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5th APRIL 2023  
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**COUNTY ASSEMBLY OF BUNGOMA**  
**THIRD COUNTY ASSEMBLY**  
**SECOND SESSION**  
**PUBLIC ACCOUNTS AND INVESTMENTS COMMITTEE**

**REPORT**  
**ON**



**AUDITOR GENERALS REPORT ON THE FINANCIAL**  
**STATEMENTS OF THE BUNGOMA COUNTY ON;**  
**DISASTER AND EMERGENCY FUND FOR THE PERIOD**  
**ENDED 30<sup>TH</sup> JUNE, 2021**

**Clerk's Chambers**  
**County Assembly Buildings**  
**PO BOX 1886,**  
**BUNGOMA, KENYA.**

**MARCH, 2023**

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## **1.0. CHAPTER ONE**

### **PREFACE**

**Mr. Speaker Sir,**

On behalf of the Members of Public Accounts and Investments Committee and pursuant to the provisions of Standing Order No. 209 and in accordance with Article 227(8) of the Constitution of Kenya, 2010, it is my pleasure and duty to present to this Assembly, the Committee report on the Auditor General's Reports on the Financial Statements of the Bungoma County;

1. Disaster management and Emergency Fund for the period 1<sup>st</sup> July, 2020 to 30<sup>th</sup> June, 2021.

### **MANDATE OF THE COMMITTEE**

The mandate of Public Accounts and Investments Committee is drawn from Standing Order number, 209 (5) with the functions to:

- a) Pursuant to Article 185 (3) of the Constitution of Kenya to exercise oversight over the County Executive Committee and any other County Executive Organ.
- b) Pursuant to Article 229 (7) and (8) of the Constitution to examine the reports of the Auditor General on the annual accounts of the County Government.
- c) To examine special reports if any, of the Auditor General on County Government Funds
- d) To examine the reports if any of the of the Auditor General on the County Public Investments
- e) To exercise oversight over County Public Accounts and Investments

## **POWERS**

**Mr. Speaker Sir,**

The Committee pursuant to the provisions of Article 185(3) is mandated to exercise oversight over the County Executive Committee and any other County organs and also to examine special reports of the Auditor-General on County Government Funds in respect of the appropriation of sums granted by the County Assembly to meet the public expenditure, and to enforce adherence to the fiscal responsibility principles as provided under *Article 201 of the Constitution of Kenya, 2010*. The Committee executes its mandate on the basis of annual and special audit reports prepared by the Office of the Auditor-General (OAG).

## **GUIDING PRINCIPLES**

### **1.4.1. AUDIT OF PUBLIC ACCOUNTS**

According to Article 229(4) (b) of the Constitution of Kenya, within six months after the end of each financial year, the Auditor General is required to examine the Financial Report on the Accounts of all funds and authorities of the National and County Governments and express an opinion on the report on whether money appropriated by Parliament or the relevant County Assembly and disbursed;

- i) Has been applied for the purpose for which it was appropriated or raised;
- ii) Was expended in conformity with the authority that governs it; and was expended economically, efficiently and effectively.
- iii) The Audit reports shall then be submitted to Parliament or the relevant County Assembly for debate and consideration.

#### 1.4.2. OBLIGATIONS OF ACCOUNTING OFFICERS

**Section 149(1), of the PFM Act, 2012 stipulates that:** “An accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized; effective, efficient, economical and transparent.”

#### 1.4.3. DIRECT PERSONAL LIABILITY

Article 226(5) of the Constitution is emphatic that “If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not”.

**Mr. Speaker Sir,**

Section 116(1) of the Public Finance Management Act provides that, the County Executive Committee Member for Finance may, with the approval of the County Executive Committee and the County Assembly, establish Public Funds.

Section 116 (7)(a) (b) (c) of the same Act directs that “The administrator of a County Public Fund shall prepare accounts for the fund for each financial year and not later than three months after the end of each financial year, submit financial statements relating to those accounts to the Auditor-General and the County Assembly.”

