The Taskforce was charged to **EXECUTIVE SUMMARY**

The following Executive summary is a highly summarized report of the Taskforce assignment. It should be read as an abridged version of the main report.

Background

respond to the following Terms of Reference:

1. Review of the existing financial and other internal control systems, processes and procedures of budget management and IFMIS operation;
2. Audit of Own Source Revenue collection and utilisation, integrity and efficiency of the County Government activities and supply chains, imprest account, retention accounts, pending bills, project management committee funds, payroll and staff establishment;
3. Assess and recommend reforms on governance structures and systems for the purposes of enhancement of efficient and accountable service delivery;
4. Advise the county on sector-based growth and development;
5. Advise on automation of county operations and E-governance.

Relevant Constitutional and Regulations underpinning the Report

The provisions of Chapter 12 of the Constitution are given effect by the Public Finance Management Act, 2012, the Public Finance Management Act (Regulations) 2015, the Public Procurement and Asset Disposal Act of 2015 and its regulations, the Controller of Budget Act 2016, and the Commission on Revenue Allocation Act, 2011. The PFMA Act, 2012 provides for the principles of public finance management, establishing systems and structures to ensure openness, accountability, public participation, equitable sharing of revenue and the tax burden, prudent and responsible use of public resources, responsible financial management and clear fiscal reporting.

The review of the financial management systems in Siaya County against the legislative and regulatory provisions revealed system weaknesses, gaps, breaches of controls, lapses and irregularities as outlined below:

Planning and Budgeting

The process of budget making as regulated is largely adhered to by Siaya County. However, challenges occasioned by a poor working relationship between the Executive and the Assembly have sometimes led to the Assembly taking an inordinately long time to pass the budgets. The County has been in breach of deadlines as provided in the regulations and leading to disruption of County operations.

While the principle of budgeting is that the executive prepares and presents its budget proposals to the Assembly, the law allows the Assembly to propose adjustments to the Executive's budget proposals within the 1% limit set in the PMFA Regulations 2015. However, the review revealed a practice in which the Assembly discusses the budget and amends it without reference to the Executive. The Assembly in making the changes to the budget proposals does so in a manner that overhauls it. It appears that the Assembly has usurped the Executive's role in the budget making process. This can be considered as a material breach of the principle of separation of powers and compromises the oversight function of the Assembly.

Section 53(7) of the Public Procurement and Asset Disposal Act (PPADA), 2015 requires that multi-year procurement plans shall be prepared in a format set out in the regulation and shall be consistent with the Medium Term Budget Expenditure Frameworks for project that go beyond one year. The budgeting for multi-year projects by CGS is weak. There is no common understanding and interpretation of what constitutes a multi-year project as provided in the law. Projects that are implementable within a year are caused to stretch over several financial years because of inadequate budget provision within the specific year without provision in outer years to ensure completion. This has increased the number of incomplete and stalled projects and loss of impact for the expenditure made as detailed in Annex1.

Over the last three financial years (FY 2019/20, 2020/21 and 2021/22) CGS operated a financial deficit for the amount of approximately KSh. 1.125 billion for each year respectively. In each subsequent year, the County has attempted to plug the deficit through the reduction or elimination of allocations to some projects or the reduction of allocation for recurrent expenditure in order to balance the budget. However, these reductions inevitably lead to the creation of pending bills and therefore exacerbating the cycle of financial deficit. The existence of a financial deficit, became evident upon the enforcement of payment of pending bills as a first charge by the Controller of Budget. This requirement caused the payment of pending bills outside budget provisions.

The Supply Chain Management Secretariat to support the Director of Supply Chain Management in performing functions of the office has not been established. The responsibility of the director is immense considering the sheer number of projects for which professional opinion is required. An independent professional opinion requires thorough review of tender documents. Currently, the Director depends on trust as the respective departmental procurement offices prepare the opinion for his signature which creates a window for fraud. In addition, the directorate does not have the technical capacity to upload procurement plans into IFMIS due to lack of training. This is done by external technical experts.

IFMIS

Integrated Financial Management Information System (IFMIS) is the government Enterprise Resource Planning (ERP) through which all government financial activity is conducted. In general there are two types of payments done through IFMIS. The first is staff and personnel related payments (imprests, travel allowances, transport reimbursement etc.) and the second is payments to contractors and suppliers. IFMIS is a critical component of financial management and is therefore a high risk area.

The IFMIS system is mapped and authorisation levels are configured within the system to be assigned to officers of appropriate designation. The rights to perform specific roles should be assigned to the correctly designated officers of the county. However, at times in the county, rights are not assigned to the appropriately designated officers. This has the effect of eroding the internal controls and integrity of the system. In addition, the administrative structure of the IFMIS section is weak and lacking the competence to manage such a critical docket. This is evidenced through the weaknesses in the administration of rights to the IFMIS system such as delays in removal of rights to officers that have been re-designated or moved from their areas of responsibility, the failure to regularly change passwords, and the sharing of passwords with unauthorised officers.

