REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR–GENERAL

ON THE

FINANCIAL OPERATIONS

OF

THE COUNTY GOVERNMENT OF GARISSA AND ITS DEFUNCT LOCAL AUTHORITIES

FOR THE PERIOD I JANUARY TO 30 JUNE 2013

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SPECIAL AUDIT REPORT ON THE OPERATIONS OF GARISSA COUNTY GOVERNMENT AND ITS DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013

EXECUTIVE SUMMARY

1.0 Introduction

1.1 The Auditor-General has the mandate under Article 229 of the Constitution to audit and report on the accounts of the National and County Governments. Further, the County Government Act, 2012 Section 134 (1) repealed the Local Government Act, Cap 265, and thus effectively dissolving all the 175 Local Authorities and creating 47 County Governments.

1.2 According to Transition to Devolved Governments Act, 2012, after the general election on 4 March 2013, the functions, assets, liabilities and staff of the former Local Authorities were to be taken over by the County Governments. The objective of the special audit exercise was to ensure existence of a seamless transition process and proper systems for accountability of public resources before, during and after transition to County Governments.

2.0 Audit Objectives and Scope

The audit covered operations of Garissa County Executive and County Assembly, the former Municipal Council of Garissa, County Council of Garissa and County Council of Ijara, for the period 1 January to 30 June, 2013 and took into account transactions before, during and after the transition period. The terms of reference set for the audit included verifications and confirmation of transactions in respect to but not limited to the following areas:-

- ✓ Taking- over operations of the former Local Authorities
- ✓ Cash and bank balances
- ✓ Current debtors and creditors balances
- ✓ Motor vehicles and office equipment
- ✓ IPPD Payroll and staff establishment
- ✓ Recurrent and development expenditure items
- ✓ Procurement and procurement procedures
- ✓ ICT and G-Pay System

2.1 The audit team faced several constraints during the audit, including delay in getting various documents and non-availability of key staff of the former Local Authorities. These constraints resulted in delay in concluding the audit within the planned timelines.

3.0 Key Audit Findings

Garissa County Executive

3.1 Failure to Take over the Defunct Local Authorities

The County Government of Garissa had not officially taken over the assets and liabilities of the former Local Authorities in the County as at the time of audit conclusion in September 2013, contrary to instructions issued by the Ministry of Local Government vide Circular No. MLG/1333/TY/52 of 18 February, 2013. Arrangements should be made by Transition Authority to have assets and liabilities of the former Councils handed over to the County Government of Garissa. This will enable the County Government have a basis for determining opening balances to be reflected in its books of account.

3.2 Current Assets and Liabilities

(i) Cash and Bank Balances

The bank accounts formerly operated by the three defunct local authorities were not closed and the sub counties continued collecting and banking revenue in those accounts in total disregard of the requirements of the County Governments Public Finance Management Transition Act, 2013. As at 28 February 2013, the accounts had a balance of Kshs.12,701,248. All the bank accounts should be closed and balances confirmed transferred to County Revenue account.

ii) Debtors /Receivables

Debtors taken over from the three defunct local authorities under the Garissa County totalled Kshs.173,191,936 as at 28 February, 2013. The County Government of Garissa did not validate its debtors to ascertain authenticity and also no debtors' ledger was maintained to ensure accuracy of receivable records. Verification and validation of debtor's records should be done to ensure accuracy of the balances and recoverability of the receivables taken over by the County Government.

iii) Creditors

According to the statement of assets and liabilities as at 28 February 2013, the defunct local authorities had creditors totalling Kshs.172,038,294. The figure included Kshs.49,293,903 statutory deductions (Provident Fund) and Kshs.30,000,000 bank loan under the defunct Municipal Council of Garissa. However, the County Government did not validate the creditors taken over from the defunct local authorities and no appropriate records were maintained relating to creditors. The County Government should verify and validate creditors taken over from the defunct Councils.

3.3 Fixed Assets

Motor Vehicles and Office Furniture and Equipment

All motor vehicles, office furniture and equipment of the three defunct local authorities had not been taken over by the County Government as at the time of the audit in September, 2013. According to the statement of assets and liabilities as at 28 February 2013, the defunct local authorities had motor vehicles and office furniture and equipment totalling Kshs.4,632,431. The value of assets including five vehicles listed under the defunct Municipal Council were not indicated. The County Government should ensure that all vehicles are valued and computers and accessories/furniture and equipment are labelled. An inventory record should be maintained and the same updated from time to time. Log books of the motor vehicles should be obtained from the Kenya Revenue Authority (KRA) immediately.

3.4 IFMIS and G-Pay

(i) Implementation Status of Integrated Financial Management Information System (IFMIS) at Garissa County Treasury

As at the time of the audit in September, 2013 IFMIS was not operational at the County. Although the National Treasury had provided necessary machines for full implementation of the system, there was no connectivity to the Internet. An interview with the Chief Finance Officer and Head of County Treasury revealed that, staff at the Treasury had received the necessary training but could not use the system due to lack of internet connectivity.

The National Treasury should expeditiously explore ways to overcome internet connectivity challenge which has hindered the use of IFMIS installed at the County.

(ii) G-Pay

The County Government of Garissa received one computer from the National Treasury which is dedicated for G-Pay. However, payments continued being made manually by use of cheques due to connectivity challenges.

(ii) Local Authority Integrated Financial Operations Management System (LAIFOMS)

LAIFOMS had been installed in one of the sub-counties, former Garissa Municipal Council offices. A review of revenue collection and banking data extracted from the system revealed an under-banking of Kshs.427,602 which had not been explained.

(iv) Integrated Payroll and Personnel Database (IPPD)

The County Government had fully installed the IPPD system and which was used to process payroll for the month of July 2013.

(v) IT Control Environment and ICT Governance

The County's ICT section has two staff members with no defined roles and responsibilities to enable them effectively oversee the ICT operations. The County also lacked key ICT Governance documents that would help provide guidance on effective management of the County's ICT resources. It is therefore recommended that ICT section be properly staffed and equipped for effective management of ICT operations and resources.

3.5 Procurement of Goods, Works and Services

3.5.1 Irregular Procurement of Motor Vehicles

i) Examination of payment vouchers and their supporting documents revealed that an amount of Kshs.66,536,753 was spent on procurement of motor vehicles for the county government of Garissa in the months of May and June, 2013. However, the following unsatisfactory matters were noted:

ii) Payments were made before the delivery of the vehicles. This was evidenced by lack of invoices and delivery notes from the dealers since only four delivery notes were attached to the payment vouchers.

iii) A payment of Kshs.33,038,753 made vide payment voucher no. 58 to a motor dealer was supported by proforma invoices amounting to Kshs.33,038,753 while the related Local Purchase Orders (L.P.O.'s) totaled Kshs.28,071,753. The difference of Kshs.4,967,000 was not supported by an L.P.O and it was therefore not clear how the vehicle was procured.

iv) There were no tender committee minutes recommending the purchase of vehicle ASA44R-ANTGKO AUTO 2.5 L4x4 2494 cc 16 valve worth Kshs.4,967,000 and whose price had been initially shown as Kshs.5,903,971 as per proforma invoice No PF No TKL/AM/GARISA/05F dated 14 May 2013.

v) No inspection certificate was produced to confirm that the vehicles were inspected before and during delivery to ascertain that they met the required specifications.

vi) Out of the nine vehicles procured, only two were supported by logbooks. Consequently, ownership of the remaining seven vehicles could not be confirmed.

The Public Procurement and Disposal Act, 2005 and related 2006 regulations requirements should be followed on all procurements made by the County Government. Also, an update on the delivery notes of the other motor vehicles, L.P.O for vehicle ASA44R-ANTGKO AUTO 2.5 L4x4 2494 cc and pre-delivery inspection reports from the relevant authorities should be provided for audit confirmation.

3.5.2. Irregular Expenditure on Refurbishment of Buildings

Refurbishment of the proposed Governor's Office

(a) The Transition Authority through the County Commissioner of Garissa gave an Authority to Incur Expenditure (AIE) amounting to Kshs.2,000,000 for refurbishment of the proposed Governor's office vide AIE No. A672902 of 1 March 2013. The contract was awarded to a contractor at a contract sum of Kshs.3,039,386 through restricted tendering. However, the following anomalies were noted:-

i) Two out of the four companies which quoted for the works shared similar postal address hence may be owned by the same individual.

ii) Amount allocated for refurbishment of the Governor's office was Kshs.2,000,000 as per AIE No. A672902 but the contract was awarded at a cost of Kshs.3,039,385. The source of excess funds amounting to Kshs.1,039,385 spent way above the authorized amount and authority for the over expenditure was not explained.

iii) Procurement procedures require that at least three officers should open a tender. However, in this particular case, only two officers opened the tender.

iv) The companies that quoted including the firm awarded the contract did not fill the confidential business questionnaires (Form S.33) which discloses details of the directors of the companies.

v) There was no contract agreement between the winning bidder and the County Commissioner to undertake the works.

vi) No project implementation report from the Ministry of Public Works was produced for audit review.

vii) There was no inspection and acceptance minute and completion certificate confirming satisfactory completion of the works.

viii) The County Government did not satisfy any of the conditions for restricted tendering as spelt out under Section 73 (2) of the Public Procurement and Disposal Act, 2005.

ix) On 9 April 2013, the County Secretary wrote a letter Ref no. GMC5/41/VOL1/3 to the County Works Officer requesting for preparation of bills of quantities for further renovation works at the Governor's office. On 2 May 2013, the Interim County Tender Committee awarded the contract to a contractor at a contract sum of Kshs.4,386,453.