Furthermore, the *Public Audit Act, No. 34 of 2015* stipulates that;

- 1) All reports of an Audit shall be submitted to Parliament or the relevant County Assembly.
- 2) Within seven days of receiving the report, Parliament shall publicize it on its official website and other public spaces.

- 3) Within fourteen days after submitting the report to Parliament or the relevant County Assembly, the Auditor-General shall publicize the report on the official website and other public spaces.

Further, Section 35 of the same Act stipulates that, the Auditor-General shall conduct audits of financial statements under Article 229 of the Constitution for State Organs and public entities and report annually to Parliament and the relevant County Assembly.

Section 36(1) states provide, that the Auditor-General shall conduct performance audit to examine the economy, efficiency and effectiveness with which public money has been expended pursuant to Article 229 of the Constitution

Further and without prejudice to the foregoing, Regulation 6 of the Bungoma County Disaster Management Emergency Fund Regulations, 2019 provides that subject to Section 3 of the Act, the objects and purpose for which the Fund is established is to:

- a) Establish an efficient structure for the management of the disaster and emergency by promoting awareness and cooperation amongst the agencies with a role of the disaster management and enhancing their capacities to maintain the provision of essential services during period of disaster and emergencies.
- b) Improve the effectiveness and efficiency of the disaster risk management system in the county, including measures for disaster preparedness, prevention, mitigation, response, reconstruction, recovery and relief;
- c) Facilitate resilience building, preparedness, early warning, contingency planning and timely response to disasters during its

- different stages in order to reduce and minimize the negative effects of disasters and addressing disaster impacts sustainably;
- d) Provide counter measures for conducting risk assessment/analysis to inform decision making
  - e) Prepare and implement a disaster risk management plan that contains measures to address complex emergencies and risks in consultation with the response agency in cooperation with other agencies in accordance with these Regulations
  - f) Vest authority in persons and agencies to act during time of disaster and emergency in accordance with plans approved under this Act and to require the observance and implementation and the directive given and initiatives taken by person authorized under these Regulations
  - g) Enhance the capacity of the county government, relevant agencies and communities to effectively manage the impact of disaster and emergencies that threaten human life, property and environment.
  - h) Implement the mechanism to reduce risks and hazards that may cause, contribute to exacerbate disaster or emergency situation in the County, especially for vulnerable persons or groups.
  - i) Facilitate procedures aimed at implementing activities in the aftermath of disaster and emergencies to receive financial resources from development partners who support government on disaster risk management interventions; provide for—
    - i. A common basket emergency fund in order to facilitate faster, transparent, predictable, and accountable release of funds for disaster risk management
    - ii. Funds for capacity and technical expertise development to improve on disaster risk management systems and contingency planning; and

**Mr. Speaker Sir,**

The Public Accounts and Investments Committee strongly holds the view that these provisions of the law were meant to ensure prudent and responsible use of public funds. The Committee has accordingly applied these provisions to recommend varying actions. The committee also places a premium on these principles, among others, and has been guided by them in the entire process that has culminated to this report.

**1.4.4. CONFIDENTIALITY UNDERTAKING BY THE COMMITTEE**

To enhance the integrity of the Committee and its work, Members of the Public Accounts and Investments Committee have signed a confidentiality undertaking in accordance with Bungoma County Assembly Standing Order No 98. In relation to the provisions of the said Standing Order; Members have undertaken that in relation to this report, no Member of the Committee shall refer to the substance of the proceedings touching on the subject matter which shall include any evidence or documents presented to the Committee and any information under discussion or deliberation at its meetings before it is tabled in the County Assembly.



