

**COUNTY GOVERNMENT OF TAITA TAVETA**



**REPORT OF THE COMMITTEE**

**ON**

**PENDING BILLS**

**PRESENTED TO**

**HIS EXCELLENCY THE GOVERNOR**

**TAITA TAVETA COUNTY**

**GRANTON GRAHAM SAMBOJA**

**JUNE 2018**

**PENDING BILLS COMMITTEE MEMBERS**

- 1. CPA Leonard J Kalama     Chairman     .....
- 2. Rev. Jaxon Shako         Member     .....
- 3. Francis Mwaita           Member     .....
- 4. Mrs Lula Mohamed        Member     .....
- 5. Mr Sylvester M Mwaliko,SS Member     .....
- 6. Cs Elipida Mwakamba     Member     .....
- 7. CPA Louis N. Mwanyalo    Secretary   .....
- 8. Andrew Soghia Treasury Liaison Officer .....

## **ACKNOWLEDGEMENT**

The Governor of Taita Taveta, **H.E Granton Samboja** appointed a Committee on 23th March 2018, to look into the issue of Pending Bills which were inherited from the first County Administration starting from the inception of the devolution in 2013 to 20<sup>th</sup> August 2018. The purpose was to ascertain the actual amount of money that is owed as pending bills so that the County Government can pay all the genuine claims.

The Committee on Pending Bills commenced work on Friday 23<sup>rd</sup> March 2018. It will like to acknowledge the assistance and help extended by H.E the Governor, in discharging of this onerous assignement and also appreciates the cooperation and support given by the County Executive Committee Members, Chief of Staff, County Secretary, County Chief officers and all those who accorded the committee the desired support.

We say thank and God bless our beloved Taita Taveta County

## **ABBREVIATIONS AND ACRONYMS**

<b>ADP</b>	Annual Development Plan
<b>AIE</b>	Authority to Incur Expenditure
<b>BQ</b>	Bill of Quantities
<b>CA</b>	County Assembly
<b>CCO</b>	County Chief Officer
<b>CECM</b>	County Executive Committee Member
<b>CFSP</b>	County Fiscal Strategy Paper
<b>CGA</b>	County Government Act
<b>CGTT</b>	County Government of Taita Taveta
<b>CIDP</b>	County Integrated Development Program
<b>COK</b>	Constitution of Kenya
<b>CT</b>	County Treasury
<b>ECDE</b>	Early Childhood Development Education

<b>GOK</b>	Government of Kenya
<b>LPO</b>	Local Purchase Order
<b>LSO</b>	Local Service Order
<b>MCA</b>	Member of County Assembly
<b>NT</b>	National Treasury
<b>PFM</b>	Public Finance Mangement Act
<b>PMC</b>	Project Mangement Committee
<b>PPADA</b>	Public Procurement and Asset Disposal Act
<b>PPOA</b>	Public Procurement Oversight Authority
<b>RFQ</b>	Request for Quotation
<b>TFRPV</b>	Task Force Report on Projects Verification 2018
<b>VTCs</b>	Vocational Training Centres

## DEFINITION OF TERMS

**Bills of Quantities** This is a detailed statement of works indicating specifications, prices, measurements and the details covered in the scope of works.

**County Budget** The amount of funds allocated for the County's development and recurrent programs for a given period (mostly for year).

**Certified Amount** The amount payable to the contractor at a specified time after valuation of the works done in a specified time.

**CIDP** The County's blueprint for a 5- year program outlining its program priorities and programs for implementation in the period.

**Contract amount** This is amount signed for in the agreement between supplier / contractor and owner for the execution of the agreed scope of works and period.

**County Department** This is a County entity tasked with implementation of specific functions as per the County's overall governance structure.

**Project/ Program:** This is a pre-determined set of interrelated activities to be implemented over an agreed time frame, with a set scope and price in addressing a specific community need.

**Pending Bills:** This is the amount outstanding on completed /certified works and supplies delivered that are yet to be paid for.

**Standard operating procedures:** This is a standard procedure policy document that shows the way work is expected to be performed.

**Stalled Project** This is a project/ program whose implementation has stopped due to various reasons.

**Task Force** This is the Task Force on Projects Verification in Taita Taveta County chaired by Mr. Philemon Mwaisaka, EBS, SS.