The following anomalies were noted:-

- Appointment letters for the interim tender committee were not made available for audit confirmation.

- The tender committee minutes of 2 May, 2013 did not indicate the prices quoted by the three firms invited and who responded.

- Two out of the three companies shared postal address hence may be owned by the same individual.

- The three companies that were given the tender documents are among four companies which quoted for the original works funded by the Transition Authority under the County Commissioner's supervision as stated in the above paragraph.

- The name of an officer from Office of Controller of Budget which is an independent office as per Section 228 of the Constitution of Kenya has been reflected in most of the interim tender committee minutes as one of the committee members.

- The companies did not fill confidential business questionnaires (Form S.33) which provides details of the directors.

- The statement for payment on account for the first phase of the renovation was dated 16 April 2013 whereas the County Secretary's letter requesting for additional renovation was dated 9 April 2013. Therefore, the work for the first phase was not complete and should not have been paid for.

- There was no project progress report from the project supervisor.

- The bill of quantities included carpet and draperies at a cost of Kshs.1,321,875 but the sizes were not specified in the bills of quantities. It was therefore not possible to confirm how the amount of Kshs.1,321,875 was arrived at.

- The BQ also included an amount of Kshs.50,000, Kshs.100,000, Kshs.100,000 and Kshs.100,000 for project manager's stationery, NEMA, Contingencies and electrical works respectively, which were not accounted for. Further, an amount of Kshs.715,500 had been used for electrical works in phase 1 renovation, implying that a total of Kshs. 815,500 was spent on electrical works.

c) A contractor was paid Kshs.997,600 vide P.V.no. 190 of 26 June, 2013 and cheque no. 171 of 27 June 2013 for supply of 86 SM Richmond floor carpet (red) each at Kshs.11,600 of 26 June, 2013. The procurement was done through request for quotations where only one officer opened the quotations. This payment had the following anomalies:-

(i) Two of the suppliers shared the same postal address and the suppliers were the ones who were given the tender for both phases of the Governor's office renovation,

contrary to the procurement regulations whereby totally different batch of suppliers were supposed to have been identified.

(ii) Confidential business questionnaires were not filled by the suppliers.

(iii) The LPO was raised after the carpet had been delivered, an indication that there was single sourcing and that documentation was being done after transactions were over.

(iv) The Governor's office was all carpeted at Kshs.2,319,475 but it could not be confirmed whether value for money was realized on this particular expenditure in the absence of other relevant documentation.

(v) The bill of quantities included a provision of Kshs.250,000 for bathroom set which had no specifications. Further, physical verification done on 24 September 2013 revealed that there was only a toilet and no bathroom at the governor's office. Therefore, Kshs.250,000 allocated for bathroom set was not accounted for.

In view of the above reservations, propriety of the total expenditure of Kshs.8,423,439 incurred on renovation of the Governor's office could not be confirmed.

3.5.3 Proposed County Assembly Offices

Examination of payment voucher no. 205 of 30 June 2013 for Kshs.4,369,534.40 revealed that a contractor was awarded a contract for renovation of offices of the former County Council of Garissa which was to be converted to the County Assembly Chamber. The following anomalies were noted:-

i) Unreferenced letter of 26 June, 2013 from the County Secretary to Chief Finance Officer clearly stated that the work was completed in late April 2013. However, the contract agreement for the work was signed on 6 May 2013 by the contractor while the County Secretary signed the document on 13 June, 2013.

ii) The interim tender committee meeting was held on 23 April 2013

iii) No project progress report was produced for audit review.

iv) There was no completion certificate from the Public Works department.

v) The work was not inspected and accepted by a committee for the same.

vi) An effective verification of the work could not be done as there were no bills of quantities made available for audit review.

3.5.4 Construction of stalls at the main bus park

The County Executive paid a total of Kshs.5,323,300 on 28, 29 and 30 June 2013 for hardware materials procured and wages to casuals for the construction of various stalls at the main bus park. However, procurement of the materials was not guided by any specifications, there was no project implementation committee and no inspection report was prepared on the project. Also, there were no muster rolls prepared for the casuals paid. The hardware materials were not taken on charge and hence delivery could not be confirmed.

3.5.5 Irregular Procurement of Furniture and Equipment

Audit review of expenditure documents in respect to a total of Kshs.16,751,309 for furniture and equipment revealed the following anomalies:-

i) A payment for Kshs.2,410,109 was made before delivery of goods as evidenced by Voucher No.29 dated 17th May, 2013 which was only supported with Local Purchase Order Nos. 0690825, 0690826 and 0690827 but no invoice or delivery note were attached.

ii) The individuals who opened the quotations were the same involved in tender evaluations and award.

iii) Inspection and acceptance committee was not in place and therefore the goods were not inspected upon delivery as required by procurement regulations.

iv) Goods were not taken on charge neither issued vide counter issue vouchers. Further, no assets register had been opened, while the furniture and equipment had not be serialized, making physical verification done on 13 September, 2013 difficult and unreliable.

v) Since there was no list of prequalified suppliers, it was not possible to confirm how the suppliers were identified. Further, all the furniture and equipment were procured from suppliers outside Garissa County, thus contravening County Procurement and Disposal Regulations, 2013 which require promotion of local industry and support to socio-economic development in the Counties.

vi) There were instances where the goods were delivered before the order was placed. For instance, PV No.248 with L.P.O nos.1958939 and 1958937 are dated 15 June, 2013 while delivery note no.336 was dated 14 June, 2013. The L.P.Os were not signed by the supplier.

In addition, the main suppliers of furniture and equipment were two companies and analysis of the confidential business questionnaires revealed that they were co- owned by two individuals and all invoices had similar telephone numbers. The companies were irregularly awarded contracts on a rational basis contrary to the procurement law.

3.5.6 Supply of Public Address System and ICT Equipment

The County Commissioner of Garissa received Authority to Incur Expenditure (AIE) No. A672959 dated 17 March, 2013 for Kshs.2,000,000 from the Transitional Authority (TA) to purchase public address systems and ICT equipment. The tender for the supply, installation and testing of the public address systems and ICT equipment was opened on 8 May, 2013 at the DC's Boardroom at 10.00 am but no copy of tender opening register signed by members of the tender opening committee and the bidders was produced for audit review, contrary to Section 60 (5) (8) of the Public Procurement and Disposal Act, 2005.

Three firms submitted bids but coincidently, two of the companies share postal address, an indication that the companies may belong to the same owners. The opening and evaluation of these bids is not documented in the project file. Therefore, it is not known how the tender was awarded. On 29 May, 2013 a Construction Company was paid Kshs.1,989,500 vide PV No. 1742 for the proposed public address system and ICT equipment installation for the County Assembly. However, the payment was only supported with a statement for payment on account dated 27 May, 2013 from the Ministry of Public Works which did not indicate the list and descriptions of items supplied by the payee. Therefore, key documents like a copy of the contract or Local Purchase Order, Invoice, Delivery Note, Counter Receipt Voucher were not attached to the payment voucher, which was not authorized.

Physical verification of the procured items revealed that some items were not delivered as specified in the A.I.E schedules on 23 September, 2013.

As a result of the foregoing, it has not been possible to confirm that value for money was realized on expenditure of Kshs.1,989,500 incurred on installation of the public address system at the County Assembly.

The County Government should ensure that procurement law and regulations are fully followed to ensure no loss of public funds.

3.5.7 Other Audit Findings

(i) Irregular and Unaccounted for Fuel

During the period under review, the County Executive of Garissa paid a total of Kshs.1,895,350 for 17,000 litres of diesel. The suppliers invoiced the County before the Local Purchase Orders were formally issued going by the dates indicated on all supporting documents on payment vouchers for the fuel. This apparently implies that due procurement processes may not have been followed in identifying the fuel supplier. Further, no fuel register, detailed orders and work tickets to confirm how the fuel was recorded, requisitioned and finally consumed were maintained.

The management should explain how the procurement, receipt and consumption of 17,000 litres of diesel worth Kshs.1,895,350 was done in the absence of supporting documentation.

The Public Procurement and Disposal Act, 2005 and related 2006 regulations requirements should be followed on all procurements made by the County Government.

(ii) Unsupported Payment of Salary

The County Treasury of Garissa paid Kshs.14,733,013 being salaries for the months of May and June, 2013, for staff of the defunct County Council of Garissa, County Council of Ijara and Municipal Council of Garissa who were taken over by the County Government. Some of the senior transitional managers for the County Government of Garissa were the former chief officers of these defunct Councils. However, the defunct Councils and Municipality did not submit for audit review, payrolls for the period July, 2012 to February, 2013 which was the cut-off period before the transition to County Government of Garissa. The failure by the defunct Councils to submit for audit their respective payrolls has been historical as confirmed in their previous audit certificates.