## MEMBERS OF PUBLIC ACCOUNTS AND INVESTMENTS COMMITTEE

- |                             |                  |
|-----------------------------|------------------|
| 1. Hon George Kwemoi Tendet | Chairperson      |
| 2. Hon. Bernard Kikechi     | Vice Chairperson |
| 3. Hon. Evelyne Mutiembu    | Member           |
| 4. Hon. Everton Nganga      | Member           |
| 5. Hon. Stephen Kaiser      | Member           |
| 6. Hon. Jerusa Aleu         | Member           |
| 7. Hon. Anthony Lusenaka    | Member           |
| 8. Hon. Violet Makhanu      | Member           |
| 9. Hon. Timothy Chikati     | Member           |
| 10. Hon. Alfred Mukhanya    | Member           |
| 11. Hon. John K. Wanyama    | Member           |

**ACKNOWLEDGMENT**

In conclusion, **Honorable Speaker**, the Committee wishes to express its gratitude to the Offices of the Speaker and the Clerk for the support rendered to it during the consideration of this report. The Committee further wishes to thank the Executive Committee Member and his team who appeared before it for his cooperation. Finally, the Committee acknowledges the valuable input of the Office of the Auditor-General in considering submissions from the management of various audit queries. And lastly, the technical and logistical input of the secretariat that led to the production of this report is highly appreciated.

**Mr. Speaker Sir**, on behalf of the Public Accounts and Investments Committee, I now wish to table this report and urge the Honorable House to adopt it with the recommendations therein.

SIGNED.....*G. Kemudet*.....DATE.....*25<sup>th</sup> APRIL 2023*.....

**HON. GEORGE KWEMOI TENDET, MCA- ELGON WARD  
(CHAIRMAN, PUBLIC ACCOUNTS AND INVESTMENT  
COMMITTEE).**

# **REPORT OF THE AUDITOR- GENERAL ON FINANCIAL STATEMENTS OF BUNGOMA COUNTY DISASTER MANAGEMENT AND EMERGENCY FUND FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

The Accounting Officer submitted that the audit accompanying financial statements of Bungoma County Disaster Management and Emergency Fund set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, the statement of cash flows and statement of comparison of budget and actual amounts 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Bungoma County Disaster Management and Emergency Fund as at 30<sup>th</sup> June, 2021, and its financial performance on its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Bungoma County Disaster and Emergency Management Act, 2019.

### **Basis for Qualified Opinion**

#### **1.0 Presentation and Inaccuracies of Financial Statements**

The statement of comparison of budget and actual amounts indicates that the Fund had a final capital expenses budget of Kshs.9, 791,306 and actual expenditure on comparable basis of Kshs.26, 313,207 leading to a performance difference of Kshs.26, 313,207. However, the recomputed amount was Kshs.16, 521,901 thereby resulting in an unexplained variance of Kshs.9, 791,306. Further, the financial statements do not reflect pages 1 to 4 as well as pages 30 and 31.

In the circumstances, the accuracy and completeness of financial statements could not be confirmed.

**Management Response.**

The Kshs.9, 791,306 refers to the refunds from the advances that formed part of the income that was used to fund the activities for the year that included the capital expenditure of Ksh.26, 313,207.

No	Details	Amount
1	Opening balance as 1 <sup>st</sup> July 2020	2,126,203
2	Transfer	70,000,000
3	Refunds	9,791,306
	<b>TOTAL CASH AVAILABLE</b>	<b>81,917,509</b>
	<b>Expenditures</b>	
	Recurrent	52,594,202
	Development	26,313,207
		<b>78,907,409</b>
	<b>BALANCE C/D</b>	<b>3,010,100</b>

On the paging, pages 1-4 were as a result of printer incompatibility and configuration. The last two pages were attachments; there was an omission which has since been rectified in subsequent financial statements. *Attached are copies of Bank Statements and extract of financial statements 2020/2021.*

## **Appendix 1 (a) Bank statements**

### **Oral Submissions**

The Accounting Officer submitted paging errors arose due to technical issues with regard to printer compatibility and configurations. He acknowledged that the numerical errors had been noted by his team and the necessary corrections had been made. He further submitted that the variance in figures amounting to Kshs 9,791,306 was a result of the pagination and numbering errors. The Accounting Officer tabled the corrected document, which the Committee directed that it should be forwarded to the Auditor General for authentication and further direction.