**Budget variation** This is the change between budget vote heads from the initial amount during budget sessions known as supplementary provisions.

**TABLE OF CONTENTS**

PENDING BILLS COMMITTEE MEMBERS ..... 2

ACKNOWLEDGEMENT..... 3

ABBREVIATIONS AND ACRONYMS ..... 4

DEFINATION OF TERMS ..... 6

**TABLE OF CONTENTS**..... 8

EXECUTIVE SUMMARY ..... 10

1.0 CHAPTER ONE: INTRODUCTION ..... 17

1.1 Appointment of the Committee ..... 17

1.2 Scope of work..... 18

1.3 The law ..... 18

2.0 CHAPTER TWO: METHODOLOGY ..... 21

3.0 CHAPTER THREE: CHALLENGES ..... 24

**4.0 CHAPTER FOUR: ANALYSIS OF PENDING BILLS**..... 25

**5.0 CHAPTER FIVE: OBSERVATIONS AND RECOMENDATIONS** ..... 27

5.1 Observations ..... 27

**6.0 CHAPTER SIX: CONCLUSION** ..... 37

**7.0 APPENDIX** .....

## **EXECUTIVE SUMMARY**

The 2<sup>nd</sup> devolution elections were held on 8<sup>th</sup> August 2018 and H. E the Governor, Granton Graham Samboja was elected into office. Upon assumption of office, H. E the Governor was confronted with huge pending bills totaling to Ksh. 724,065,736 as handed over to him by the Assumption of Office Committee. However, the pending bills figure kept changing from one figure to another thus making it hard to know the exact amount owed by the county. In the meantime, contractors who had either constructed numerous projects or provided several services to the county complained of debts and were confronting H.E the Governor to have them paid.

In view of the foregoing, H. E the Governor appointed a Task Force headed by the Chief of Staff, Mr. Philemon Mwaisaka to investigate whether DATU citizens got value for their money in the projects implemented since 2013. The Task Force presented its report on 5<sup>th</sup> February 2018. Among its key findings is that various projects were either over costed, underfunded, uncompleted and shoddily done occasioning massive loss of funds. This led to H. E the Governor appointing a Pending Bill Committee on 14<sup>th</sup> March 2018 to ascertain the actual amount of bills to be paid.

The Terms of Reference of the Committee are to verify the pending payments arising from implementation of projects and other supply services since inception of devolution in the county; relate the pending bills with the recommendations of the taskforce on the status of various projects undertaken during the devolved system and finally make appropriate recommendations on the payments.

The Committee has completed its task and come up with a report which is made up of six chapters summarized as follows:

Chapter one is the introduction which covers the background of the assignment, appointment and terms of reference of the committee, the scope of work as understood by the committee and the relevant laws applicable.

Chapter Two is methodology which involved planning of the assignment, review of documents, presentations by relevant officers, development of the work matrix and its analysis. The committee further had interviews with most chief Officers and verified vouchers & supporting documents. Finally, it held an exit meeting with Finance and planning department before settling to write its report.

Chapter Three covered the challenges that the Committee faced while undertaking the exercise. The main challenge was the delay of submission of requested documents and inconsistency of the information provided.

Chapter Four was the detailed analysis of the pending bills documents provided by the departments which is summarized in Table 1 below.

SUMMARY OF PENDING BILLS AS SUBMITTED BY DEPARTMENT AS AT MAY 2018								
DEPARTM ENT	TOTAL BILLS (ORIGIN AL)	TOTAL BILLS (REVISED)	VOUCHERS PRESENTED	VOUCHERS NOT PRESENTED	VOUCHE RS PRESENT ED (NOT IN ORIGINA L LIST)	BILLS PAYABLE	BILLS PAYABLE SUBJECT TO	BILLS NOT PAYABLE
FINANCE / PLANNIN G  TREASUR Y	9,193,174	8,503,874	7,435,704	1,068,170			16,800	8,487,074
STATUTO RY DEDUCTI ONS	85,138,877	-	-	-	-		-	-
AGRICULT	20,092,371	14,467,976	4,820,108	8,172,410	1,475,458	1,586,584	4,531,982	8,349,410