According to a schedule of names attached to each payment voucher that paid salary for the months of May and June 2013, the County Government of Garissa inherited 58, 10 and 107 staffs from the County Council of Garissa, County Council of Ijara and Municipal Council of Garissa respectively, totaling to 175. The County Treasury did not submit for audit, payrolls to support the schedule attached to each of the payments made on behalf of the defunct Councils. The defunct Councils also failed to include in their handing over/taking over reports, detailed lists of staff.

In the absence of detailed payrolls supported by personnel files for all staff paid total salaries of Kshs.14,733,013 by County Treasury, propriety of the expenditure could not be confirmed.

The County Government of Garissa should ensure that payment of salaries is fully supported with valid payrolls for confirmation that no ghost employees are paid. A comprehensive audit of staff inherited from the defunct Local Authorities should be carried out to ensure that only genuine employees are retained in the County's payroll.

(iii) Outstanding Imprests

Examination of imprest warrants and the imprest register among other records held at the County Treasury of Garissa revealed that imprest amounting to Kshs.7,888,074 was outstanding as at the time of the audit in September, 2013. Further, the following anomalies were noted:-

i) Individuals were issued with additional imprests before accounting for the previous ones.

ii) Some of the imprests were issued for reasons other than travelling, while there are instances where some individuals were issued with two (2) imprests a day for different reasons.

iii) There were instances where the AIE holder or head of a department did not sign or authorize the imprest issued while most of the imprest holders did not indicate their personal numbers on the warrants.

It is recommended that the County Government should ensure that before issuing any imprest, Accountant in-charge of the imprest section should certify on the imprest warrant that the applicant does not have outstanding imprest and that imprest issued is recorded in the imprest register to include amount of imprest, personal number, dates of issue and due dates. Further, issuance of imprest should be minimal and restricted to travelling and accommodation. All officers having outstanding imprest should account for the same. In addition, any imprest not surrendered on due date should be recovered from the officers' salaries as required by financial regulations.

County Assembly of Garissa

3.5.8 Procurement of Goods, Works and Services

(i) Irregular Procurement of Furniture, Stationery and Computers

Examination of payment vouchers and other records held at the office of the Clerk of Garissa County Assembly revealed the following observations:-

a) Contrary to Section 30(1) of the Public Procurement and Disposal Act, the County Assembly split procurement of goods into several procurements. These were evidenced by payment voucher nos.009, 007 and 004 paid vide L.P.O no.1958945 of 19/6/2013, L.P.O no.1958944 of 19 June 2013 and L.P.O no.1958927/28/29 of 11 June 2013. The goods were mainly office computers, photocopiers, TV sets and office stationeries which could have been procured through one order. Further, payment voucher no.006 and 005 for office furniture ordered through L.P.O no.1958926 of 11 June 2013 and L.P. no.1958930 of 12 June 2013. The goods were of the same nature so a single L.P.O. would have sufficed.

b) The opening and closing dates and times of the quotations were not indicated. The officers who opened the quotations were the same officers involved in awarding of the tenders and evaluations. The County Assembly did not maintain quotation opening register. Further, letters of award was not issued to the successful firm.

c) Acceptance and inspection committee & county assembly tender committee were not put in place. Further, letter of appointment of the interim tender committee members were not availed for audit review.

d) The entity did not adhere to the first schedule of the principal regulation of class C entities which sets out thresholds for various procurement methods. This has resulted into use of inappropriate procurement method.

e) Stores were not taken on charge although some stores were received with various counter receipt vouchers S13, the same was not issued with issue vouchers as required by Chapter 18.2.3 of the government financial regulations and procedures.

f) The goods procured were issued to officers without recording the same in inventory records and were also not coded. It was therefore difficult to trace the furniture and other office equipment to a particular office.

(ii) Irregular Procurement of Consultancy Services

Examination of payment vouchers and the supporting documents revealed that the entity procured two consultancy services for training of members of County assembly and recruitment of one member of County Assembly Board and paid a total of Kshs.2,264,320. However, the following unsatisfactory matters were noted:-

a) Proposals submitted by the bidders, tender documents and minutes of evaluation committee were not made available for audit verification. Therefore, it was not possible to ascertain if the consultancy services were competitively sourced.

b) Attendance register was not made available to establish the number of Members of the County Assembly who attended the training.

c) Reports from the two consultants were not made available for confirmation of the deliverables.

d) An amount of Kshs.1,702,100 paid to a consultancy firm included Kshs.72,000 for transport and Kshs.60,000 for car hire. No explanation or supporting documentation was provided for the two expenditures.

(iii) Car Hire Services and Supply of Specialized Equipment

The County Assembly issued LPO No. 0868012 on 20 June, 2013 to a firm for car hire services at a cost of Kshs.1,700,000, after awarding the tender on 5 April, 2013. The invoices and the LPO used as supporting documents for this payment had no proper description of the services ordered and provided as information such as car registration numbers, users of the car hire services, daily rates etc were not produced for audit review.

Further, the County Assembly purchased specialized equipment for Kshs.1,925,000, made up of fire proof cabinets filling cabinets and safe. The car hire services and equipment were sourced through quotations instead of open tender, contrary to the threshold matrix provided in the Public Procurement and Disposal Act, 2005 and related 2006 regulations.

Additionally, there were no tender opening and evaluation committees' minutes, contrary to Section 7(2) of the procurement law. Hence the fairness, equitability, and competitiveness of the procurement process could not be confirmed.

The Assembly paid for transport services on 2 August, 2013 vides Cheques No.000095 and 000096 each of Kshs.850,000, totaling to Kshs.1,700,000. The payment was made from Transport Vote that had a provision of Kshs.1,000,000, thereby overshooting the provision by Kshs.700,000. Fuel Vote that had Kshs.700,000. The assembly paid for the equipments vide Cheque No.000061 and 000062 of each Kshs.850,000.

Documentary evidence authorizing the reallocation of funds were not made available and the source of additional funds used to cover the excess expenditure was not shown.

Goods, works or services should be procured in accordance with Public Procurement and Disposal Act, 2005 and related regulations for 2006.

3.5.9 Other Audit Findings

(i) Unsupported Travelling and Subsistence Allowances

The Assembly paid travel and subsistence allowances for an induction course in Nairobi vide PV No. 002 dated 8 June 2013 of Kshs.1,722,000 to various members of County Assembly (MCAs). However, there was no evidence that the County Assembly members and staff who were paid actually travelled out of their duty stations to qualify for travel and subsistence allowances since no invitation letters or program for the training were produced for audit review.
The government financial regulations and procedures and other regulations in force should be strictly complied with.

(ii) Unsupported County Assembly Members Sitting Allowance

The Assembly paid sitting allowances of Kshs.1,087,800 vide PV No. 029 dated 28 June, 2013 to the County Assembly members who sat in various committee meetings. The schedule of members attached to the payment voucher does not indicate the dates of the respective committee sittings. The payment voucher also lacks signed schedules confirming daily attendance of the meetings by the County Assembly members. The financial regulations and procedures should be adhered to by ensuring that payments are supported with all relevant documentation.

(iii) Under Recovery of PAYE from Members of County Assembly

The County Assembly paid salaries and allowances for the month of June 2013, being benefits from employment but without deducting appropriate PAYE as required by the Income Tax Act, Cap 470 of the Laws of Kenya. The PAYE deductions for the month of June, 2013 was understated by Kshs.147,951. The Assembly is advised to make immediate arrangements to recover the under paid PAYE from the staff members and remit the same to the Kenya Revenue Authority to avoid penalties.

Defunct County Council of Garissa

3.5.10 Improper Handing over to County Government

There was no proper handing over of the former County Council of Garissa assets and liabilities to the Transition Authority as required by the Ministry of Local Government Circular No. MLG/1333/TY/52 of 18 February, 2013. As a result, the County Government has no records of assets and liabilities owned by the former Councils as well as other outstanding debts. The County Government should recall the Chief Officers of the defunct Local Authority in order to ensure that proper handing over is done. This will enable the County Government to have a basis of opening balances to be reflected in the records.

3.5.11 Current Assets and Liabilities

(a) Non-Closure of Bank accounts

The former Council operated eleven (11) bank accounts that had balances totalling to Kshs.14,543,301 as at 28 February 2013. However, the bank accounts remained operational after 4 March 2013. The County Government did not comply with Section 28 of the County Governments Public Finance Management Transition Act, 2013. Similarly, bank reconciliation statements were not prepared and there were unclear payments made before, during and after the transition period. Transition Principal Finance Officer should ensure that reconciliation is carried out as required by Section 28 of the County Governments Public Finance Management Transition Act, 2013 to establish the correct bank balances to be transferred to the County revenue fund account.