### **Committee observations**

1. The variance of Kshs.9, 791,306.25 was as a result of income from refunds on borrowings by various departments, which had not been explained. It is further noted that the Disaster and Emergency Fund advanced monies to departments through imprest from previous financial years.
2. The accounting officer didn't provide a break down on the nature of the activities that were financed through borrowings. It's further noted that the borrowings were repaid back after the closure of the financial year contrary to provisions of section 142 of the PFMA, 2012 which requires repayments to be done within the financial year it was borrowed.

3. Section 112 (1) (2) of the PFM ( Finance Management Act ) provides that;

a) The County Executive Committee Member for Finance may make payments from the County Governments Emergency Fund only if he or she is satisfied that there is an urgent and unforeseen need for expenditure for which there is no legislative authority and shall be in accordance to operational guidelines made under regulations approved by Parliament and the law relating to disaster management. The circumstances under which the borrowings were granted from the Emergency Fund can therefore not be justified.

#### **RECOMMENDATION**

1. The Committee recommends that the CECM desists from advancing monies from the Fund to other county entities in form of borrowings since it is in contravention with the purpose and the nature of the Fund. The CECM Finance and Economic Planning should adhere to the provisions of Section 110(2) of the Public Finance Management Act, 2012 which provides that, *'The purpose of an Emergency Fund is to enable payments to be made in respect of a county when an urgent and unforeseen need for expenditure; for which there is no specific legislative authority arises.*
2. The Office of the Auditor General to do verification on the nature of all refunds on the fund for the year under review and any outstanding borrowings and to file a report to the County Assembly within 60 days upon adoption of this report.
3. The CECM Finance should ensure that all the monies borrowed is collected and a report filed to the implementation committee within

<b>Description</b>	<b>Amount (KShs.)</b>
Refunded advances	840
Surrendered	5,607,060
Outstanding	8,227,940
<b>Total</b>	<b>13,835,840</b>

Action taken;

- a) The Management has already issued demand notices and reminders to the imprest defaulters.
- b) Further, remedy is being pursued. The Management has also stopped issuance of any other imprest from the Fund.

Appendix 002(b); Listing of refunded/surrendered imprests and advances and the extracts of the bank statement

### **Appendix 002(c); Listing of Outstanding Imprests**

#### **Oral submissions**

The Accounting Officer submitted that the status of imprests and advances had been correctly captured, classified and reported in the financial statements of the Fund. That there existed inconsistencies while classifying outstanding imprests under cash and cash equivalents. He further submitted that he had taken initiative to address the gaps that were arising from imprest management through a treasury circular on imprest recovery and non-surrenders; which he undertook to table before the Committee.

The status of outstanding imprests on the Fund amounting to Kshs. 8,227,950 was tabled before the committee.

#### **COMMITTEE'S OBSERVATION**

- a) The committee observes that the financial statement complied with the reporting template from the Public Sector Accounting standards Board (PSASB) in classifying Imprest under cash and cash equivalent as per the

Accounting policy.

b) The outstanding Imprest of Kshs. 8,227,940 dates back to the year 2020.

This is contrary to the provisions of Regulation 93 of the PFM (County government) Regulations, 2015.

### **COMMITTEE'S RECOMMENDATIONS**

The Committee recommends that the Accounting Officer should recover the full amount from the salary of defaulting officers with an interest at the prevailing Central Bank rates; in compliance with Regulation 93 (6) of Public Finance Management (County Government) Regulations 2015. The Committee hereby directs the Accounting Officer to submit a status report on the recovery within 60 calendar days from the date of adoption of this report. Failure to which, the Accounting Officer shall take responsibility and repay the defaulted imprest amount as per regulation 93 (7) of the Public Finance Management (County Government) Regulation, 2015.