URE								
HEALTH SERVICES	162,574,910	112,800,217	52,443,383	53,020,857	7,335,977	2,325,290	51,829,670	58,645,257
PUBLIC SERVICE & ADMINISTRATION	15,555,538	43,622,383	21,343,753	11,605,372	10,673,258	10,594,710	20,405,951	12,621,722
LIVESTOCK & FISHERIES	4,767,250	2,783,014	2,783,014	-	-	-	2,783,014	-
EDUCATION AND LIBRARIES	101,362,587	332,583,284	61,833,640	264,749,668	5,999,976		67,833,616	264,749,668
LAND, ENVIRONMENT & NATURAL	14,867,501	6,598,879	6,598,879	-	-	5,833,234	765,645	-

RESOURC ES								
GOVERNO R'S	33,238,652	4,999,836	4,396,833	-	603,003	929,190	3,448,240	622,406
ICT & INDUSTRI ALIZATIO N	6,462,700	4,789,589	4,074,179	-	715,410	209,320	4,580,269	-
TRADE, TOURISM AND CO-OP DEVELOPM NT	43,502,514	10,209,640	10,209,640	-	-	74,200	10,135,440	-
YGCS&SS		49,406,537	19,982,846	22,680,162	6,743,529	-	25,713,843	23,692,694
WATER & IRRIGATI ON	52,435,402	77,725,677	24,493,630	15,388,965	37,843,082		24,493,630	53,232,047

PUBLIC WORKS AND INFRASTRUCTURE	174,874,260	165,975,023	41,088,800-	110,652,310	14,233,913	0	55,322,713	110,652,310
<b>TOTALS</b>	<b>724,065,736</b>	<b>834,465,929</b>	<b>261,504,409-</b>	<b>487,337,914</b>	<b>85,623,606</b>	<b>21,552,528</b>	<b>271,860,813</b>	<b>541,052,588</b>

The initial list of pending bills was Ksh. 724,065,736 which was later adjusted to Ksh. 834,465,929. The Committee was presented with pending bills list from departments which all totalled Ksh. 919,964,806 out of which Ksh. 85,623,606 was not in the original list of bills declared and Ksh. 85,498,877 of the initial bills was paid in early August 2017.

The Committee, after verifying the bills and the supporting documents recommend that:

- ❖ An amount of Ksh.21,552,528 is outrightly payable
- ❖ Additional Ksh.271, 860,813 is payable subject to meeting conditions stated against each bill.
- ❖ An amount of Ksh. 541,052,588 is deemed not payable for various reasons.

Chapter Five covers observations and recommendations. Among the key observations the committee noted were unrealistic budget; general lack of financial discipline and Weak internal controls; flouting of procurement laws, procedures and regulations; lack of professionalism, and blatant collusion between staff, suppliers and contractors.

In view of the above the committee came up with suggested mitigation measures which include proper preparation of a realistic budget and adherence to the same; strengthening internal controls to enhance compliance; ensure adherence to Leadership and Integrity Act 2012 and strengthening contractual agreements with suppliers and contractors to ensure County Government interest is protected.

Chapter six concludes the committee's findings and suggests the way forward on the issue of pending bills.

## **1.0 CHAPTER ONE: INTRODUCTION**

### **1.1 Background**

The Promulgation of the Constitution of Kenya (COK) 2010 on 27th August 2010 brought in a new system of Government. The Nation saw a change of governance structure from central government system to devolved system. The Constitution in Article 175 states that there shall be a *County Government* for each county, consisting of a *County Assembly* and a *County Executive*. Taita Taveta County is County 006 as per the first schedule of COK 2010. These County Governments were devolved further into smaller units such as sub counties, wards and villages. Therefore devolution is a process of decentralization and takes power and services closer to the citizens so that local factors are better recognized in decision-making.

After assumption of office, The Governor H.E Granton Samboja on 21<sup>st</sup> August 2017 was faced with a problem of huge pending bills from the previous administration. The Assumption of Office Committee had presented a pending bill of Ksh.724,065,736 comprising of Ksh. 285,976,194 as Recurrent and Ksh. 438,089,542 as Development. As a first step, the Governor appointed a Task Force whose mandate was to verify the status of projects implemented since the inception of the County Government.