(b) Unaccounted Withdrawals

Examination of payment vouchers, bank statements, cheque book counterfoils and payment cash book of the defunct County Council of Garissa revealed that a total of Kshs.88,028,298 was withdrawn from the bank account on diverse dates. Further, the following unsatisfactory observations were made:-

i) Payment vouchers were not authorized by the clerk and the treasurer of the Defunct Council.

ii) Payment vouchers were not dated or numbered and also had no Cheque numbers.

iii) Payment vouchers did not have any supporting documents explaining what was being paid while some of the payment vouchers did not have amounts paid disclosed.

iv) Payment cash book had not been updated since June 2012 Consequently, it was not possible to confirm propriety of a total amount of Kshs.88,028,298 withdrawn from the Council's bank accounts. Further, since the Council did not maintain a payment and main cash books, it was not possible to relate and confirm payments reflected in the bank statements.

On 1 March 2013, an amount of Kshs.26,168,744 was transferred from LATF A/c no 0580295452864 to A/c no 0580560417286. However, the bank statement for account No. 0580560417286 was not made available for audit review. Further, on the same date, Kshs.10,000,000 was transferred from the same LATF A/c with an RT 005801260713 number but the purpose of the expenditure could not be confirmed. Investigations should be carried out with a view to establishing the purpose of the transfers and propriety of the expenditures for necessary action to be instituted against officers involved in misappropriation of public funds.

(c) Bank Overdrafts

Examination of bank statements for the Garissa County Council revealed that a total amount of Kshs.22,200,072 had been borrowed as an overdraft as at 28 February, 2013. However, the overdrafts reduced and as at 30 June, 2013 the defunct Garissa County Council had an outstanding overdraft balances of Kshs.18,865,437 in various bank accounts. The management could not provide explanation on how the overdraft was obtained. Further, the management did not provide minutes of the finance committee meetings, the full council meeting minutes, the approval from the Ministry and the agreement between the bank and the management to continuously enjoy the overdraft facility. The management of the Council should provide the necessary documents to prove that the overdraft was obtained through the laid down procedures and that the management followed the due process. The County Government should avoid over-committing its resources thereby opting for expensive financial facilities to meet its obligations.

(d) Irregular Borrowing

Examination of bank statements for an account held with Equity Bank - Garissa branch for the defunct Garissa County Council revealed a loan disbursement of Kshs.5,000,000 issued on 20 May, 2013. The same account had accrued interest amounting to Kshs.167,124 by 20 July 2013. The loan was acquired after the entity was dissolved and became a county government entity. Further, the management did not provide minutes that approved the loan, the agreements between the management and the bank, the terms and conditions of the loan and the rate of interest chargeable. Therefore, we could not establish how a loan of this magnitude was acquired after the establishment of the county government and how the same was utilized.

The management should explain how this loan was acquired and what necessitated it. The former management should account for the loan.

(e) **Debtors**

Outstanding house rent of Kshs.3,000,000 was disclosed in the handing over report. However, there were no schedules supporting the same. The County Government to maintain up-to date records of debtors and ensure that measures are put in place to collect revenue from the outstanding debtors.

(f) Liabilities

(i) Co-operative Bank Loan

The handing over report shows a Co-operative Bank loan of Kshs.12,000,000. However, examination of the bank statements for the account revealed that on 15 February, 2013 Kshs.20,000,000 was withdrawn and as at 14 May, 2013 the account had a debit balance of Kshs.13,640,993.11. The management did not provide minutes of the finance and full council that approved the loan. The agreements between the management and the bank, terms and conditions of the loan were also not made available.

ii) Defunct County Council staff outstanding salary arrears

The schedule of staff members showing the amount outstanding and the period for the salary arrears was not made available for audit. We could therefore not confirm the correctness or otherwise of the amount of Kshs.17,336,267.

iii) Unremitted deductions

The schedules for the individuals whose alleged deductions totaling to Kshs.13,000,000 which were not remitted was not made available for audit. The County Government to maintain up-to date records of creditors with relevant supporting documents. No Creditors should be paid without properly establishing that a service/good was correctly rendered or advanced to the council/county Government.

3.5.12 Collection of Revenue

Failure to maintain accountable documents

The Counterfoil Receipt Book Register, revenue books and other accountable documents of the defunct county council of Garissa were not handed over nor disclosed in the handing over report. The revenue books were not made available for audit. The receipt cash book was not updated. The deposit slips, collection control sheets and general ledgers were not available. In view of the above, audit of revenue could not be carried out. The County Government should always comply with the provisions of Public Financial management Act.

3.5.13 Fixed Assets

The handing over report disclosed the existence of a Nissan Double Cabin Pick up whose value was disclosed at Kshs.3,000,000. However, there was no valuation report on the same. The vehicle registration number KAW 667Z was grounded at the defunct County Council offices. The work ticket was not made available for audit review. The ownership of the motor vehicle could not be confirmed since the logbook was not made available for audit and the Council did not maintain an asset register to confirm the same.

Office equipments and furniture amounting to Kshs.208,863 were disclosed in the report. However, the number of the respective items and their serial numbers were not recorded. It was difficult to establish how the amount of Kshs.208,863 was arrived at as there was no valuation report on the same. In addition, physical verification of fixed assets revealed that some items listed in the report were not in existence.

The County Government of Garissa should ensure that all assets of the former County Council are recorded and secured by the Council.

3.5.14 Other Audit Findings

Outstanding Imprest

Imprest amounting to Kshs.2,900,000 was still outstanding as at 10 October, 2013. The imprest was not signed by the payees and the purpose of the imprest was not indicated in the imprest form. The outstanding imprest should be accounted for.

Audit of the Defunct County Council of Ijara

3.5.15 Improper Handingover to the County Government

There was no proper handing over of the former County Council of Ijara assets and liabilities to the Transition Authority as required by the Ministry of Local Government circular**.** Although the former Clerk to the Council prepared a statement of assets and liabilities as at 28 February 2013, the handing over letter dated 7 March 2013 was only signed by the former Clerk to the Council. The Interim County Secretary taking over did not sign the letter. The statement did not set out a debt management strategy and also assumptions underlying the debt management strategy as well as an analysis of the sustainability of the actual amount of debt and potential liabilities required by the above circular. The County Government should recall the Chief Officers of the defunct Local Authority in order to ensure that proper handing over is done.

3.5.16 Current Assets and Liabilities

(i) Cash and Bank

(a) Non-Closure of Bank accounts

The council bank accounts had balances totalling Kshs.5,417,241 as at 28 February 2013. The County Government did not comply with Section 28 of the County Governments Public Finance Management Transition Act, 2013 since none of the accounts operated by the defunct council were closed on 28 February 2013 in accordance with Transition Authority instructions. Similarly, bank reconciliation statements were not prepared and there were unclear payments made before, during and after the transition period. Transition Principal Finance Officer should ensure that reconciliation is carried out as per Section 28 of the

County Governments Public Finance Management Transition Act, 2013 and explanation given to establish the correct bank balances that are to be transferred to the revenue fund account.

(b) Withdrawals

Examination of GRF & LATF bank statements for the County Council of Ijara accounts held with First Community Bank and Kenya Commercial Bank revealed that Kshs.7,045,016 was withdrawn out of the accounts after the establishment of county government. During the time of audit, the accounts were not closed contrary to the County Governments Public Finance Management Transition Act 2013.

The signatories to the bank accounts should give reasons for failure to comply with the circular directing the closure of bank accounts by 28 February 2013 and further explain and account for Kshs.7,045,016 as a proper charge to public funds.

(ii) Debtors/Creditors

a) Debtors and creditors schedule made available for audit purposes revealed an amount of Kshs.28,238,719 and Kshs.3,303,215 respectively. The Council did not provide list of plot rent defaulters amounting to Kshs.23,889,595 making confirmation of the accuracy and completeness of this amount difficult. Included in the debtors balance is an amount of Kshs.768,580 relating to accrued single business permit. However, single business permits cannot be accrued. In addition, the Council has accrued last disbursement of LATF which has been included in the debtors list. The amount was to be disbursed to the County Government therefore including it in the debtors list is erroneous. An amount of Kshs.650,800 relating to a contractor has been included in the debtors balance. No explanation was offered how this item qualifies to be listed under debtors.

b) Some of the amounts indicated in the schedule as creditors totaling to Kshs.1,324,000 were false as the goods and services said to have been delivered or rendered had not been delivered or rendered.

3.5.17 Fixed Assets

There was none disclosure of the following assets in the handover report:-

i) Two (2) laptops held by the council clerk and the treasurer

ii) Two Samsung Galaxy mobile phones purchased at a total cost of Kshs.100,000

According to the statement of assets and liabilities as at 28 February 2013, the Council had Motor Vehicles and Office Furniture and Equipment totalling Kshs.1,423,568. The report also disclosed the existence of a Land Rover KAN 978U valued at Kshs.900,000. However, there was no valuation report of the vehicle made available for audit. Also, the council procured two (2) Motorcycles which were not included in the report. The existence

and the ownership of the Land Rover and the Motor Cycles could not be confirmed since the Land Rover was said to be in a garage in Malindi while one of the Motor cycle was not in Masalani. The work tickets for the same were not made available. The log books or transfer documents were not available to ascertain the ownership. The council did not maintain an asset register to record the same.

