ended 30 June, 2022 could not be confirmed.

4.2.9. Construction of ECDE Classroom at Shauri Yako Primary School Arujo Ward

The expenditure of Kshs.1,561,467,073 on other infrastructure and civil works includes payments of Kshs.1,499,500 for the construction of ECDE Classroom at Shauri Yako Primary School Arujo Ward. Audit inspection revealed that the classroom was complete but no soft board ceiling had been fitted as stated in element No.3 of the bill of quantities. In addition, no lever union mortice door lock with anodized aluminum lever handle to the door set used contrary to element 4 (2) of the bill of quantities.

In the circumstances, the value for money of the expenditure of Kshs.1,499,500 for the year ended 30 June, 2022 could not be confirmed.

4.2.10. Incomplete Arujo Animal Feeds Milling Plant (Structure)

As reported in the previous year, the Department of Trade and Industrialization awarded a contract to a local contractor towards construction and completion of animal feeds factory and godown at a contract sum of Kshs.45,160,064 in the financial year 2014/2015. The contract period was eight (8) months with initial expected completion date of 04 January 2016. Review of records revealed that the contractor had cumulatively been paid Kshs.36,712,000 as of 30 June, 2022 before termination. The contract was retendered and completion contract awarded to a new contractor at a contract sum of Kshs.24,239,267 on 24 May, 2022.

However, physical verification revealed that the project was incomplete and the structure was at lintel level.

In the circumstances, the regularity, value for money and validity of the cumulative expenditure of Kshs.36,712,000 incurred so far on the project could not be confirmed.

4.2.11. Incomplete Water Projects

The expenditure of Kshs.1,561,467,073 on other infrastructure and civil works includes payments of Kshs.37,328,320 to various local contractors in respect of drilling of boreholes, extension of water pipelines and rehabilitation of water pans within the County. Physical verification on 10 July, 2022 revealed instances of poor workmanship, delays in completion and abandonment of project site by contractors. **See details at appendix I.**

In the circumstances, the regularity and value for money of the expenditure of Kshs.37,328,320 incurred on these projects could not be confirmed for the year ended 30 June, 2022.

4.3. Construction of Major Roads, Access Roads and Bridges

4.3.1. Routine Maintenance of Rusinga-Ringa Road Phase 1

The expenditure on acquisition of assets of Kshs.3,126,081,869 as disclosed in Note 9 to the financial statements includes an amount of Kshs.844,809,089 for construction of major roads, access roads and bridges. The latter includes payments totaling Kshs.19,878,920 made to a local contractor for Routine Maintenance of Rusinga-Ringa Road Phase 1 which had been awarded at a contract sum of Kshs.19,878,920. The contract entailed bush clearing, heavy grading with no compaction, gravel patching, compaction of the gravel surface and dozer work. However, physical verification revealed that:

- i. The total chainage (distance) of the ring road is approximately 18 kilometers and not 22 kilometers as indicated in the bills of quantities and payment certificate.
- ii. Thick bushes had overgrown along the side ditches impeding drainage of the road.
- iii. Approximately 2 kilometers from chainage zero, the half of the width of the road had been washed away by the rain water making the section impassible.
- iv. Approximately 6 kilometers from chainage zero, gully erosion had completely washed away one side of the culvert about four (4) meters deep. The section was completely impassible.

In the circumstances, the value for money on the expenditure of Kshs.19,878,920 could not be confirmed.

4.3.2. Maintenance of Marindi-Nyanguu-Disii Ogweyo JNC C 18 Road

The expenditure on acquisition of assets of Kshs.3,126,081,869 as disclosed in Note 9 to the financial statements includes an amount of Kshs.844,809,089 for construction of major roads, access roads and bridges. The latter includes payments totalling Kshs.7,243,167 made to a contractor for repair and Maintenance of Marindi-Nyanguu-Disii Ogweyo JNC C 18 Road (13.5km) for a contract period of 4 months (120 days). The main work entailed grading, gravelling and drainage works.

Certificate of completion was raised on 13 August, 2021 and a payment of Kshs.5,545,380 made to the contractor on 29 October, 2021. Audit inspection of the project conducted on 6 July, 2022 revealed that some sections of the road had been washed away by runoff storm water casting doubt on the quality of workmanship. Patches of water were noted along the road. Drainage works costed at Kshs.1,995,350 were not completely done as well as gravel patching costed at Kshs.260,000.