### **1.2 Appointment of the Committee**

Following the recommendation of the Task Force, H. E. the Governor appointed a Pending Bills Committee of seven members chaired by CPA Leonard Kalama, and members Francis Mwaita, Mrs Lula Mohamed, Rev. Jaxon Shako, Mr. Sylvester Mwaliko, CS. Elipida Mwakamba and CPA Louis Nyambu as Secretary. In addition, the county seconded Andrew Soghia as Treasury Liaison Officer.

The Terms of reference for the Pending Bills Committee are as follows:

- i. To verify the pending payments arising from implementation of projects and other supply services since inception of devolution in the county.
- ii. To relate the pending bills with the recommendations of the Task force on the status of various projects undertaken during the devolved system.
- iii. To make appropriate recommendations on the payments.

### **1.3 Scope of work**

In interpreting its mandate, the committee understood its scope of work to involve verifying all pending bills handed over by the previous Administration as at 30<sup>th</sup> June 2017 and for the period 1<sup>st</sup> July 2017 to 21<sup>st</sup> August 2017. The committee was to consider the list of the bills handed over to H. E. The Governor by the Assumption of Office Committee including to those that the departments presented before it. After verification of each pending bill, the committee was expected to make recommendations to H.E the Governor for his consideration.

### **1.4 The law**

In undertaking this exercise, the committee was guided by the relevant laws applicable. These include:

#### **I. The Constitution of Kenya 2010**

For the Constitution, the committee was guided by the following:

- Article 10: National values and Principles of Governance
- Article 227: Procurement of Public goods and service
- Article 232: Values and principles of Public Service.

- Chapter 6 on Leadership and Integrity,
- Chapter 11 on Devolved Government.
- Chapter 12 on Public Finance.

## **II. Public Finance Management Act 2012.**

On PFM Act the committee was guided by the following.

- Section 3 of the Act which states the Objects of the Act
- Part IV of the PFM Act 2012 which is talks about County Government responsibilities with respect to the management and control of Public Finance.

## **III. Public Procurement and Asset Disposal Act 2015.**

For procurement matters we considered the following sections.

- Part III of the PPAD Act 2015 which is about - County Government responsibilities with respect to Public Procurement and Asset Disposal
- Part V of the PPAD Act 2015 which is about- Internal Organisation of Procuring Entities
- Part VI of the PPAD Act 2015 which is about - General Procurement and Asset Disposal Principles
- Part VII of the PPAD Act 2015 which is about- Basic Procurement Rules
- Part IX of the PPAD Act 2015 which is about- Methods of Procurement of Goods, Works and Services
- Part XI of the PPAD Act 2015 which is about- Procurement Contracts
- And other relevant sections

#### **IV. The County Government Act 2012.**

On CGA we considered the following sections.

- Part VII of the County Government Act 2012
- Section 131 of the County Government Act 2012.

## **2.0 CHAPTER TWO: METHODOLOGY**

In undertaking the exercise, the committee adopted the following methodology to assist in accomplishing its task.

### **i. Planning for the assignment**

The committee held its first meeting as part of its planning session. During this meeting, the members were briefed by the Governor's representative about the assignment and what was expected of the committee. Subsequently a proposed work plan was developed.

### **ii. Review of documents**

In preparation for the exercise, the committee requested for several documents in order to acquaint itself with the relevant laws, procedures, processes and documents as listed below:

- Public Finance Management Act, 2012
- Public Procurement and Asset Disposal Act, 2015
- County Government Act, 2012
- Audit reports
- Task Force Report
- The pending bills list

### **iii. Presentations by relevant officers**

The committee invited technical staff to make presentations on processes and procedures that are applicable to the county. These included CECM Finance and Planning, Ag CCO Finance & Planning, Ag Procurement Director and the Ag CCO Public Works and Infrastructure. This gave the committee members an early opportunity to seek clarification on issues that were to inform the exercise.

**iv. Development of a Working Matrix.**

After reviewing the initial document on pending bills, the committee noted disparities and different format of presenting the information by departments. In addition, the information provided was not sufficient for the committee to carryout a meaningful analysis. In this regard, the committee developed a standard matrix format which each department was expected to complete and present the required information. (see **Appendix 1**)

**v. Analysis of matrix**

The Committee received completed matrixes in the provided format from departments and analyzed the same by making remarks through asking for clarification and supply of relevant documents relating to the pending bills. In response the departments were expected to provide feedback on each pending bill in the matrix as guided by the committee's remarks.