3.5.18 Procurement of Goods, Works and Services

(i) Irregular Procurement and Unaccounted for Assets

The council procured furniture, computers and 2 motor cycles amounting to Kshs.1,900,000. However, part payment was made for the furniture (Kshs.425,000) and computers (Kshs.400,000). The 2 motor cycles were fully paid for.

The following anomalies were noted:-

a) The council had a procurement committee comprising of the clerk, treasurer and a revenue officer who only drafted minutes of what they are procuring and the person awarded to.

b) There was no inspection and acceptance committee in place

c) The number of furniture and computers were not specified

d) There were no L.P.Os, and invoices for the furniture and the computers

e) Cash was used to procure the motor cycles.

f) The furniture was not delivered yet cheque no.115 of Kshs.425,000 was withdrawn on 26 February, 2013 six days to the Kenya's general election.

g) The specifications of the computers was not given

h) Three desk top computers were physically in the office. However, it was not possible to establish if the three were among those procured since there was no evidence provided for verification. The computers had not been coded.

i) The defunct council did not maintain a fixed assets register.

j) One motor cycle was physically verified while the other one was said to have been taken to Garissa by the Treasurer. However, there were no documents to prove this.

The propriety of Kshs.1,900,000 of which Kshs.1,025,000 has already been paid could not be confirmed. The clerk and the treasurer should offer explanation for the payment of goods not delivered. The government financial regulations and procedures and other regulations in force should be strictly complied with.

(ii) Irregular and Unaccounted for Works and Fuel

The defunct Ijara County Council paid for the fencing of dumpsite Kshs.224,000, fencing of Ijara School Primary Kshs.250,000, constructing gate walls Kshs.357,844 and fuel Kshs.454,590. However, the following anomalies were noted:-

a) The services and goods were single sourced.

b) There were no specifications for the fencing

c) The fencing of dumpsite was not done while the fencing of Ijara Primary fencing of gate walls was partially done.

d) The fuel was not accounted for using work tickets and detail orders.

Therefore, the propriety of the expenditure could not be confirmed.
The government financial regulations and procedures and other regulations in force should be strictly followed.

(iii) Unsupported Payments for Consultancy Services

The Council paid a consultancy firm Kshs.2,345,000 for consultancy services at various dates on ISO 9001-2008 Certification, training needs assessments (TNA), Automation (ICT) and staff work environment Baseline survey – customer satisfaction, Baseline survey – work environment, and Baseline survey – staff work environment documentation, printing and binding of LASDAP documents and review and updating the strategic plan.

The council did not follow the procurement rules and regulations in sourcing and subsequently verifying for payments the consultancy services since it lacked the internal organization required for due procurement processes. These payments lacked supporting documents such as well descriptive invoices/fee notes, a tender committee minutes, advertisements, detailed contractual agreements, verification approval for payment by the Acceptance and Inspection Committee and related study reports**.**

The County Treasury should ensure that all expenditure are accounted for and are as per the approved estimates. Officers involved should be surcharged for not following the Public Procurement and Disposal Act, 2005 and related 2006 regulations in performing their roles. Goods, works or services procured should be in accordance with the Public Procurement and Disposal Act 2005 and Public Procurement and Disposal Regulations 2006.

3.5.19 Other Audit Findings

(i) Unsupported Allowances

Examination of payment vouchers in respect of subsistence travel and accommodation and trainings for the defunct county council of Ijara revealed that a payment of Kshs.1,640,960 was made without proper supporting documentations such as bus tickets and work tickets.

The government financial regulations and procedures and other regulations in force should be strictly complied with.

(ii) Personnel Cost

The County Council of Ijara prepared handing over report containing the names of employees to be handed over. The list contained the names of the acting county council clerk and the Ag. County treasurer who were in scale 9 and 5 respectively as per the payroll. However, the handing over report showed that the two officers were in scale 3 and 4 respectively. There was no documentary evidence to confirm the current status or to prove the promotion**.**

Defunct Municipal Council of Garissa

3.5.20 Improper Handing Over to the County Government

There was no proper handing over of the former Municipal Council of Garissa assets and liabilities to the Transition Authority as required by the Ministry of Local Government circular**.** Although the former Clerk to the Council prepared a statement of assets and liabilities as at 28 February 2013, the handing over letter FIN.4/15 Vol. III/103 of 17 April, 2013 was only signed by the former Clerk to the Council. The Interim County Secretary taking over did not sign the letter. The statement did not set out a debt management strategy and also assumptions underlying the debt management strategy as well as an analysis of the sustainability of the actual amount of debt and potential liabilities required by the above circular. The County Government should recall the Chief Officers of the defunct Local Authority in order to ensure that proper handing over is done.

3.5.21 Current Assets and Liabilities

(i) **Cash and Bank**

(a) Failure to close Bank Accounts

The council bank accounts had debit balances totaling to Kshs.7,259,294 as at 28 February 2013. The County Government did not comply with Section 28 of the County Governments Public Finance Management Transition Act, 2013 since none of the accounts operated by the defunct council was closed on 28 February 2013 in accordance with Transition Authority instructions. Similarly, bank reconciliation statements were not prepared and there were unclear payments made before, during and after the transition period. The handing over report showed the balance of bank account no.0580295343857 had a debit balance of Kshs.6,264,756. However, the bank statement figure was a debit balance of Kshs.6,186,975 thereby overstating the figure by Kshs.77,780. Further, the management of the defunct Municipal Council of Garissa did not prepare monthly bank reconciliation statements.

Transition Principal Finance Officer should ensure that reconciliation is carried out as per Section 28 of the County Governments Public Finance Management Transition Act, 2013 and explanation given to establish the correct bank balances that are to be transferred to the revenue fund account.

(b) Irregular withdrawals after 4 March 2013

Scrutiny of GRF & LATF Bank statements for the Municipal Council of Garissa accounts held with Equity bank and Co-operative bank revealed that an amount of Kshs.63,783,599 was withdrawn from these accounts after the establishment of county government. The accounts were not officially closed contrary to the County Governments Public Finance Management Transition Act 2013. The chief officers of the Council should give reasons for operating the accounts beyond the authorized time.

(c) Bank over Drafts

Scrutiny of various bank statements for Municipal Council of Garissa revealed that a total amount of Kshs.9,860,676 was an overdraft as at 28 February, 2013. However, the overdrafts increased and as at 30 June, 2013 the defunct Municipal Council had an outstanding overdraft balances of Kshs.14,685,662 in various bank accounts. The management could not provide proper explanations.

Further, the management did not provide minutes of the finance committee meetings, the full council meeting minutes, the approval from the Ministry and the agreement between the bank and the management to continuously overdraw their bank accounts. The County Government should avoid over-committing its resources thereby opting for expensive financial facilities to meet its obligations. The management of the Council should provide the necessary documents to prove that the overdraft was obtained through the laid down procedures and that the management followed the due process.

(d) Irregular Borrowing

Examination of bank statements for a bank account held with Equity Bank - Garissa branch for the defunct Municipal Council of Garissa revealed a debit loan disbursement of Kshs.7,000,000. The same account had accrued interest amounting to Kshs.264,2886 by July, 2013. The loan was acquired after the entity was dissolved and the entity became a county government entity. Further, the management did not provide finance and full council minutes that approved the loan. The agreements between the management and the bank, the terms and conditions of the loan and the rate of interest chargeable were also not provided. Therefore, it was not possible to establish how a loan of this magnitude was acquired after the establishment of the county government and how the same was utilized.

The former management should explain how this loan was acquired and what necessitated it.

(ii) **Unsupported Creditors**

i) There were various creditors stated in the handing/taking over report totaling to Ksh.105,073,979 as at 28 February 2013. However, the creditors were not supported by invoices, L.S.Os, L.P.Os etc for suppliers and supporting documents. Schedules of individuals whose deductions were not remitted to LAPTRUST and provident fund was lacking.

ii) An overdraft amounting to Kshs.9,860,676 was not included in the defunct Council's creditors.

iii) The defunct municipal council took a loan of Kshs.30,000,000 from Equity Bank as stated in the handing/taking over report and the same was reflected in the bank statements. However, there was no council finance committee minute, full council meeting minute, approval of the Minister for Local Government. On the same note the Council did not provide agreement between the bank and the defunct Municipal Council stating the terms and condition of the loan as well as the rate of interest charged to the loan. There was no documentary evidence made available for audit purposes on how the Kshs.30,000,000 loan was applied.

The County Government to maintain up-to date records of creditors with relevant supporting documents. No Creditors should be paid without properly establishing that a service/good was correctly rendered or money advanced to the council/county Government.