In the circumstances, value for money on the expenditure of Kshs.5,545,380 could not be confirmed.

4.3.3. General Maintenance of Nyalkinyi-Imbo Road

The expenditure on acquisition of assets Kshs.3,126,081,869 as disclosed on Note 9 to the financial statements includes an amount of Kshs.844,809,089 for construction of major roads, access roads and bridges. The latter includes payments totalling Kshs.5,873,451 made to a local contractor for general maintenance of Nyalkinyi-Imbo Road (Approximately 12.8Km) at a contract sum of Kshs.5,873,451 for a period was 12 weeks commencing from 15 June, 2021 to 15 September, 2021. The work entailed erecting 2 publicity signpost, grading, gravelling and drainage works.

However, audit inspection carried out on 13 July, 2022 revealed that publicity signposts costed at Kshs.40,000 were missing on both ends of the road. Heavy bushes had overgrown along the ditches narrowing the width of the road. The road appears to have been completely washed away approximately 5 kilometers from the Nyalkinyi junction.

In the circumstances, value for money on the expenditure of Kshs.5,873,451 could not be confirmed for the year ended 30 June, 2022.

4.3.4. Maintenance of Rabware-Thagalany-Kopany Road

The expenditure on acquisition of assets Kshs.3,126,081,869 as disclosed on Note 9 to the financial statements included an amount of Kshs.844,809,089 for construction of major roads, access roads and bridges. The latter includes payments totalling Kshs.6,299,148 made to a local contractor for Maintenance of Rabware-Thagalany-Kopany Road. The contract had been awarded at a contract sum of Kshs.6,299,148 for a contract period of 12 weeks commencing on 25 May, 2021 to 25 August, 2021. The contract entailed culverting, heavy grading and gravel patching.

However, physical verification on 13 July, 2022 revealed that culverts costed at Kshs.1,029,000 were not constructed and drift reinforced with A142 BRC mesh class 20/25 concrete costed at Kshs.202,500 was also not erected. The half of the road approximately 3 kilometers from Rabware area had deep furrows dug by sugar cane trailer tires.

In the circumstances, the value for money on the expenditure of Kshs.6,299,148 could not be confirmed for the year ended 30 June, 2022.

4.3.5. Maintenance of Marindi-Magina-Pala-Oria Bridge Road

The expenditure on acquisition of assets Kshs.3,126,081,869 as disclosed on Note 9 to the financial statements includes an amount of Kshs.844,809,089 for construction of major roads, access roads and bridges. The latter includes payments totalling Kshs.13,963,164 made to a local contractor for routine maintenance of Marindi-Magina-Pala-Oria Bridge road covering an approximate distance of 34.7 kilometers. The contract had been awarded through an open tender at a contract sum of Kshs.13,963,164. The works entailed; erection

of two publicity sign posts; culvert installation (600mm and 900mm diameter); rock fill to carriage way; heavy grading including side ditches and back slope; and gravel patching.

However, audit inspection carried on 14 July, 2022 revealed that only one publicity signpost was erected around Marindi area, sections of the road had been completely washed away by water and bushes had over grown along the side ditches making the road impassible. Ten months after the contractor had left the site, the road appeared dilapidated, narrow and deep pot holes visible all over the road casting doubt on the quality of workmanship and viability of gravel patching as an option for road construction.

In the circumstances, the value for money on the expenditure of Kshs.13,963,164 could not be confirmed for the year ended 30 June, 2022.

4.3.6. Maintenance of Sigama-Gaena-Ndhiwa-Ojode-Pala Road

The expenditure on acquisition of assets Kshs.3,126,081,869 as disclosed on Note 9 to the financial statements included an amount of Kshs.844,809,089 for construction of major roads, access roads and bridges. The latter includes payments totalling Kshs.10,291,774 made to a local contractor for the routine maintenance of Sigama-Gaena-Ndhiwa-Ojode-Unga-Pala Road at a cost of Kshs.10,291,774. The contract agreement signed on 25 February, 2021 while the contract period was agreed to be 120 days. The major works entailed culvert installation 600mm diameter, heavy grading including side ditches and gravel patching.

However, audit inspection carried out on 14 July, 2022 revealed that a double culvert constructed along Gaena area had been broken making the road completely impassible, grading was not properly done as boulders (heavy stones) laid along Kenya Medical Training College (KMTC) road were dangerously exposed and some sections of the road have been washed away by rain water. The road requires urgent maintenance barely eight (8) months after the contractor had left the site.