**vi. Interviews with County Chief Officers.**

Following review of matrix submissions and feedback on committee remarks by the departments, the committee requested each CCO to appear before it for discussions and clarifications on emerging issues relevant to them.

**vii. Review of vouchers and supporting documents.**

After receiving the requested documents from departments in relation to each pending bill, the committee retreated for verification exercise. This exercise involved going through each voucher and supporting documents against each pending bill and making necessary observations and recommendations. A matrix was developed for this purpose. (see **Appendix 1**)

**viii. Exit meeting with Finance & Planning.**

Following the review, analysis of documents and discussions with CCOs it became apparent that the committee required an exit meeting with the finance team. Subsequently, the committee requested the CECM, CCO Finance & Planning, Director Supply chain management, and Director Revenue management, Budget and Planning and Director Audit.

**ix. Report writing.**

In concluding its assignment, the committee prepared a report to be presented to H.E the Governor Granton Samboja for his attention and action. The report contains recommendation against each pending bill as submitted by the departments and further proposed measures to be put in place to avoid a repeat of similar situation.

### **3.0 CHAPTER THREE: CHALLENGES**

As is expected in any assignment of this nature, the committee was faced with a number of challenges. The main challenge was lack of co-operation by departments in supplying requested information and documents.

There were situations where despite repeated reminders including visits to offices some departments failed to supply the information in time. This hampered the scheduled activities of the committee forcing it to constantly seek interventions at senior levels.

Further, in many cases the information provided was totally at variance with the earlier documentation submitted and contrary to what was requested, occasioning back and forth movements of documents. It is worth noting some departments presented their documents at the closing hour of the last day of the committee's mandate before consideration of extension of duration.

In the work plan, the committee had scheduled to visit a few projects to appreciate the realities on the ground. Unfortunately, this was not possible especially given the time wasted in pursuing requested documents thus making the committee to rely on the Task Force Report and supplied documents.

#### **4.0 CHAPTER FOUR: ANALYSIS OF PENDING BILLS.**

The committee embarked on analysing the information and documents presented by the departments in the format provided in the appendix. In this analysis of pending bills which forms the core business of the assignment and report, a thorough detailed information of the bills was done under the column “observations “in the matrix provided per department. In addition, recommendations were made against each bill accordingly.

In the analysis the committee noted there were three categories of pending bills namely projects, supplies and staff claim..

For projects the committee looked for the following information and documents.

- Requisition for the project.
- Budgetary allocation
- Tendering process according to the procurement laws.
- Contract agreement, signing and execution
- Provision of relevant documents including LPO, invoice, inspection and acceptance reports, completion certificates, etc
- Payment vouchers properly processed

For supplies this was the criteria.

- Requisition for goods and services.
- Budgetary allocation
- Tendering process according to the procurement laws.
- Contract agreement, signing and execution including prequalified suppliers,
- Provision of relevant documents including LSO, invoice, inspection and acceptance reports, delivery note and S13, etc

- Payment vouchers properly processed

For staff claims the committee considered the following

- Authority to travel, hold a meeting, or attend to a specific assignment by a senior officer.
- Budgetary allocation
- Evidence not to commit the county, such as when an invitation has been extended by a third party and its fully paid
- Evidence of attendance.
- Provision of relevant documents including work tickets, letters of referrals, letters of nomination, etc
- Payment vouchers properly processed

The detailed observations and recommendations are set out on the appendix, indicating what was noted and what decision was arrived at one after the other.

## **5.0 CHAPTER FIVE: OBSERVATIONS AND RECOMMENDATIONS**

While undertaking the assignment, the committee made numerous observations that generally affect the operations of the county which in its opinion are important to be brought to light. These observations are cross cutting and not specific to any department. In addition, the committee has made an effort to propose mitigating measures in form of recommendations for each observation.