The IFMIS process of payment is premised on a first-in-first-out principle. However, this process is often manipulated. To request authorisation for withdrawals from the County Revenue Fund, payments are batched and presented to the Controller of Budget. The approval of these payments by the COB, is sent to the Central Bank which releases the exchequer into either the development or recurrent bank account as appropriate. Ideally these funds should be used to make payments in accordance with the requisition schedule approved by COB. However, there are instances of the swapping of payments for invoices not in that particular batch.

Certain payment vouchers that are processed through the IFMIS are not fully supported with appropriate documents. This implies that the control mechanisms in the payment process prior to entry of the data into IFMIS are at times not fully complied with. In effect weakening the payment system.

Section 152(1) of the PFMA, 2012, gives authority for the accounting officer to extend cash advances to public officers employed in the entity to enable the officers make payments for the entity or in the course of their duties. Further Section 91(1) of the MFMA Regulations (county Governments), 2015 provides for the issue of imprest to officers who in the course of duty may be required to make payment which cannot conveniently be made through the cash office of a government entity or bank. Pursuant to the provisions of section 82(1)(b) of the PFMA Regulations, 2015, County Governments are authorised to open an imprest bank account in a commercial bank for purposes of petty expenses and emergency payments. The regulation requires that the County Treasury will set a limit to the amount of imprest to be held in this bank account in any given month. In the case of Siaya, the County Treasury has not complied with the regulations in setting the limit and restricting payments from this account to petty and emergency payments only.

IMPREST ACCOUNT

The imprest account is used to hold large sums of money which are transferred from the development and recurrent accounts particularly towards the end of the financial year. This is ostensibly to ensure that the County operations continue without disruption during the period of close of the financial year and before the new budget is uploaded into the IFMIS system. In doing so, payments made out of this account are not petty or emergency payments as provided in the law. This is an irregularity as that transfer of funds from the development and recurrent accounts is done to avoid the legal requirement to re-appropriate funds carried forward from the previous financial year; allows for payments without scrutiny of the COB and creates a window for misappropriation and embezzlement of funds. The internal audit report of August 2021, indicates that transactions amounting to a total of KSh. 332,842,954.50 made from the imprest bank account did not qualify as petty cash due to their magnitude and nature.

There is rampant abuse of the imprest system. There is lack of standardisation of the standing imprest for office operations and prevalent instances of issue of imprest to officers where the application and use of said imprests could not be determined. The internal audit report of August 2021 indicates that KSh. 296,021,578.75 was paid as “other staff claims/allowances" implying that payments that ought to have been processed through the IFMIS system were made through the imprest account, an example of the abuse of the imprest system.

PENDING BILLS

The Taskforce noted that the Governor had set up a sub-committee of the County Executive Committee to review the pending bills. The CEC subcommittee prepared a report indicating that the pending bills stand at KSh. Ksh. 1,036,248,598.36 as at 8th December 2022 comprising KSh. 463,161,010.13 relating to development expenditure while the Ksh. 573,445,588.23 relating to recurrent expenditure.

An analysis of the data contained in the report indicates the following:

a. For a large number of the projects, the contract sum at the time of award exceeded the budget available which indicates overcommitment in the budget for the FY 2021/22 and which is irregular.

b. Analysis of the data indicates that there are multiple issues of multiple Local Purchase/Service Orders in initiating payments for single projects. There is the risk that Local Service Orders issued in this manner may be used to override existing contract terms and create a window for overpayment. This risk is exacerbated by the fact that CGS does not maintain a live and consolidated file for the projects' implementation period. Therefore each invoice is processed as a new file without reference to the payment history of the project.

c. With respect to procurement for infrastructure works, CGS seems to have a set of preferred contractors that account for approximately 70% of the total amount for pending bills. The data obtained from the pending bills report shows that projects are clustered and advertised as a single project to compromise competition and limit access to a few preferred contractors.

It is important to note that the pending bill is approximately equal to the financial deficit of approximately Ksh 1.12 billion. which reflects the carrying forward of projects that are not supported by funds.

FINANCIAL MISMANAGEMENT

Alleged embezzlement of Ksh. 600 million

The Taskforce reviewed, interrogated and concurred with the internal audit report for the FY 2020/2021 dated 29th August 2021 which indicates doubtful payment of claims to individual staff. The Taskforce confirmed that during the financial year 2020/2021- Ksh. 780,697.079.35 was paid to various individual staff from the recurrent account. Further analysis however indicates that an additional KSh. 296,021,528.75 was paid to individuals through the imprest account. In total therefore the amount paid to individuals in FY 2020/21 amounted to KSh. 1,076,718,608. It is doubtful that these payments contributed or related to development. Furthermore, we noted that the payments were material, repetitive and being paid on account of imprest to individuals in breach of the provisions of PFM which provides that imprest are for petty and emergency expenses.