In the circumstances, the value for money on the expenditure of Kshs.10,291,774 could not be confirmed for the year ended 30 June, 2022.

4.3.7. Maintenance of Pala-Sombro-Aora Kogola Road

The expenditure on acquisition of assets Kshs.3,126,081,869 as disclosed on Note 9 to the financial statements included an amount of Kshs.844,809,089 for construction of major roads, access roads and bridges. The latter includes payments totalling Kshs.5,530,111 made to a local contractor for the for the routine maintenance of Pala-Sombro-Aora-Kogola Road (Approximately 3.9km) at a contract sum of Kshs.5,530,111. The contract agreement signed on 25 February, 2021, contract period was indicated as 120 days while LPO number 1708468 dated 3 March, 2021 authorized the contractor to undertake the works immediately.

Audit inspection carried out on 14 July, 2022 revealed that that one publicity signpost costed at Kshs.10,000 in the bills of quantities was not provided, Dozer works D6 billed at Kshs.1,040,000 appears not to have been done and sections of the road had been washed

away by rain water. Ten months after the contractor had left the site and payment certificate raise, the culvert and the drainage ditches were completely blocked and covered by thick bushes causing rain water to collect on the road.

In the circumstance, the value for money on the expenditure of Kshs.5,530,111 could not be confirmed for the year ended 30 June, 2022.

4.3.8. Maintenance of Riat-Ariri-Oridi-Minya Road

The expenditure on acquisition of assets Kshs.3,126,081,869 as disclosed on Note 9 to the financial statements included an amount of Kshs.844,809,089 for construction of major roads, access roads and bridges. The latter includes payments totalling Kshs.7,842,064 to a local contractor for the routine maintenance of Riat-Ariri-Oridi-Minya Road. The works had been awarded at a contract sum of Kshs.7,842,064 for a contract period of 12 weeks commencing on 24 May, 2021 to 24 August, 2021.

However, Audit inspection carried out on 14 July, 2022 revealed that publicity signposts were not erected, culverts installed and the side ditches to enhance drainage were blocked. Pools water were noted on the culvert ends and along the road making it impassable and sections of the road were washed by rain water.

In the circumstance, the value for money on the expenditure of Kshs.7,842,064 could not be confirmed for the year ended 30 June, 2022.

4.3.9. Construction of Nyatindo Box Culvert

The expenditure on acquisition of assets Kshs.3,126,081,869 as disclosed on Note 9 to the financial statements included an amount of Kshs.844,809,089 for construction of major roads, access roads and bridges. The latter includes payments totalling Kshs.6,366,416 to a local contractor for construction of Nyatindo Box culvert. The works had awarded at a contract sum of Kshs.6,366,416 for a period of 12 weeks from 15 May, 2021 to 15 September, 2021. Contracted works on roads drainage and structure works and roads furniture were completely omitted.

However, audit inspection carried out on 14 July, 2022 revealed that gabions on one side of the box culvert were not constructed. Rain water had started washing away the foot of the box culvert.

In the circumstances, regularity and value for money of the expenditure of Kshs.6,366,416 could not be ascertained for the year ended 30 June, 2022.

4.4. Purchase of Office Furniture and General Equipment

The expenditure on acquisition of assets Kshs.3,126,081,869 as disclosed in Note 9 to the financial statements includes an amount of Kshs.12,420,092 for purchase of office furniture and general equipment. The latter includes payments totalling Kshs.2,327,888 for supply and delivery of office equipment for Homabay County Energy Centre. Audit inspection revealed that the equipment were delivered on 16 June, 2021 but had not been put to use and were lying idle in the stores.

In the circumstances, value for money of the expenditure of Kshs.2,327,888 could not be ascertained for the year ended 30 June, 2022.

4.5. Completed Projects but Not in Use

Audit review and audit inspection revealed that the County Government completed the construction of three health facilities and two EYE classrooms at a cumulative cost of Kshs.14,665,513 but not in use as tabulated below.