(iii) **Debtors**

In the handing/taking over report dated 28 February 2013, the debtors schedule was not supported except an amount of Kshs.73,684,581 which had a schedule of individual's names who did not pay their plot rates although the council did not prepare a periodic reconciliation of the plot rates debtors. The accuracy of the figures could not be confirmed. The County Government to maintain up-to date records of debtors and ensure that measures are put in place to collect revenue from the outstanding debtors.

3.5.22 Fixed Assets

The Council did not maintain a fixed assets register. Physical verification of the assets revealed that there were new furniture and computers in various offices of the Council. The furniture was said to have been donated by the Turkey government. However, there was no documentary evidence to show the source. The items donated were not revalued to give the market value of the items to be recorded in the Council records.

The motor vehicles stated in the handing/taking over reports dated 28 February 2013 were not valued and there was no valuation report on the assets. The council did not disclose in the report the existence of 2 (two) refuse trailers which had no valuation report. There were no log books or other documentary evidence to show that the motor vehicles were owned by the municipal council of Garissa.

The County Government of Garissa should ensure that all assets of the former County Council of Municipal Council are recorded.

3.5.23 Inadequate Controls on Revenue Collection

Examination of revenue records for the period January to June, 2013 revealed the following:-

a) The receipt cash book was not updated

b) There was no collection control sheets maintained by the local authority

c) The receipt books used to collect revenue could not be co-related with the bank pay-in-slip.

d) There was no general ledger maintained

e) There was under banking of revenue as a result of computation errors

f) Some of the receipt books did not reflect the dates the revenue was collected. Audit could not therefore not ascertain whether the revenue falls within the scope

g) The revenue was collected by the defunct municipal council even after it was dissolved.

h) The bank accounts were in operation and although the management stated that they have closed them in May 2013, there was no letter instructing the banks availed for audit.

The government financial regulations and procedures and other regulations in force should be strictly followed in the collection and receipt of revenue.

3.5.24 Procurement of Goods, Works and Services

(i) Payment for Unsupported and Irregular Goods, Works and Services

Examination of payment vouchers revealed that an amount Kshs.6,837,500 was incurred on procurement of goods, works and services by the defunct Municipal Council of Garissa. However, the following observations were made:-

a) There were no supporting documents for the expenditure

b) Deliberations of various committees of procurement were not made available.

c) There was no procurement plan prepared by the defunct Municipal Council for the period under review
d) Tender opening minutes, awarding, evaluation minutes were not prepared
e) Award letters, acceptance and contractual agreements were not prepared and maintained
f) Pv No.0050 has an invoice dated 8 January, 2013 attached indicating services of computers rendered in 2010. However, the same was not indicated as a pending bill
g) Some of invoices and the expenditure did not match
h) BQs and other tender documents were never maintained

3.5.25 Unsupported Consultancy Services

Examination of payment vouchers revealed that an amount of Kshs.5,020,000 was spent on procurement of consultancy and baseline survey services by the defunct Municipal Council of Garissa for the period under review. However, the following observations were made:-

i) The expenditures was not supported

ii) Request for proposals were not made and were neither attached to the payment vouchers.

iii) Reports of the baseline survey were not attached to the expenditure

iv) Deliberations of various committees of procurement were not made available

v) There were no procurement plan

vi) Tender opening minutes, awarding, evaluation minutes were not prepared

vii) Awarding letters, acceptance and contractual agreements were not maintained and were not supported with the expenditure.

viii) How the consultants were sourced could not be established since there were no competitive bidding.

Goods, works or services procured should be in accordance with the Public Procurement and Disposal Act 2005 and Public Procurement and Disposal Regulations 2006.

Officers involved should be surcharged for not following the public procurement and disposal Act and regulations in performing their roles.

3.5.26 Staff Salary & Statutory Deductions

(i) Staff salary

The council paid staff and chief officers Kshs.20,559,367 as sampled for the period 1 January, 2013 to 30 June, 2013. The vouchers paying the amounts had no supporting documents such as schedule of staff members.

(ii) Statutory deductions

The council paid Kshs.3,228,688 between 1 January, 2013 and 30 June, 2013 for NSSF contributions, cooperative bank loan deductions and KRA, PAYE deductions. The payments had no supporting documents such as names of the contributors and their respective contributions and the employer's respective contributions for the staff. The payments were not acknowledged by the statutory bodies. The council should provide documents to all those payments made to these statutory bodies.

3.5.27 Other Audit Findings

(i) Unsupported Payments For Travelling & Subsistence Expenses - Kshs.456,000

The Council on the 26 April, 2013, paid some county assembly members Kshs.456,000 vide cheque no.000187 and Pv no.0043 in respect of travelling and accommodation expenses. The payments was made without evidence of travel documents such as air tickets, bus tickets, motor vehicle work tickets or invitation letters for seminars/workshop attended.

The government financial regulations and procedures and other regulations in force should be strictly complied with.

(ii) Unsupported Payments for Casuals

The Council spent Kshs.6,202,736 on casual wages. The council did not produce for audit a muster roll with details or dates, names and hours worked daily rate and supervisors comment. All the payments were either not examined or authorized for payment. There was no authority from Minister to engage the casuals. There was no proper control over engagement and payment of casuals.

The council is advised to seek ministerial approval before engaging casuals. The Council should also introduce and maintain up to date casuals' muster roll.

3.5.28 Conclusion

The foregoing observations clearly indicate that the process of taking over of assets and liabilities, including staff of the former Councils was not properly handled due to apparent lack of leadership by officials of Transition Authority who had the responsibility to ensure a

smooth and seamless transition process. The County Government should, however, ensure full control of functions, including revenue collection, recording and proper accounting for the same while awaiting guidance from the National Treasury on the accounting and reporting systems to be developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the Public Finance Management Act, 2012. Expenditure should be incurred in accordance with the requirements of the Public Finance Management Act, 2012 and for the benefit of the tax payers.

Detailed audit findings are contained in the main audit report herewith appended.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

10 June 2014

DETAILED AUDIT REPORT ON OPERATIONS OF COUNTRY GOVERNMENT OF GARISSA AND ITS DEFUNCT LOCAL AUTHORITIES

1.0 Introduction

The County Government of Garissa replaced three defunct Local Authorities namely Municipal Council of Garissa, County Council of Garissa and County Council of Ijara. The County was established after the 4 March 2013 general elections, to carry out the devolved functions set out in the Constitution of Kenya.

The audit was to verify County Government preparedness to receive and utilize devolved funds after the transition period and was conducted in the month of August and September, 2013.

2.0 Audit Objectives and Scope

2.1 Terms of Reference

The Office of the Auditor-General is an independent office mandated by Article 229 of the Constitution to audit the accounts of the National and County Government. In this regard the office planned an audit for the Garissa County with the following terms of reference.

- Verification of cash and bank transactions held at various different accounts in the defunct Local Authorities during the period of transition between 5 March and 30 June 2013.
- Examination of transactions of defunct Local Authorities between 01 January 2013 to 30 June 2013.
- Examination of transactions of the County Government and County Assembly between 5 March and 30 June 2013.
- Check the closure bank accounts as directed by Transitional Authority.
- Check proper procurement procedures as per Public Procurement and Disposal Act, 2005 and related 2006 Regulations.
- Check current debtors and suppliers balances
- Implementation of the IFMIS and G-Pay as opposed to manual system.
- Check the status and usage of the Motor vehicles and equipment's
- Confirm whether County bank accounts were opened on 04 March 2013.
- Check for ghost workers in IPPD payroll.

- Irregular borrowings, overdrafts and payment of non-existing loans.

The audit was conducted in the month of August and September, 2013.

2.2 Methodology

- The approach used in carrying out this audit included the following:
- Interviews with key officers at the County headquarters and defunct Local Authorities.
- Review of applicable legislation and regulations
- Assessment of internal controls
- Examination of payment vouchers, cash book, vote book, bank statements, bank slips, tender and contract documents, stores records and other related records.
- Review of minutes for the meetings where there were resolutions affecting management of cash.
- Physical inspection/verifications
- Verification of bank reconciliation statements as at 30 June 2013.

3.0 Key Audit Findings

County Executive

3.1 Failure to Take Over Defunct Local Authorities

The Garissa County Government had not officially taken over the assets and liabilities of the former County Councils of Garissa and Ijara together with the former Municipal Council of Garissa as at the time of audit conclusion, contrary to instructions issued by the Ministry of Local Government vide Circular No. MLG/1333/TY/52 of 18 February, 2013. Arrangements should be made by Transition Authority to have assets and liabilities of the former Councils handed over to the County Government.

Recommendation

The Transition Authority should ensure that a statement of assets and liabilities as at 28 February 2013 is prepared and proper handing over to the County Government done without further delay.

3.2 Current Assets and Liabilities

(i) Cash and Bank Balances

(a) Failure to Close Bank Accounts

The County Government of Garissa did not make any effort to close accounts held by the defunct Councils and transfer the funds from the closed accounts to the County Revenue Fund account. The sub counties continued banking revenue in those accounts in total disregard of the County Government Public Finance Management Transition Act, 2013. As at 28 February 2013, the accounts had a balance of Kshs.12,701,248 arrived as follows:-

Council	**Kshs.**
County Council of Garissa	14,543,301
County Council of Ijara	5,417,241
Municipal Council of Garissa	(7,259,294)
Total	**12,701,248**

It was therefore not possible to confirm the bank balances which could have formed the basis for the County's opening balances.