Alleged embezzlement of Ksh. 400 million

The Taskforce also noted an amount Ksh. 400 million was alleged to have been embezzled shortly before the assumption of the office by the current Governor on 25th August, 2022. The Taskforce reviewed IFMIS payment details between 1st July and13th July, 2022, which was presented to it by internal audit. The Taskforce established that payment vouchers totalling to Ksh. 406,072,526.15 were processed in IFMIS between 1st July 2022 and 13th July 2022 for payment of various expenditures as summarised below:

Table 4: Payment Voucher details between 1st July 2022 and 13th July 2022

S/No.	Payment Description	Amount (Ksh)
1	Payment made to Assembly staff	9,236,000.00
2	Imprest payments made to individuals for training	33,286,183.75
3	Payment made to creditors(suppliers/contractors).	68,182,854.40
4	Allowances to Staff	2,783,000.00
5	Transfers to the County imprest bank account	285,000,000.00
6	Staff Imprest	285,900.00
7	Other payments	7,298,588.00
	Total	**406,072,526.15**

Out of the aforesaid vouchers of amount totaling Ksh. 406,072,526.15, only vouchers totalling to Ksh.252,858,206.55 had been paid as at 17th January 2023. The allegation that an amount totalling Ksh. 406,072,526.15 was embezzled is therefore incorrect. The correct amount is Ksh.252,858,206.55 which was paid as summarised below.

Table 5: Analysis of the payment from the recurrent account between 1st July 2022 and 29th September 2022

No.	Details	Amount
1.	Assembly Staff	9,236,000
2.	Payment made to Creditors(suppliers/contractors)	52,947,683.40
3.	Payment made to individuals for Government operation (Above 150,000)	25,167,233.75
4.	Payment made to individuals for Government operation (Below 150,000)	2,085,000.00
5.	Transfers to Imprest Bank Account	159,200,000.00
6.	Staff Imprest	81,000.00
7.	Commissioner of VAT	42,701.40
8.	Development	4,098,588.00
	Total	**252,858,206.55**

However, it is important to note that as of 29th September 2022 the balance of Ksh. 153,214,319.60 remained within the IFMIS system. Consequently, another audit will be necessary to ascertain whether the foregoing balance was eventually paid.

Arising from the foregoing analysis as presented in table 5 above, three streams of payment are questionable.

i. During the period,1st July 2022 and 29th September 2022, Ksh. 25,167,233.75 was paid to individual staff from the recurrent account. The payments involved significant amounts paid to individuals purportedly for training activities that are yet to be verified by the internal audit and are under investigation by DCI and EACC.

ii. There were other payments made to individual staff of a similar nature totaling to Ksh. 159,200,000.00 which were paid from the imprest account.

iii. An amount of Ksh.9,236,000 was paid to assembly staff. It is not clear what this money was paid for as it was not budgeted for. The said payments are under investigation by the DCI and EACC.

In conclusion, the two alleged incidents of the cash embezzlement are under investigation by national investigation agencies. It is the said investigations that will establish whether there were actual cash embezzlement and if so apportion culpabilities accordingly.

Irregular transfer of funds

There were irregular transfers/payments from various county bank accounts as summarised below. The transactions 1, 2, 3 in the table below were carried out in total breach of the provisions of the PFMA, 2012.

S/N	FROM BANK ACCOUNT NO.	TO BANK ACCOUNT NO./PAYMENTS	AMOUNT KSH.	CRITERIA
1	Development bank account	Other bank account	496,847,894.00	Contrary to section 154(1)(b) PMF act 2012
2	Siaya Main Salary account in Equity bank	Non-salary payments	53,219,802.80	Contrary to section 154(C) and 53(1)(2) PMF act 2012
3	Retention account	Development account	10,200,000	Contrary to section 53(1)(2) PMF act 2012
4	PMC Account	Imprest account	77,800,000	PMC is a special purpose Account

HUMAN RESOURCE MANAGEMENT

While CPSB ought to have functional and operational autonomy as stipulated in the County Government amendment Act 2020, many county governments place them under the County Department responsible for Public Service and Siaya is no exception. The Siaya CPSB operates under the County Department of Governance and Administration and therefore reports to the Chief Officer Governance for its operations.

The HR department of the County is a delegated function administered through institutional arrangements including, the County Human Resource Management Advisory Committee (CHRMAC), Authorised Officers, Directorate of Human Resource Management, and Payroll Management.

From the analysis of documents presented and interviews conducted, it emerges that there are key challenges with respect to human resource management which are linked to (i) the Authority and autonomy of the CPSB, (ii) effective delegation of its powers and functions and (iii) control of the HR function i.e establishment, recruitment, career progression, remuneration, and performance management.

Authority and Autonomy of the CPSB

With respect to the authority of the CPSB, there are instances of overlaps in the exercise of functions and powers of the Board through decisions at executive level which ought to be taken by the Board. For instance, regulations require that transfers of senior level officers between departments leading to a re-designation can only be done by the Board. However, the Taskforce received numerous reports and evidence of transfers and re-designation of officers at director level contrary to the provision of the Norms and Standards for the Management of Human Resources in the Public Service and attendant regulations.