### **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 Matters**

#### **Budgetary Control and Performance**

The statement of comparison budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.70, 000,000. Similarly, the Fund expended Kshs.55, 815,938 against the approved budget resulting to an under-expenditure of Kshs.14, 184,062 or 20% of the budget. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public. Further, the statement indicates that the Fund had a final capital expenses budget of Kshs.9, 791,306 but realized actual expenditure of Kshs.26, 313,207. The over-



expenditure of Kshs.16, 521,901 was however not explained.

In the circumstances, the approved budget of the Fund was not realistic.

### **Management Response.**

#### a) Underperformance

The statement of comparison budget and actual amounts in the Approved Financial Reporting Template of the Fund is not exhaustive. Therefore, the conclusion on underperformance may not be accurate but will require one to look at all aspects of the financial statements. The current deficiencies include;

- i. It does not include reporting on acquisition of Assets. In IPSAS Accrual Basis of reporting, this expenditure is included in the Fixed Assets Movement Schedule; Property, Plant and Equipment. There was a capital expenditure of KShs. 26,313,207
- ii. It does not recognize prior cash and cash equivalents as a source of funds for financing the current year budget.

### **Appendix 003(a); Extract of Statement of comparison budget and actual amounts in the Approved Financial Reporting Template of the Fund**

### **Appendix 003(b); Extract of Fixed Assets Movement Schedule; Property, Plant and Equipment**

The total cash available for the year 2020/2021 was Kshs.81, 917,509 as illustrated in the table below;

<b>No</b>	<b>Details</b>	<b>Amount</b>
1	Opening balance as 1 <sup>st</sup> July 2020	2,126,203
2	Transfer	70,000,000
3	Refunds	9,791,306
	<b>TOTAL CASH AVAILABLE</b>	<b>81,917,509</b>

**N/B**

The Kshs.9, 791,306 refers to the refunds from the advances that formed part of the income that was used to fund the activities for the year that included the capital expenditure of Ksh.26, 313,207.

### **Oral Submissions**

The Accounting Officer submitted that all authorizations on the Fund's expenditure were made by the County Executive Committee Member for Finance at the time. That the unavailability of an approved budget was occasioned by the fact that the Emergency Fund's application was solely for expenditure on unforeseen circumstances; and there was no pragmatic approach to the application of an emergency budget due to the nature of Fund.

He further submitted that in Sec. 49 of the Disaster and Emergency Fund Policy provides guidelines and procedures for access of the Fund and implementation of programs of the Fund including budgetary processes.

### **Committee observations**

1. The over expenditure was occasioned by capital expenditure of Kshs 26,313,207 under property plant and equipment as explained by the Accounting Officer. The budgeted amount of Kshs 70,000,000 was adjusted upwards to Kshs 81,917,509 by refunds of Kshs 9,791,306 and opening balance of Kshs 2,126,203.
2. The CECM Finance did not comply with the provisions of section 114 (1), (2) and (3) of the PFMA 2012 in seeking for approval by the County Assembly on Emergency expenditure and appropriation for replenishment.

The Act provides as hereunder;

*“(1) The County Executive Committee member for finance shall seek*

*approval of the county assembly within two months after payment is made from the Emergency Fund.*

*(2) If the county assembly is not sitting during the period referred to in subsection (1), or soon thereafter, the County Executive Committee member for finance shall seek the approval for the payment within fourteen days after the County Assembly next sits.*

*(3) As soon as practicable after the county assembly has approved the payment, the County Executive Committee member for finance shall cause a draft of the appropriation Bill to be introduced in the county assembly for the appropriation of the money paid and for the replenishment of the county government's Emergency Fund to the extent of the amount of the payment.”*