### **5.1 Observations and Recommendations**

The following are key observations made by the Committee:

#### **i. General lack of financial discipline:**

The Committee observed openly flouting of laid done financial procedures and processes in committing the county and approving expenditures. This was observed in all departments in the county where for example a payment request is processed without requisite supporting documents. In general, there were disregard applicable laws and procedures

#### ***Recommendation***

*The committee recommends that all financial transactions in the county should strictly follow the laid down procedures and processes at all times, and any cases of flouting of the same should be sanctioned accordingly.*

#### **ii. Weak internal controls.**

The internal controls which are expected to ensure conformity to laid done laws, procedures and regulations, were found to be wanting in many situations and therefore allowing irregularities to be perpetuated. Where a control was expected to forestall are transaction that has not conformed, this was not the case. As a result financial commitments continue to be made due to control failures hence

occasioning avoidable bills. For instance, the committee observed that the Internal Audit Unit had never audited the pending bills yet its their primary responsibility in risk mitigating.

***Recommendation***

*The County Government should strengthen its internal control structures to ensure they are working as intended and forestall fraudulent activities. It is the responsibility of internal audit to ensure internal controls are working as intended and constantly advise management on areas of risk and weaknesses. The committee recommends that the internal audit department be strengthened to effectively discharge its mandate including pre-auditing.*

*That all financial commitments be guided by the allocated budget. No expenditure should be allowed beyond budgeted amount. The Vote book which is the control tool in budget administration must be enforced for all commitments. And that financial reporting should be up to date and timely to enhance informed decision making.*

**iii. General Professional negligence**

In situations where professionals were expected to give guidance it was noted that some of them engaged in professional negligence and thus violating Professional Ethics including giving irregular and illegal professional opinion.

***Recommendation***

*The county should strictly enforce adherence to professional ethics by staff who are members of professional bodies. Any cases of professional misconduct should be dealt with and disciplinary measures to include referring such cases to the professional bodies. The recruitment process to be stringent to eliminate unsuitable candidates and enhance supervision during probationary times. The committee recommends the development of a code of conduct to regulate staff behaviour.*

**iv. Disregard of PFM Act, Public Procurement and Asset Disposal Act and other relevant Laws.**

The committee noted that the department of Education and Libraries sought and obtained an authority to transfer procurement of pre-primary classrooms and Youth polytechnics workshops construction to Primary schools and Polytechnics board of Managements. In their authority letter the PPOA approved the request subject to meeting the following conditions:

- The primary schools and Youth Polytechnics have the necessary capacity and properly constituted procurement function staffed with professionals as required by the Act.
- The County is advised to enter into an agreement with each principal of the primary school and Polytechnics pursuant to the provisions of regulation 18 of the public procurement and disposal regulations 2006.
- That the department shall remain accountable for all decisions taken on behalf of the county by the primary schools and Youth Polytechnics.
- That the county endeavours to build capacity and recruit professional in the county's procurement department.

However, the committee observed the following

- ❖ The schools lacked capacity to undertake the procurement according to PPADA 2015
- ❖ The agreements were signed only with some schools and polytechnics.
- ❖ By the transfer of authority, the county was transferring the projects funds before the projects were even started.
- ❖ Payments in cash were made by the some schools and polytechnic boards of management up to the tune of four million shillings.
- ❖ The committee is apprehensive that the payments of such huge amounts in cash may cause a risk to the county in that the relevant taxes such as the WHT of 3% and WHVAT of 6% have not been recovered by the law.

- ❖ The committee was unable to understand how projects of Ksh one million and above were procured by notices pinned on trees and buildings in the vicinity of the respective institutions. This ensured only a handful of bidders had knowledge of the advert.
- ❖ The committee observed a pattern where contracts were going to few contractors in nearly all ECDs. This clearly showed that the procurement process was not competitively done as would be required in projects of such magnitudes.
- ❖ The Committee observed that a number of ECD projects were undertaken by two or more contractors with similar amounts of pending bills as per the list provided by the department. In most cases where the project had been undertaken by more than one contractor, documents for only one were availed to the committee for verification. This raises serious concern that cases of double payments may have occurred.
- ❖ The department did not demonstrate accountability on delegated procurement to primary schools and polytechnics as directed by the approval letter.