With respect to delegation of powers and functions, the CPSB asserts that as things currently stand, it has not delegated any of its powers to county executive as required by law through the issue of instruments of delegation. In effect, it is the position of the CPSB that until that is done, then the County Executive has no basis to carry out any human resource management activities on behalf of the Board.

In delegating some of its functions through the instrument of delegation, the Board does not relinquish its responsibility as the employer and manager of the county public service. In this respect, the CPSB needs to maintain oversight of the management of human resources with respect to entries into the IPPD, monthly reports on numbers and payroll costs. There is at present no mechanism to obtain reports or information to enable the Board to play this oversight role.

Exercise of delegated of powers and functions by the Executive

However, most of the officers at director level are in acting capacity having been re-deployed to dockets and functions other than those for which they were recruited. It was noted that the re-deployments were often done without consultation with the CPSB. In some functions such as health the professional cadre positions below the level of director have in post officers. In others such as water and environment, these positions remain vacant.

There remains a serious shortage of professional level staff in some critical functions such as Agriculture, Health, Trade (revenue), Urban Development, Physical Planning, Water, Environment and Natural Resources, and Human Resource. Available information and evidence indicates that in some critical departments in which the professional cadres below the director level have not been recruited leading to reliance on clerical and short term (temporary/casual) staff to support the work in those departments.

The relationship between the CPSB and the Executive is one of principal-agent and should be characterised by close collaboration and open communication. The friction between the two entities indicates an overreach by either party and a lack of mechanisms for the resolution of contentious issues.

County Payroll

The County payroll is run on two separate platforms. There are staff who have personal numbers and are paid through the Integrated Personnel and Payroll Database (IPPD) as required by regulation, while a number ranging between 4000 and 5000 others who have not received personal numbers as well as casual staff being paid through what is commonly referred to as the manual payroll. It was noted that the CPSB has no line of sight or role in the management of the payroll and the management of data into the IPPD.

The manual payroll, which is a list of persons to be paid submitted by respective departments, is prone to manipulation.

Neither the County Public Service Board nor the Director of Human Resource was able to give clarity on the number of staff on manual/casual payroll. It is to be noted that average monthly manual payroll incurs the County an average of KShs 53 million. The County Public Service Board denied the existence of a manual payroll, whereas the Human Resource gave conflicting information on the number of personnel on casual employment terms that are paid. This is an area of concern, because it indicates lack of internal control and creates opportunity for abuse and possible introduction of ghost workers.

GOVERNANCE

Chapter 11, 12, and the First and Fourth Schedules of the Constitution provide a framework for the organisation and operation of the devolved system for government. Pursuant to article 176 of Constitution, the governance structure of the County Government consists of:

The Taskforce examined the governance structure and operations of the County and identified the following challenges that require to be addressed.

Annual Development Plans and Budget

Further, the budget making role is shared between the Executive and the Assembly, the latter having the responsibility of approving the budget proposals and exercising oversight to ensure resources are utilised as approved. However, all indications are that either the Executive ceded control, or the Assembly usurped its role in the budgeting process. This results from the Assembly members' desire and push for direct control of decision on the type, location and cost of all projects to be implemented in respective wards. In effect the budget has become a means by which the assembly overreaches into the role of the Executive.

Structures of Coordination

Government operations require as a standard form of operation, the creation of multi-agency teams or committees for the delivery of programs. This is because the program approach to delivery of a development output often requires the involvement of several other sectors including the one in which the program is anchored. The structure for coordination involves the setting up of steering committees at the policy level, technical committees at the accounting officer level and working committees and secretariats. This will entail the setting up of sub committees of CECM; a committee and sub committees of chief officers; and technical working teams of the technical heads of directorates under which will be the secretariats to undertake the day to day operation.

From the interviews with the leadership of all the Departments, it is apparent that such structures for coordination do not exist in the County. It may be a consequence of the lack of a policy and programme approach to the county operations. Hence, there is no impactful intervention in any sector.

County Performance Management and Service Delivery

Section 47 of the CGA, 2012 obligates the County Executive Committee to design a performance management plan to evaluate performance of the county public service and the implementation of county policies. The plan should provide for among other things the objective, measurable and time bound performance indicators. Despite this legal requirement, the County has not developed, documented and implemented a performance management plan and system.

The Governor's Delivery unit is an important performance management mechanism as it allows real time monitoring of progress on key programmes and projects and timely intervention where necessary. The Taskforce proposes establishment of the Governor's Delivery Unit headed by a director and reporting directly to the governor. The proposed organisation structure is contained in the recommendations section.