### **Committee recommendations**

1. The Accounting Officer having contravened section 114 of the PFM Act, 2012 is directed to submit the expenditures incurred on emergency fund for the financial years; 2020/2021, 2021/2022 for approval by the County Assembly within fourteen days after the adoption of this report.
2. The accounting officer having violated section 114 of Public Finance Management Act, 2012 committed an offence and the Committee recommends invoking of Section 199 of the PFM Act,2012 which provides as follows “ *except as otherwise provided by this act, a person who is found guilty of committing an offence under this act for which no other punishment is given, that person is liable on conviction to a term of imprisonment not exceeding 5 years or to a fine not exceeding 10 Million shillings, or to both”*

In this regard, the Committee directs the relevant authorities to take up the matter.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **1.0 Non-compliance with the Contractual Terms of Siuna-Kimalewa Culverts Project**

Note 4 to the financial statements reflect additions of roads and other civil works of Kshs.26, 313,207. Included in the balance, was an amount of Kshs.13, 845,876 incurred on construction of the Siuna-Kimalewa culverts project. The contract had been awarded to a local contractor at a contract sum of Kshs.139, 865,671. However, the drawings and designs of the project were not provided for audit review.

In addition, the bills of quantity for the project provided for the inclusion of a pedestrian passage on both sides of the culverts. However, a site inspection of the project carried out in October, 2021 revealed that the pedestrian passages had not been constructed.

In the circumstances, the Fund did not obtain value for money on the expenditure of Kshs.13, 845,876 incurred on the project.

#### **Management Response.**

##### **a) Contract sum of Ksh. 139,845,876**

The indicated sum was not the contract sum is not a contract sum of any specific contract but the accumulated cost of PPE as at 30<sup>th</sup> June 2021. The contract sum for the identified project was KShs. Kshs.13, 845,876

#### **Appendix 004(a); Contractual Agreement; Extract of the Financial Statements**

##### **b) Drawings and designs not provided**

See the attached drawings and designs. The documents were erroneously

excluded from a copy of the project file availed for the audit.

### **c) Pedestrian passage**

In his response the Accounting Officer stated that neither the designs nor BoQs did not include the passage, hence the claim is erroneous.

### **Oral Submissions**

The Accounting Officer submitted that there were supporting documents for the contract and presented them for review. He clarified that the contract sum for the project was Kshs. 13,845,876 and not the Kshs. 139,865, 671 that had been noted by the Auditors.

He further submitted that the project had already been completed and was ready for use.

He noted that the Auditor General had raised concerns on the issue of a pedestrian footbridge as not having been constructed whereas it was provided for in the Bills of Quantity for the project. On this he submitted that it was occasioned by an error of omission during the variation of works. Copies of the documents i.e BQs, drawings and project design were presented for the Committee's consumption. The inspection report was not provided to the committee.

### **Committee observations**

The Committee finds that the project sum was Kshs. 13,845,876 as per the documents availed to the committee for review in the drawings and Bills of Quantities.

The following documents were not availed to the Committee for confirmation as submitted by the Accounting Officer:

1. The inspection report of the project
2. The original contract agreement of Siuna- Kimalewa culverts project.

### **Committee recommendations**

The committee recommends the sectoral on Roads, Public Works and Infrastructure to take up the matter to establish the how this project was implemented and file a report in this house within 30 days after adoption of this report.

### **2.0 Lack of an Approved Budget**

During the audit, Management did not provide an approved budget for the year under review, as required by Section 33 of the Bungoma County Disaster and Emergency Management Act, 2019, which provides that; the estimates are prepared, approved by the Committee and submitted to the Executive Committee Member for transmission to the County Assembly for approval.