Project Title	Amount Paid Kshs.	Observations/Status
Construction of Kamser Dispensary in Wang'chieng Ward	3,944,348	Certificate of completion issued on 9 th January, 2022 Facility not in use six months after its completion.
Completion of Chamakuwa Dispensary in Suba North Ward	3,095,000	Project completed but not in use Facility was infested by bats and was not habitable
Construction of Got Rachar Health Centre in Kwabwai Ward	4,185,825	Project completed but not in use due to alleged land dispute
Construction of New EYE Classroom at Lieta Kabunde Homabay Town Arujo Ward	1,955,157	The classroom is complete but not put to intended use.
Construction of EYE Classroom at Umayi Centre in Kabondo Kasipul Sub County Kokwanyo Kakelo Ward	1,485,183	The classroom was complete. Not yet in use since completion. Already the works is in depletion state.
Total	14,665,513	

In the circumstances, the value for money of the expenditure of Kshs.14,665,513 on the projects could not be confirmed.

5. Capital Grants and Payments

5.1 Delay in Completion of Road Works

The expenditure on capital grants and payments of Kshs.71,713,579 as disclosed in Note 10 to the financial statements includes an amount of Kshs.65,685,635 as transfers to Homabay Municipal Board (KUSP-UDG). Out of which the County Government of Homabay entered into a contract agreement with a contractor on 12 May, 2021 for the upgrading to bitumen standards of junction C-19 to Tom Mboya University Junction Link Road for a period of one year and at a contract sum of Kshs.44,370,899. During the year, a total amount of Kshs.34,620,952 was paid for the road works.

An audit inspection carried out in the month of July, 2022 revealed that road furniture works amounting to Kshs.775,000 as per the bill of quantities had not been done yet the contract period lapsed on 12 May, 2022. No reason was provided by Management for the delay in completion of the road works.

In the circumstances, the County Government of Homabay has not obtained value for money on the contract.

6. Other Grants and Transfers

6.1 Non-Functioning Community Projects

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.137,375,439 on other grants and transfers. Included in the expenditure is an amount of Kshs.107,581,269 relating to other grants and transfers (NARIGP) which includes disbursements totalling Kshs.8,639,778 to various Community Driven Development Committees (CDDC) to undertake projects in the Wards as tabulated below:

Name of CDDC	Amount (Kshs)
Central Karachuonyo CDDC	1,462,710
West Kasipul CDDC	1,110,300
Kibiri CDDC	1,337,979
South Kasipul CDDC	1,815,069
West Gem CDDC	1,738,530
Kabondo West CDDC	1,175,190
Total	8,639,778

However, audit inspection carried out in the month July, 2022 revealed that all the group projects were not operational.

In the circumstances, the value for money of the expenditure of Kshs.8,639,778 for could not be ascertained for the year ended 30 June, 2022.

7.0 Operating Bank Accounts without Approvals

Included in the cash and bank balances of Kshs.18,992,407 as disclosed in Note 12 to the financial statements are three salary accounts maintained at Cooperative, Kenya Commercial and Equity banks. However, Management did not provide for audit review approval from County Assembly or National Treasury for operating more than one salary bank account.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Staff Establishment

As previously reported, audit review of human resource records revealed that the County Executive has been operating without an approved staff establishment to ensure that appropriate systems, procedures, structures, skilled and competent staff are in place at the optimal level to deliver its mandate to the people of Homa Bay County.

In the circumstances, it was not possible to ascertain whether the total staff in the employment of the Homa Bay County Executive is at the optimal operating level.

2. Lack of ICT Policy and Disaster Recovery Plan

As previously reported, review of the County Executive's ICT Environment revealed that there was no formal approved ICT Policy. The management has not assessed the impact of an outage or disruption to the information communication technology systems and did not develop business continuity or information technology disaster recovery plan. Consequently, in case of a disaster significant delays or disruptions of activities may occur, the Executive may not recover or restore critical infrastructure services and systems affecting all operations that rely on the Information Communication Technology.

In the circumstances, the integrity, security and reliability of the County Executive's financial data including its Management Information System could not be ascertained.

3. Lack of an Assets Register

Annexure 5 to the financial statements reflects non-current assets with a historical cost balance of Kshs.5,523,571,940 as at 30 June, 2022. However, audit review of records revealed the following anomalies:

- i. Management did not maintain a fixed asset register in the prescribed format contrary to Regulation 136 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. The register in place lacked identification or serial numbers, acquisition date, description of asset, location, class and cost of acquisition.
- ii. The register of land and buildings did not have a recording each parcel of land and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms, maintenance contracts and other pertinent management details as required under Regulation 136(2) of the Public Finance Management (County Government) Regulations, 2015.
- iii. Management has not taken over and/or reported assets and liabilities inherited from all the defunct Local Authorities.
- iv. Management is yet to establish policies and procedures on assets management as required under Part XII of Public Finance Management (County Government) Financial Regulations 2015.
- v. The assets were also not coded or tagged for ease of identification and tracking.
- vi. Fixed assets were not physically inspected on a regular basis to establish their conditions

In the circumstances, the Management has not instituted proper mechanisms to safeguard the assets.