Agriculture Sector

The *Nyalore* Manifesto prioritises increased investment for the subsidy program to spur mechanisation, fertiliser and improved seed application. To this end, the County has drafted the Input and Subsidy Bill which covers all areas of input and support to the farmers on all aspects of agriculture. In addition, the county bought 22 tractors and employed plant operators to support the mechanisation drive. However, the program needs to be structured well to provide an institutional and development mechanism to ensure efficient and effective management, operation and maintenance of the utilities and operators.

The key challenges to the development of Agriculture in Siaya may be summarised as follows:

a) Food and nutrition insecurity accentuated by low agricultural total factor productivity and insufficient outputs.
b) The county government through its fiscal strategy paper intended to invest in agriculture, livestock and fisheries development to ensure food self-sufficiency and security through enhanced extension services, mechanisation and provision of improved farm inputs.
c) Siaya County registers very low agricultural productivity due to low total performance across all factors of production i.e. labour, capital, land and entrepreneurship. The county needs to address food and nutrition insecurity, low household incomes and high unemployment by re-imagining, restructuring and revamping agriculture into a vibrant industry.

Health Sector

Analysis of the health sector using the right to health framework reveals that Accessibility, Availability, Acceptability and Quality of health services(AAAQ) still remain unacceptable.

The Governor in his manifesto (2022) prioritised the use of the right based approach to service delivery for the people of Siaya. A right based approach provides a sustainable path to the realisation of Universal Health Coverage (UHC).

Challenges in the Health Sector

Generally, County governments should adopt a structure similar to that given in the national policy and where differences are necessary, the resulting structure should not negate the principle of the policy. The Siaya County Health Services Act, 2019 prescribes a structure with two directorates: - the Directorate of Public Health and Sanitation, and the Directorate of Medical Services. Having two directorates that report independently to the Chief Officer of Health and which places administrative services under one of the two directorates is known to generate tension, undermine synergy and create operational dysfunction.

Health Service Organisation

In line with the national policy on the organisation of health services, CGS has structured its service delivery into four levels. Level 1 serves approximately 240,000 households receiving community health services through community health units. Levels 2 and 3 comprise 163 primary health facilities made up of 36 health centres and 127 dispensaries respectively. There are ten (10) level 4 facilities out of which, only Siaya, Bondo and Yala meet the minimum requirements for that level.

There is no documented growth path for all the level 4 hospitals and none has a Hospital Management Committee for oversight. There is no structure and systems for clinical accountability and observance of right to health although the three hospitals of Siaya, Bondo and Yala are noted to have generally made some significant improvements compared to past years .

The taskforce proposes a multi-facility hospital management Committee be set up to oversee all the level 4 services and provide a long term comprehensive development masterplan.

Leadership and Governance

The leadership and governance of the Department of Health and Sanitation in CGS is weak as a result of several factors. The primary contributing factor is a faulty organisation structure that institutionalised dysfunction.

The previous two CIDPs appear to be lists of projects mainly, for construction of primary health facilities rather than targeted strategic solutions to the health issues of the County. The review also noted the absence of a multi-agency/ multi-sector approach to planning for health. There is a need to strengthen the planning department.

Health Financing

The Taskforce noted that the health insurance coverage in Siaya is low (< 16%) and therefore there is need to improve on this through collaboration with NHIF and private actors. To quickly improve OSR, special attention should be put on Linda Mama that is barely claimed by primary health facilities. Linda Mama refunds can potentially raise over KES 130 million to the department and increase total OSR to KES 500 million at current level of service delivery and method of collections.

Commodities and Technologies

The following key issues were identified with respect to the management of commodities and technologies:

ii. There is no minimum essential list of medicine to support the minimum essential services as per the right to health requirement. Without this basic strategic guide in purchasing medicine, random purchase leads to perpetual wastes and frequent stock-outs.

iii. Leakages resulting from theft by health workers is generally perceived as a major source of commodity shortage.

v. There is a lack of a suitable health information system to collect, store, manage and transmit a patient's electronic medical record as per policy requirement. A good healthcare information system can be used for disease surveillance, prevent moral hazard, limit provider discretion and generally improve clinical accountability.

Human Resource for Health

The issues raised in the section on human resource affect the department of health as well. There is a severe shortage of specialists at the doctor and nursing level, this shortage is worsened by attrition without replacement.

Emergency Services

A large percentage of the mortality in Siaya is a consequence of a lack of emergency evacuation and paramedical services in the front line teams. There exists an ambulance service, a fire fighting service and a disaster management unit. However, there is no Emergency Operation Centre (EOC) to coordinate these emergency services.

RECOMMENDATIONS & CONCLUSIONS

1. STRATEGIC ANCHORING OF THE 'NYALORE' MANIFESTO

The vision of the Nyalore Manifesto is shared economic prosperity. While the high level outcome of the agri-based approach will lead to healthy, wealthy and food secure households. The delivery of these outcomes is through the design of a five-prong programme approach entailing: a) Social Enterprise Program; b) Commercial Systems Program;c) Industrial Systems Program; c) Market Systems Program; and c)Business Development and Health Services.