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

### **Management Response.**

The Management has noted the concern. At the time of the audit, the Fund did not have guidelines for preparation of a budget for the Fund. The County Treasury has since issued Budget Preparation Guidelines that have been used for the subsequent year so as to comply with Section 33 of the Bungoma County Disaster and Emergency Management Act, 2019

### **Appendix 005; Budget Preparation Guidelines for the County Established Funds**

#### **Committee observations**

1. The County Disaster and Emergency Management Fund operated without an approved annual budget.
2. The Committee established that the Bungoma County Disaster and Emergency Management Act has not been Gazzetted.

#### **Committee's recommendation**

1. The CECM for Finance and Economic Planning should always

ensure that budget estimates are approved by the County Assembly on the Disaster and Emergency Management Fund.

2. The Committee recommends the gazettelement of the Bungoma County Disaster and Emergency Management Act, 2019.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND LACK OF INTERNAL AUDIT REPORTS**

During the audit, it was revealed that there were no internal audit reports. As a result, there was no review of governance structures, value for money and risk-based audits. There was also no verification of internal controls and assets.

This was in contravention of Section 155(1) (a) of the Public Finance Management Act, 2012, which states that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

### **Management Response**

During the year 2020/2021 the Fund received Kshs. 70,000,000. This funding was among other sources that financed Covid-19 interventions during the year 2020/2021 – See Page 84 of the attached Report on the audit of Covid-19 funds. This Special Audit on the Emergency Fund was an intervening audit undertaken in October, 2020.

Further, the concept of Combined Assurance requires parties to place reliance on each other's work so as to avoid duplication of resources. This concept requires the external auditor to evaluate and make a decision on whether to rely on the internal auditor's work and for the internal auditor to also evaluate and make a decision on whether to rely on the external auditor's work. Therefore, the audit on Covid-19 funds during the year 2020-2021 was considered exhaustive by the Directorate of Internal Audit

so as the Directorate to undertake an audit in other auditable areas that had not been covered during the year 2020-2021.

Subsequent audits have since been undertaken by the Directorate. The fund has since been audited and internal reports have been here attached.

## **Appendix 006(a): Extract of the Internal Audit Report**

### **Oral Submissions**

The Accounting Officer submitted that the law provides for collaboration between the internal audit unit and the external auditors and that the two entities can rely on each other. That the director internal audit had actioned a Special Audit of the Fund in the month of November, 2020. It was further submitted that the challenges within the Internal Audit had already been discussed with CECM for Finance and corrective action was in process.

### **Committee's observation**

1. The Committee observed that the Internal Audit Department did not carry out audit on the Emergency Fund since a special audit on Covid-19 had been carried out by the Auditor General. There is however other programs under the Emergency Fund that were implemented during the period that ought to have been reviewed by the County directorate of Audit.
2. There were human resource challenges with the Directorate of Internal Audit as Submitted by the Accounting Officer.

### **Committee's recommendations**

1. The human resource challenges of the directorate of internal audit to be addressed so that there is adequate coverage of internal audit assurance and review of County wide programs.



## ADOPTION SCHEDULE

The members of Public Accounts and Investment Committee appends their signatures adopting this Report with its recommendations.

S/N	NAME	TITLE	SIGNATURE
1	Hon. George Kwemoi Tendet	Chairperson	
2	Hon. Benard Kikechi	Vice-Chairperson	
3	Hon. Everton Nganga	Member	
4	Hon. Anthony Lusenaka	Member	
5	Hon. Jerusa Aleu	Member	
6	Hon. Violet Makhanu	Member	
7	Hon. Everlyne Mutiambu	Member	
8	Hon. Timothy Chikati	Member	
9	Hon. Stephen Kaiser	Member	
10	Hon. Alfred Mukhanya	Member	
11	Hon. John K Wanyama	Member	

## **ANNEXTURES:**

1. The Report of the Auditor General on the Financial Statements of Bungoma County Disaster Management and Emergency Fund for the year ended 30<sup>th</sup> June ,2021
2. Management responses from the CEC Member Finance and Economic Planning (**Appendix 1,a; 2,a; 2,b; 2,c; 3,a; 3,b; 4, 5 and 6**)