### ***Recommendation***

*The committee believes that the CGTT has better capacity on procurement matters than the primary schools/polytechnics boards of managements and therefore recommends that the transfer of authority be rescinded and all monies in these project accounts revert to the county treasury.*

*The committee recommends that all payments to suppliers and contractors be made electronically or by cheque and all payments in cash should be audited to ascertain tax compliance.*

*Considering the observations on the irregular transactions raised above and limitations of this committee's mandate, the committee recommends appointment of an independent auditor to carry out further investigations.*

### **v. Unrealistic budget.**

The committee observed that over the years the county has fallen short of its revenue projections. This is witnessed in the local revenue where the collection realized has been less than half of the projection. Given that the budget is shared on the basis of the projection and AIE holders begin committing on that basis, it follows that with collection below target the commitment translates to pending bills. It is worth noting during the exit meeting the Finance and Planning team owned up to the fact that the budget is unrealistic in that the revenue figure is artificially increased to accommodate additional expenditures.

The committee also observed that the recurrent budget was overexpended in two financial years 2015/2016 and 2016/2017 while the development budget absorption was about 50% for the same period. This clearly indicates that funds earmarked for development are channelled to fund recurrent expenditure, mostly staff allowances and payroll. In fact the CECM Finance and Planning confirmed that the county does not know its actual payroll.

***Recommendation***

*The committee recommends that the county should strengthen its budget making process by making realistic local revenue projections in tandem with past trends.*

*In addition, as a matter of urgency the county to determine its actual payroll cost to ensure its accurately budgeted for. There is also need to put controls on allowances.*

**vi. Failure to adhere to approved budget.**

A budget is a control tool for expenditure in any organization. Failure to observe budget allocation for any vote it will occasion over expenditures and commitments which are not supported by available funds. Further it is against the PFM Act to spend above the budget. This notwithstanding, the committee observed several cases where commitments were done above the budget knowingly and deliberately thus in effect rubbing the budget as a control tool for expenditure.

***Recommendation***

*That all financial commitments be guided by the allocated budget. No expenditure should be allowed beyond budgeted amount. The Vote book which is the control tool in budget administration must be enforced for all commitments.*

**vii. Lack of integrity**

The committee observed in many instances the display of lack of integrity on the part of officers in carrying out their duties. This was highly pronounced on paying of allowances. For example it was noted that an officer did not attend a meeting as indicated in the attendance list, yet the officer was included in the payment request. In other cases, an officer attends a fully funded workshop/ seminars / training, yet after reporting back they claim full night outs and transport and the same is cleared for payments. In addition, the committee noted works cleared for payments despite glaring non conformities. Abnormal delay in approving payment requests for junior staff by their seniors was noted despite the little amount involved until the financial year is over, thus piling unnecessary bills. This raises integrity issues on accounting officer especially given that there are reported cases where approval is subject to benefiting from the claim.

***Recommendation***

*All members of staff should adhere to the code of conduct, code of ethics as recommended in the Leadership and Integrity Act 2012.*

**viii. Lack of capacity.**

The committee observed with concern through interactions with officers who came before it and through document review that there were serious capacity gaps in some areas where officers have been assigned duties. A few officers displayed lack of understanding of their roles and ability to articulate issues befitting their levels as is expected of them. This capacity gap is no doubt hampering efficient and effective service delivery in the county.

***Recommendation***

*The committee recommends proper induction on appointment of officers and continued refresher training to ensure staff are equipped to effectively discharge their duties and responsibilities.*

*All professionals should attain the minimum Continuous Professional Development hours.*

**ix. Political interference**

In a number of cases during discussion with various officers on projects management in their departments, they cited political interferences as a reason why pending bills are in existence. It was explained that whereas departments would like to complete ongoing projects, the politicians would propose new projects thus affecting completion of ongoing projects and automatically creating pending bills.

***Recommendation***

*The committee recommends that the budget making process should be adhered to by both arms of government, the executive to implement and the legislature to oversight.*

*In cases where amendments to the budget for ongoing projects are to be made there should be adequate consultations to ensure that the projects are completed.*

**x. Lack of project prioritization.**

The committee observed that the county has spread itself so thin on the ground in terms of implementation such that at the end of the day no impact is felt on the ground. This has tended to contribute to stalled projects and substandard work due to lack of prioritization in the planning and budget approval. In many cases the departments were found to be working at cross purposes thus failing to optimally utilize the scarce resources hence engaging in waste.