To deliver the Manifesto, it is anticipated that the sectors and systems of the County will be aligned to enable and support the implementation of these five programs. We have mapped out the five programmes, ato identify the driving and enabling sectors and the corresponding Manifesto promises that they address as outlined in table 7 below.

PUBLIC FINANCE SYSTEM

The recommendations with respect to strengthening the financial systems for the county as outlined below:

Streamline Annual Plans and Budgets

For the County to adopt a program-based approach as outlined in 4.1 above, it requires the incorporation of these programmes in the CIDP and subsequent translation into annual plans and budgets. The annual plans and budget will be presented to the County Assembly in the County Fiscal Strategy Paper for approval. Once approved, the strategy paper becomes the basis for budget estimates prepared by the Executive for consideration and approval by the Assembly in accordance with the provision of section 131(3) of the PFMA, 2012 and Regulation.

To strengthen budget implementation:

a. The Chief Officer Finance to discontinue the practice of managing the budgets of other departments. Each Chief officer should have authority over the implementation of their individual budgets.
b. The County Treasury should establish a budget implementation committee comprising the Chief Officers of all Departments to collectively deal with budget implementation matters.

2. Revision of the Budget Format

There is a need to structure the budget in line with delivery aspirations of the County. It is imperative to correct the current interpretation that all personnel costs are recurrent expenditure, whereas a material expenditure on personnel is directly related to the delivery of development programs and should be treated as part of development investment and recognised under development budget. Consequently, the Task Force recommends categorising direct delivery costs which would be in line with international costing standards. Further, the Taskforce recommends that the Executive engage a consultant to conduct a study to review all personnel costs and to identify and categorise personnel costs that are core to the delivery of programs and mechanisms of integration into the development budget.

a. Recurrent i.e those that are directly linked to administrative and support services (non-core) activities, that only encompasses salaries of staff in these support services departments.
b. Operational costs which are directly linked to delivery of programmes and activities by the Departments (core) and should be captured under the development budget, notably staffing, logistics, works and equipment required to the delivery programs and activities.
c. Other long term capital investments in works and infrastructure required by the various units.

3. Overhaul of the Finance Department

Prior to the eventual overhaul of the Finance Department, as an interim stop-gap measure, the task force recommends to the Governor to institute within his office a prepayment internal control check independent of the finance function. The objective of this intervention will be firstly to approve the budget requisition to the COB; and secondly to oversee the payments once the exchequer is released by ensuring only payments listed in the requisition are made. At each instance, the prepayment control will ensure that the departmental requisitions are properly supported by adequate documentation *inter alia* request for quotations/proposals, tender awards, contracts, delivery and completion reports before releasing to the finance department.

Having taken note of the financial mismanagement, the Taskforce has reviewed the levels of financial mismanagement and notes that this mismanagement has been institutionalised. This institutionalisation of financial mismanagement can only be cured through an overhaul of the Finance Department.

Settlement of Pending Bills

The Taskforce received the report on pending bills amounting to a total of KSh. 1,036,606,598.36 of which Ksh. 463,161,010.13 related to development expenditure while the

Ksh. 573,445,588.23 relating to recurrent expenditure. The Taskforce reviewed each of the outstanding bills individually and examined them against the following criteria:

- whether there was a budget at the time of the procurement
- Whether the procurement process was followed and proper contract document issued
- The type, value and date of issue of contract document (Contracts, LSO, LPO)
- The type of service, goods, works being procured
- whether it was invoiced and appropriately supported with acceptance of goods/services delivered or certificates for work done

Consequently, the Taskforce established the following:

i. There are bills which are eligible and ought to have been paid;
ii. There are bills which ought not to be paid and therefore ineligible;
iii. There are bills which appeared in the listing for which there were no files;
iv. There are bills which were presented with multiple invoices which ought to be reconciled;
v. There were bills which have inadequate supporting documentation;
vi. Statutory commitments which ought to have been paid.

The table below provides the monetary amounts relating to the categorisation above.

Category of Pending Bills	Development	Recurrent
(i) Eligible and ought to have been paid	277,093,861.27	115,362,330.77
(ii) Ineligible and ought not to be paid	10,522,512.26	10,318,525.85
(iii) Ineligible as there were no files	866,556.88	117,847,813.96
(iv) Payable subject to reconciliation	136,812,914.40	19,331,117.00
(v) Payable upon provision of missing documents	37,865,165.32	117,432,966.48
(vi) Unpaid salary by-products (statutory payment)	0	193,152,834.17
TOTALS	463,161,010.1	573,445,588.2

With respect to the bills in (iii), (iv) and (v) above, the Taskforce recommends the establishment of an independent special committee to review and determine those which would meet eligibility criteria.