Recommendation

The bank accounts should be closed and the funds transferred to the County Government Exchequer Account in accordance with instructions given in the County Governments Public Finance Management Act, 2013.

(ii) Debtors /Receivables

According to the statement of assets and liabilities as at 28 February 2013, debtors taken over from the three defunct local authorities under the Garissa County totalling Kshs.173,191,936. These were as follows:-

Council	**Kshs.**
County Council of Garissa	
County Council of Ijara	3,000,000
Municipal Council of Garissa	28,238,719
Total	141,953,217
	173,191,936

The County Government of Garissa did not validate or consolidate its debtors and did not maintain debtors register.

Recommendation

The verification and validation of debtor's records should be done to ensure correct figures are taken over by the County Government.

(iii) Creditors

According to the statement of assets and liabilities as at 28 February 2013, the defunct local authorities had creditors totalling Kshs.172,038,294. However, the County Government did not validate the creditors taken over from the defunct local authorities and no appropriate records were maintained relating to creditors. These were as follows:-

Council	Kshs.
County Council of Garissa	43,977,260
County Council of Ijara	7,365,703
Municipal Council of Garissa	120,695,331
Total	**172,038,294**

Recommendations

The County Government should verify and validate creditors taken over from the defunct Councils.

3.3 Fixed Assets

Motor Vehicles and Office Furniture and Equipment

All the motor vehicles, office furniture and equipment of the defunct local authorities had not been taken over by the County Government as at the time of our audit. According to the statement of assets and liabilities as at 28 February 2013, motor vehicles, office furniture and equipment taken over from the three defunct local authorities under the Garissa County totalled Kshs.4,632,431. These were as follows:-

Council	Kshs.
County Council of Garissa	3,208,863
County Council of Ijara	1,423,568
Municipal Council of Garissa	Nil
Total	**4,632,431**

Further, the value of fixed assets under Municipal Council of Garissa had not been indicated. This included fire Motor Vehicles with unknown value.

Recommendations

The County Government should ensure all computers and accessories/furniture and equipments are labelled and maintain an inventory record which should be updated from time to time. Log books of the motor vehicles should be obtained from KRA immediately.

3.4 IFMIS and G-Pay

(i) Implementation Status of Integrated Financial Management Information System (IFMIS) at County Treasury

As at the time of the conclusion of the audit, IFMIS was not operational. Although the National Treasury had provided necessary machines for full implementation of the system, there was no connectivity to the Internet. An interview with the senior county officers revealed that, staff in the treasury had received necessary training but could not use the system due to the lack of internet connectivity.

The National Treasury should expeditiously explore ways to overcome the internet connectivity challenge which is hindering usage of IFMIS already installed at the County.

(ii) G-Pay

The County had received one computer from The National Treasury which is dedicated for G-Pay. However, payments are made manually by use of cheques.

(iii) Local Authority Integrated Financial Operations Management System (LAIFOMS)

LAIFOMS had been installed in one of the sub-counties, former Garissa Municipal Council offices. Review of revenue and bankings data extracted from system revealed that there was a system under banking amounting to Kshs.427,602. The explanation given is the cashiers may have banked the money but failed to post the same in the system.

(iv) Integrated Payroll and Personnel Database (IPPD)

The County has fully installed the IPPD system, and the first payroll for the new county processed in July 2013. However a review of the human resource Payroll and data revealed that there were discrepancies in basic pay paid in June and that paid in July. The explanation given was satisfactory; July is the incremental month.

(v) IT Control Environment and ICT Governance

The ICT section has two (2) staff who do not have defined roles and responsibilities on how to oversee the ICT operations.

The County lacked key ICT Governance documents that would help provide guidance on effectively managing the county's ICT resources.

Recommendation

The County Government should embrace the use of technology to ensure effectiveness and efficiency in processing of financial transactions.

3.5 Procurement of Goods, Works and Services

(i) Irregular Procurement of Motor Vehicles

Examination of payment vouchers and their supporting documents revealed that an amount of Kshs.66,536,753 was spent on procurement of motor vehicles for the county government of Garissa. However, the following issues were noted:-

i) Payments were made before the delivery of the vehicles this was evidenced by the lack of invoices and the certificate given on the rear of payment vouchers.

ii) Payment of Kshs.33,038,753 made vide P.V. No. 58 to a motor dealer had proforma invoices amounting to Kshs.33,038,753 while the L.P.O.'s supporting the payments were totaling to Kshs.28,071,753 hence the difference of Kshs.4,967,000 was not supported by an L.P.O.

iii) There were no tender committee minutes recommending the purchase of vehicle ASA44R-ANTGKO AUTO 2.5 L4x4 2494 cc 16 valve worth Kshs.4,967,000 as per proforma invoice No PF No.TKL/AM/GARISA/05F dated 14 May 2013.

iv) The vehicles were not inspected before and during delivery hence no inspection certificate was issued.

v) Out of the nine vehicles the entity had procured, only two logbooks for two vehicles were made available, the rest were not available nor were the transfer forms for the same made available. Duplicate logbooks were also not made available for audit purpose and this contravenes the regulations.

vi) The entity did not use the appropriate method of procurement as guided in the threshold matrix contained in the public procurement regulation 2006. In view of this it was not possible to establish how the two companies namely, were identified.

vii) Payments were made on the strength of proforma invoices meaning payments were made before deliveries.

viii) The County Government did not maintain a Fixed Asset Register therefore no records are maintained for the vehicles.

ix) The delivery notes nos.4407, 4401, 4404 and 3679 were signed by drivers as receivers instead of a senior officer. There were no delivery notes for other vehicles procured.

x) No user requisition was made available for verification of the specification of vehicles procured.

Recommendations

The Public Procurement and Disposal Act, 2005 and related 2006 regulations requirements should be followed on all procurements made by the County Government. Also, provide an update on the delivery notes of the other motor vehicles, L.P.O for vehicle ASA44R-ANTGKO AUTO 2.5 L4x4 2494 cc and provide the Pre-delivery Inspection Report from the relevant authorities for audit confirmation.

(ii) Irregular and Unaccounted for Refurbishment Expenditure

Refurbishments of the proposed Governor's office

a) The Transition Authority through the county commissioner of Garissa gave an AIE amounting to Kshs.2,000,000 for the refurbishments of the proposed Governor's office vide AIE No. A672902 of 1 march 2013. Through restricted tendering, the contract was awarded to a contractor for a contract sum of Kshs.3,039,386. However, the following anomalies were noted:-

(i) Two out of the four companies have the same address hence may be owned by the same individual.

(ii) The amount allocated for the refurbishment of the Governor's office was Kshs.2,000,000 as per the AIE No. A672902 but the whole project cost was Kshs.3,039,385 meaning therefore that Kshs.1,039,385 was spent way above the authorized amount. The source of the extra amount was not revealed to the audit.

(iii) Procurement procedures require that least three officers should open a tender however, in this particular case, only two officers opened the tender.

(iv) The companies that quoted including the winner did not fill the confidential business questionnaires.

(v) There was no contract agreement between the contractor and the county commissioner to undertake the work.

(vi) There was no project implementation report from the Ministry of Public Works.

(vii) There was no inspection and acceptance minute and completion certificate confirming the completion of work.

(viii) The county government did not satisfy any of the conditions for restricted tendering as spelt out under section 73 (2) of the Public Procurement and Disposal Act of 2005.

b) On 9 April 2013 the County Secretary wrote a letter Ref no. GMC5/41/VOL1/3 to the county works officer requesting for the preparation of bills of quantity for further renovation. On 2 may 2013 the interim county tender committee awarded the contract to a contractor for a contract sum of Kshs.4,386,453.

The following anomalies were noted:-

- There were no amounts of contract sum against each supplier in the tender committee minutes.
- Two out of the three companies have the same address hence may be owned by the same individual.
- The three companies that were given the tender documents are among four companies which quoted for the same work funded by the transition authority under the county commissioner's supervision as stated in my above paragraph.
- The appointment letters for the interim tender committee was not made available.
- The name of an officer from the office of Controller of budget which is an independent office as per section 228 of the constitution of Kenya has been mentioned in most of the interim tender committee minutes as one of the committee members.
- The confidential business questionnaires for the above companies have not been filled.
- The statement for payment on account for the first phase of the renovation was on 16 April 2013 whereas the county secretary's letter requesting for further renovation was on 9 April 2013 therefore, the work for the first phase was not complete and should not have been paid for.
- There was no project progress report from the project supervisor.
- The county government had not put in place an inspection and acceptance committee this has led to either payment for services not rendered or compromised the quality of goods and services received from the suppliers.