4. Ineffective Internal Audit and Audit Committee Function

Review of the internal control and governance structure revealed that the internal audit function is not properly resourced or adequately staffed. In addition, the audit charter, and risk policy and framework have not been approved by the audit committee. Further, the annual audit work plan was not developed and risk assessment and internal audit reports for the year under review were not provided for audit review as well as the minutes of audit committee indicating that the internal audit function was supervised.

In the circumstances, Management has not put in place proper system to monitor the entity's governance process, accountability process and control environment and to offer objective advice on issues concerning risk, control, regulatory requirements and governance.

5. Anomalies in the Procurement Function

Audit review of the procurement function revealed the following anomalies:

- i. Inadequate capacity in e-procurement and the users were not well trained in some core functionalities of the system. Notably is the reporting module where the users were not well versed on the reports that could be generated from the system.
- ii. Details of development activities to be undertaken were not given in the procurement plan but were rather aggregated together making it incoherent and difficult to identify specific projects planned for procurement.
- iii. In addition, the procurement plan did not capture with clarity the firm timelines within which the procurement cycle of various activities was to be commenced and completed.
- iv. Further, though a supplementary budget was prepared and approved by the County Assembly in May 2022, the procurement plan appears not to have been revised to accommodate the changes.
- v. Failure to prepare quarterly reports on the implementation of procurement plans by Chief Officers contrary to Regulation 40(6) of the Public Procurement and Asset Disposal Regulations, 2020.
- vi. Failure to constitute community project management and implementation committees (CPMIC) to oversee the efficient and effective implementation of projects exists in line with the provisions of Regulation 111(6) of Public Procurement and Asset Disposal Regulations, 2020.

In the circumstances, Management has not put in place proper system to ensure efficient coordination of procurement and disposal procedures.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 County Executive of Homa Bay's ability to sustain services, disclosing, as applicable, matters

related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to dissolve the County Executive or to cease operations.

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 Management 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed 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.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems 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. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or

operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive of Homa Bay to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 April, 2023

APPENDIX I

Project Title	Amount paid Kshs.	Remarks
Extension of pipeline korimba to kodenge centre at karachuonyo ward.	1,199,095	Works were not complete.
Drilling and equipment of Kawere togo water project in Kanyemba kologi ward.	1,639,040	The hand pump is not working.
Extension of God Agulu Water Project in West Kasipul	4,836,400	Two certificates of work done have been paid but works are still incomplete.
Equipping of Kabour Ahola Borehole Water Project	1,163,237	Solar panels of 1,500 watts were installed instead of 5,000 watts. The contract period was 5 months from 2 May,.2019 to 30 September, 2019 but the project is not complete.
Drilling, Development and Equipping of Kandiege /Kochuonyo Water Project	1,035,568	The borehole is not yet complete.
Drilling and Test Pumping Onanda, Luora,Oluso,and Rang'ii.	2,371,600	Oluso kawiya verified and found to be capped, Rang'ii verified and found dry, Onanda was done in private land and Luora was not done.
Drilling, Development, Pump Testing and Equipping with Solar Unit at Obambo in Gembe ward.	3,995,500	The water tank tower was poorly done. Plastic casing of the borehole was done instead of steal casing. The borehole is a low discharge
Drilling, Development, Pump Testing and Equipping with hand Pump at Unga in Wanyama Kosewe	2,549,680	Hand pump was not working.
Drilling, Pump Testing and Capping of 6No. Boreholes at Seka ,Obangila,Muche,Ogongo ,Orodo and kodula.	11,233,800	The 2nd phase of pump installations were not done. Muche, Seka and Obangila boreholes got uncapped and stones have been thrown in the holes.
Drilling, development and pump testing of various boreholes. (Mukende kaksingiri west ward ,kagunje in wangchieng ward,kakrigu in mfangano ward,kawakungu in central karachuonyo ward,kaswaga girls rusinga ward and Nyaburu in gwasi south ward.	7,304,400	Three of the six boreholes turned out to be dry. Geo survey report not provided.
Total	37,328,320	