5. Supply Chain Management

The principal issue identified on review of the supply chain system is the lack of adherence to the end-to-end contract management procedures. The Executive should enforce compliance of the procurement process with the requirements of Section 152 of the PPADA, 2016. This ensures that the Supply Chain Department is involved starting from the development of the procurement plans to the closure of all contracts and release of retention money. The Supply Chain Department shall in this process maintain a single file for the management of each contract from requisition to closure of the contract. This file should be the basis for the preparation and submission of monthly progress reports of all contracts to respective Accounting Officers by the procurement department. This recommendation does not in any way absolve the procuring entity from the responsibility of maintaining proper record of project execution/implementation.

Own Source Revenue

To ensure that the county attains it potential in owns source revenue, the Task Force recommends as follows:

i. Urgently develop a revenue policy anchored on the 'Nyalore' Manifesto to enhance efficient, service-driven collection and administration of County Government Own Source Revenue that provides justification and criteria for determining user charges, tariff pricing, subsidies and waivers.
ii. Prioritise the enactment of principle legislation for the fees and levies that are at the moment not supported by county legislation and fast track the approval of the County Spatial Plan and valuation roll.
iii. Design a revenue collection strategy which will be anchored on an integrated digital revenue platform that will enable ease of collection, recording, reporting and integrity of revenue function. The Taskforce highly recommends that the County considers outsourcing such a platform.
iv. Following the development of the policy, the Taskforce recommends the restructuring of the revenue function in line with the recommendations of the policy developed in (i) above.

HUMAN RESOURCE MANAGEMENT

Authority and Autonomy of the CPSB

The Taskforce makes the following recommendations with respect to the authority and autonomy of the CPSB:

a. The CPSB granted autonomy of its operations by making it a cost centre with its budget.
b. Strengthening of the CPSB secretariat through the recruitment of staff .
c. The CPSB should fast track the issue of the instrument of delegation of functions.

Exercise of delegated powers and functions by the Executive

The Taskforce recommends a capacity assessment and staff rationalisation exercise which will include forensic audit of the current staff establishment, review of the current public service organisation in each department, creation and abolishment of offices.

a. Reconsider the ongoing recruitment in line with our recommendation relating to staff rationalisation.

b. The exercise of the delegated powers in (i) above would require leadership and technical skills that are currently not available in the Human Resource Department.

c. Reconstitute the CHRMAC as required by law.

d. Discontinue the direct recruitment of temporary staff (casual) by departments and establish a system for all such recruitment to be carried out by the CPSB.

Payroll Management

a. Conduct a headcount and audit of both the IPPD and Manual payroll.

b. The county should ensure that the names that appeared in the 111 cheques sent to the DCI should not appear in either of the payrolls.

c. Provide all staff with a personal number and include them in the IPPD system.

d. Terminate the use of the manual payroll as a matter of priority.

GOVERNANCE

a. The delivery of the *Nyalore* Manifesto requires a fit for purpose governance structure. The Taskforce reviewed the governance structure and recommends the the following changes to the organisation of government:

i. Separation of the Department of Governance and Administration from the Office of the Governor

ii. Strengthening of the Office of the County Secretary with three directorates namely, the Executive Committee Affairs, Public Service and ICT, Chief Operations Office and the County Attorney.

iii. Establishment of the Governor's Delivery Unit as a directorate reporting directly to the Governor.

The resulting organisation structure is as illustrated below:

Further to this recommendation, the Taskforce also noted that the indents provided in the recent advertisement for the vacant position of Director of Governor's Delivery Unit is inadequate not only for the strategic county orientation and therefore does not also respond well to suitability of potential candidates.

b. To ensure that the public service has the capacity to support the implementation of the program as outlined in 4.1, the County should review the interpretation of functions in sufficient detail to develop robust establishment for the county public service which defines the qualifications, skill sets and competencies required in all technical departments.

AGRICULTURE

The *Nyalore* Manifesto is anchored on Agriculture aimed at realising empowered households that are food and nutrition secure. Increasing agricultural productivity and improving market access can stimulate more rural poor households to grow enough food, part of which can be sold to increase household incomes and spur their well-being and wealth creation. Improving agricultural productivity also allows more jobs to become available along the agricultural value chain nodes, and this leads to a rise in the supply of food, therefore, reducing food prices making it affordable. This will increase access to nutritious food thereby addressing the endemic food and nutrition insecurity.

The Taskforce recommends a paradigm shift on how Siaya develops its agricultural sector by changing the focus from simple increase of output and productivity to improvement of the productivity frontier. Such a shift would require reprogramming of the agricultural sector from subsistence and traditional based systems with low labour, land and capital productivity into a knowledge and technology driven sector as outlined in the conceptual framework in the figure below.

a. The Social Enterprise Program

This will involve a majority of producers and will target providing basic subsidy support to secure household food security and basic income generation. The extension model of outreach will be the core support service given by the county government. This program shall drive the production of staples such as maize, beans, cowpeas, cassava, millet, sorghum etc. that support food and nutrition security at household levels. The social enterprise shall be supported through extension services, subsidy and input, mechanisation by the County Government.