***Recommendation***

*The committee recommends that once the ADP and CFSP have been agreed and approved they should be adhered to in resource allocation.*

**xi. Lack of supervision.**

It was noted that there is poor supervision of juniors by their seniors. This was evident in the fact that an officer would not be abreast on what their juniors have done in some cases, thus displaying ignorance on matters that are under their dockets. It is worth noting that some officers even disowned what their juniors had done and thus implying abdication of responsibilities.

***Recommendation***

*The committee recommends that senior officers should take their supervisory role seriously and constantly ensure they are intouch with what is happening within their jurisdiction.*

**xii. Lack of interdepartmental cooperation and communication.**

There is no effective interdepartmental cooperation and communication on matters that would ordinarily demand for smooth coordination of operations and service delivery. For example, the committee noted that Public Works and Infrastructure department is left out in planning and budgeting for projects. As a result unrealistic budgets are provided for projects and the Public Works officers are expected to work backward to fit the BQs to these budgets. This has also contributed to shoddy work and stalled projects. In many cases the departments complained that they never got feedback from County Treasury that their vouchers had not been paid in time which in effect translated to pending bill.

***Recommendation***

*The committee recommends that the Public Works department should be involved in all project planning and budgeting. It is also recommended that departments work as a team to ensure successful implementation of projects and coordination of activities. The County Secretary should convene regular departmental meetings with CCOs for the purpose of updating each other.*

**xiii. Lack of performance management system.**

It was noted during discussion with officers from various departments there are no performance targets set for the staff in order to make them more accountable in discharging their duties. In the absence of a formal staff appraisal mechanism it becomes hard to recognize good performance and sanction failures or inadequacies. As a result there is no motivation for staff to perform to expectations and thus contributing to poor performance and breeding a culture of impunity as transfers cannot solve the problem. Further, officers admitted before the committee poor handing over or lack of it of offices or projects thus handicapping them in guaranteeing service continuation and delivery.

***Recommendation***

*The committee recommends that the County adopts performance management system by implementing performance contracting and staff appraisal.*

**xiv. Late approval of payments and failure to provide for pending bills.**

The committee noted with concern that payment vouchers which are in support of pending bills were approved by the AIE holders towards the last days of the month of June when it is very clear that the government IFMIS will be shut down. It is therefore not surprising that nearly all these pending bills were presented during this period. Secondly, it was noted that Treasury does not provide for pending bills during the initial budget approval neither do the AIE holders prioritize pending bills in the subsequent financial years. The pending bills are therefore left without any allocation to be paid at the discretion of the Accounting Officers.

***Recommendation***

*The committee recommends that departments should schedule project implementation to ensure they are settled in good time within the financial year and avoid last minute rush for payments. Further, there should be a provision for pending bills each financial year to accommodate commitments that have not matured at the financial year, that all projects started in the fourth quarter should be adequately rebudgeted in the subsequent financial year.*

**xv. Weak contractual agreements**

The committee noted that all the contract agreement documents irrespective of the amounts were too simplistic with no clear deliverables to trigger payments or exit clauses that would hold both parties accountable.

***Recommendation***

*The committee recommends that the legal office to be involved in drafting contract agreement documents with suppliers and contractors to ensure that the contract takes interests of both parties and properly safeguarded.*

## **6.0 CHAPTER SIX: CONCLUSION**

The question of pending bills has bedevilled most counties since the inception of devolution and CGTT is no exception. Further, continued non-payments of bills to contractors and suppliers not only dented the image of the County Government but has affected its economy and disrupted its operations. This also exposes the county to the risk of litigation.

The Committee has now concluded the pending bills verification exercise and has recommended the following:

- ❖ An amount of Ksh.21, 552,528 is outrightly payable.
- ❖ An amount of Ksh 271,860,813 is payable subject to meeting the conditions set against each bill.
- ❖ An amount of Ksh. 541,052,588 deemed not payable largely because the requested documents were not available for verification and those the committee fund not payable.

The Pending Bills Committee further has come up with recommendations that will address various weaknesses and inadequacies that were observed in the course of undertaking this exercise which if implemented will go along way in improving service delivery.

The Committee submits this report to H.E the Governor in the hope that it will be of assistance to the County in its continued search for better ways to serve its citizens.