Commercial Enterprise Program

The commercial segment will hinge on identification of an anchor value chain with potential to spur growth of other supportive value chains and to drive the engagement and growth of SMEs. The program shall be organised around the key protein value chains of aquaculture, poultry, shoats and milk which have a corresponding need for crop value chains (maize, sorghum, cassava, sweet potatoes; soy beans, biofortified beans, cow peas, sunflower, cotton) as feed inputs. The same set of crops are also required in the food basket.

Industrial Systems Program

The industrial segment will centre its efforts on working with high potential anchor firms to engage input suppliers, farmers, exporters, and retailers in order to foster a stronger, more efficient and pro-poor value chain. This segment will be market-demand-driven grounded on a process that will be designed to ensure the appropriate selection of strategic anchor firms**Market Systems Program**

The market system program will involve collaboratively developing and creating a market system using the roads - urban centres - Eco-city - value chain firms - hub model, to be organised and developed around town centres. Bondo town to be developed for aquaculture, Yala for dairy and milk processing, and Ugunja for avocado fruit and apiculture industry.

e. Business Development and Health Systems Program

The business development and health systems program will be developed to respond to public-private partnerships support systems through establishment of incubation hubs, agri based urbanisation such as the establishment of the Eco-City and securing market for products identified in collaboration with off-takers in order to place agriculture front and centre as a major economic driver.The strategy should be to invite Siaya diaspora and others to invest as aggregators, off-takers, investment in the cold chain can run into billions, which in turn will provide local employment while building capacities and reducing the learning curve timeframe. This will create a huge nucleus and industrial development zones which are needed in areas like Yala swamp.

HEALTH

In light of the people based focus of the 'Nyalore' manifesto, health is seen by the taskforce as one of the critical sectors in the achievement of the vision of healthy and wealthy households. The recommendations below are geared towards the achievement of the above objective.

Universal access to quality and affordable healthcare is the first of the priorities in the Nine Point Agenda contained in the Nyalore Manifesto. To achieve this goal of universal healthcare we are proposing the restructuring of the health function and development of a program approach to its implementation.

The recommended approach to health is through three program areas:

1. Community Health Program: Community Health Services is a high impact area in which Siaya has done well.
2. A **digital health management system** that is accessible to all and updated at each interaction between an individual and a health service providers.

3. **Health Financing**: The taskforce explored a number of options to finance health in a sustainable manner recognising that county resources are limited. It explored the possibility of leveraging health financing on social insurance systems which can be tailored around agri-based social enterprise.

The Taskforce therefore recommends the establishment of a Technical Working Team to think through and design the Universal Healthcare Program based on the approach described above.

Further, the Taskforce has identified a number of immediate interventions in the health function which require to be addressed by the County Executive Committee Member for Health and Sanitation.

LAKE KANYABOLI ECO-CITY

The Nyalore manifesto under priority number five seeks to drive Siaya's growth to an urban enclave through construction of modern physical infrastructure and improvement of the roads network. The taskforce proposes that Yala Swamp be considered for a Lake Kanyaboli Eco-City whose development will be driven by agri-industrial development and agri-business in satellite hubs of Bondo, Yala, and Ugunja. Lake Kanyaboli Eco-city is envisage as a climate smart city with a land use plan and zoning that encompasses: i) environmentally friendly industrial developments; ii)Wildlife conservation; iii) Cultural, sporting and artistic hub; iv) Tourist destination; v)Water and waste management systems; vi) tourism

The Lake Kanyaboli is a flagship project that should be accorded priority in the spatial plans and integrated into the CIDP of the County. To realise this city, the County should establish a technical team to embark on its realisation under the guidance of a county Lake Kanyaboli Eco-City development institution.

LAND

The Taskforce noted that the County has been acquiring land through purchase for various uses despite the lack of a policy document such as an approved spatial plan. In view of future environmental concerns such as waste management, we recommend that land purchases be put on hold until policy documents including the spatial plan, waste management master plan, and the anticipated Eco-City are developed and approved.

The Taskforce further notes that there are policies, draft bill and reports notably, the Siaya County Spatial Plan; Siaya County Valuation and Rating Bill, 2021; and the report delineating boundaries for Ugunja and Bondo as municipalities; and Ukwala, Yala, Usenge, and Sega as towns that were submitted to the County Assembly. The spatial plan and the County Valuation and Rating Bill may have lapsed and require resubmission.

EDUCATION

Siaya needs to prioritise education particularly at the ECDE and the VCT level. Under the *Nyalore* Manifesto Education will be a critical function as a baseline of enhancing the human development index. To deliver Education effectively, the Taskforce recommends the following:

a. Develop the requisite infrastructure to support learning at this level.

b. Recruiting more ECD teachers and caregivers to strengthen existing capacity. This should not be considered under the wage bill but as a direct development cost to Education

c. Development of an ECDE policy to guide management, supervision and resourcing for this sub-sector.

d. The VTCs are a critical component to the delivery of the Nyalore Manifesto and the future Eco-City.

The county should prioritise and revitalise the school feeding program.