Analysis of the bills of quantities for both phases is as follows:-

	Phase 1 Kshs.	Phase 2 Kshs.
Preliminaries	100,000	1,157,150
Renovation works	1,406,640	402,400
Plumbing and drainage works	398,200	-
Electrical works		
VAT	715,500	605,028
P.C and Provincial sum	419,225.60	2,221,875
Total	**3,039,565.60**	**4,386,453**

The P.C and Provisional sum comprises of: -		**Kshs.**
i)	Carpets and draperies	1,321,875
ii)	Complete bathroom set	250,000
iii)	Project managers stationary	50,000
iv)	NEMA EIA	100,000
v)	Contingencies	100,000
vi)	Electrical works	100,000
vii)	Toilet set complete with accessories	39,000
viii)	Wash hand basin complete with cabinets and mirrors	270,000

However, the following issues were noted:

i) The size of the carpet and draperies were not specified in the bills of quantities it was therefore not possible to verify how the amount of Kshs.1,321,875 was arrived at.

ii) An amount of Kshs.50,000 for project manager's stationery, Kshs.100,000 for NEMA, Kshs.100,000 for contingencies and Kshs.100,000 for electrical works were not accounted for. Further, an amount of Kshs.715,500 was used for electrical works in phase 1 renovation, resulting to a total of Kshs.815,500 on electrical works.

c) A contractor was paid Kshs.997,600 vide P.V.no. 190 of 26 June, 2013, cheque no. 171 of 27 June 2013 for supply of 86 SM Richimond floor carpet (red) each at Kshs.11,600 as per LPO No.1958766 of 26 June, 2013 and invoice no. 002 of 14 June, 2013 and counter receipt voucher no. 4498719 of 24 June, 2013. The procurement was done through request for quotations where only one officer opened the quotations. This payment had the following anomalies:-

(i) Two of the suppliers share the same address and the suppliers are the same who were given the tender for both phases of the governor's office renovation contrary to the procurement regulations whereby totally different batch of suppliers were to be identified.

(ii) Confidential business questionnaires were not filled by the suppliers.

(iii) The LPO was raised after the carpet was delivered an indication that there was single sourcing and that documentation was been done after transactions were over.

(iv) The governor's office was all carpeted however we could not verify whether the Kshs.2,319,475 alleged to have been used for carpeting was wholly utilized for the same.

(v) The bill of quantity was not specific on the bathroom sets. However physical verification done on 24 September 2013 revealed that there was only a toilet and no bathroom at the governor's office therefore the Kshs.250,000 allocated for bathroom set was not accounted for.

(iii) The proposed County Assembly offices

Examination of payment voucher no. 205 of Kshs.4,369,534.00 revealed that a contractor was awarded a contract for the renovation of the offices of the former defunct county council of Garissa for conversion to the county assembly chamber. However, the following anomalies were noted:-

(i) Unreferenced letter of 26 June, 2013 from the county secretary to chief finance officer clearly states the work was completed in April. However, the contract agreement for the work was signed on 5 May 2013 and then between the contractor and the county secretary on 13 June, 2013.

(ii) The interim tender committee meeting was held on 23 April 2013

(iii) There was no project progress report.

(iv) Construction of stalls at the main bus park

The county executive procured various hardware materials and paid wages to casuals amounting to Kshs.5,323,300 for the construction of stalls at the main bus park. However, there were no specifications followed when procuring the hardware materials, there was no project implementing committee and no inspection report was prepared on the project. There were no guidelines on how the casuals were obtained and no muster roll prepared for the casuals paid. The hardware materials were not taken on charge and No issue vouchers availed on the same.

(v) Irregular Procurement of Furniture and Equipments

Examination of payment vouchers and the attached supporting documents revealed the following variances:-

i) Procurement was split in to several orders. This was evidenced by payment voucher Nos. 20 of Kshs.2,410,100 No.6 of Kshs.1,294,000 No. 97 of Kshs.1,863,000 and No. 187 of Kshs.2,350,000. The payments made were mainly for furniture and the L.P.Os dates were almost all the same month and the goods were of the same nature and use.

ii) Payments were made before the delivery of goods for instance PV No.20 with L.P.O numbers 0690825, 0690826 and 0690827 and PV No.96 with invoice No.0107 was dated 25 may 2013 before the delivery note No.0103 of 14 June 2013. It was not clear why the payment vouchers were prepared before the deliveries and invoice done. The payments were prepared before the inspection of goods was done as required by Section 17 (1) Public Procurement and Disposal Regulations 2006.

iii) PV No.20 with L.P.O numbers 0690825,0690826 and 0690827 had no invoices and delivery notes. In addition the rear certificate of the same payment voucher indicated the payment was made before the delivery of the goods.

iv) The individuals who opened the quotations were the same involved in tender awarding and evaluations.

v) Inspection and acceptance committee was not put in place and therefore the goods were not inspected on delivery.

vi) Goods were not taken on charge neither issued vide counter issue voucher, further, the entity did not maintain asset register and the furniture and equipment had not be serialized, this made difficult even with the physical verification done on 13 September, 2013.

vii) Since there was no list of prequalified suppliers, the identification of contractors could not be confirmed. All the furniture and equipment were procured from suppliers outside Garissa County contravening County Procurement and Disposal Regulations 2013 which required the promotion of local industry and support socio-economic development in the counties. There were instances where the goods were delivered before the order was placed e.g. PV No.248 with L.P.O nos.1958939 and 1958937 were dated 15 June 2013 while delivery note no.336 was on 14 June 2013.the same L.P.Os were not signed by the supplier.

viii) There were various cases of pre-financing for example PV no.91 L.P.O NO.1958799 was on 7 June 2013 while the invoice no.0063 was on 27 June 13.PV no.246 L.P.O NO.1958938 was on 26 June 13 while invoice no.0352 was 15 June13, PV No.248 with L.P.O nos.1958939 and 1958937 were dated 15 June 2013 while delivery note no.336 was on 14 June 2013.

In addition, analysis of the confidential business questionnaires reveals that two companies are co- owned by two individuals telephone numbers in all invoices are the same.

It is clear that these two companies are owned by same individuals and have constantly been awarded contracts on a rational basis. This is against the principle of fairness and healthy competition.

3.6 Supply of Public Address Systems and ICT Equipments

The County Commissioner of Garissa received Kshs.2,000,000 Authority to incur expenditure (AIE) No. A672959 of 17 March, 2013, from the Transitional Authority (TA) to purchase public address systems and ICT equipments. The tender for the supply, installation and testing of public address systems and ICT equipments were opened on the 8 May, 2013 at the DC's Boardroom 10.00 but no copy of signed tender opening register of tender opening committee and bidders was seen contrary to Section 60 (5) (8) of the Public Procurement and Disposal Act, 2005 (PPDA).

The tender Documents by the three responsive bidders had no signature on them as proof they were actually opened contrary to Section 60 (7) (a – b) of the PPDA.

Three firms submitted bids. Coincidently, two of the companies share postal address. These suggest that these two companies may belong to the some owners. The opening and evaluation of these bids is not documented in the project file nor attached to the payment voucher. Therefore, it is not known how the tender was awarded.

On the 29 May, 2013 a Construction Company was paid Kshs.1,989,500 vide PV No. 1742 (Cash Book PV No 1742 dated 2 June, 2013) for the supply of public address systems and ICT equipments. This payment voucher (PV) has no sufficient supporting documents. The PV has statement for payment on account dated 27 May, 2013 from the Ministry of Public Works that did not have the list and descriptions of items supplied by the payee.

There was no inspection and acceptance minute. The PV lacks essential documents like a copy of the contract (or Local Purchase Order - LPO), Invoice, delivery Note, Counter Receipt Voucher e.t.c. The PV was not signed by the internal audit department and the district accountant.

Physical verification of the procured items confirmed the following items as having been procured on the 23 September, 2013:-

- 4 loud speakers
- 1 amplifier
- Wireless microphone (2)

The following items which were to be procured as per the A.I.E schedule were confirmed to have been delivered during the physical verification:-

- Audio Mixer
- Cabling, Cords, Tacks
- HP Desk Top (core 15 4GB, 500GB)
- Digital Records software (pinnacle 5 license)
- External Hard Disk (27B)
- 1 Tera Byte server HP (Squad core)

- Digital Recorder (Video tour)
- Digital Audio Recorder rechargeable/USB port
- 1 KVA Heavy duty UPS

Since the respective items were not given specific values the amount could not be quantified.

3.7 Other Audit Findings

(i) Irregular and Unaccounted for Fuel

During the period under review the County Executive of Garissa paid Kshs.1,895,350 for 17,000 litres of diesel. The suppliers invoiced the county before the Local Purchase Orders were formally issued going by the supporting documents on all Payment Vouchers that paid for fuel. This confirms due procurement processes were not followed in identifying this supplier.

There was no fuel register, detail orders and work tickets to confirm how the fuel was recorded, requisitioned and finally consumed formally.

Recommendations

The management should explain how the procurement, receipt and finally the consumption of 17,000 litres of diesel worth Kshs.1,895,350 were done.

The procurement unit should explain how the county was invoiced before formally issuing LPOs for the fuel. The management should account for the use of this fuel.

The management should provide inspection and accepted committee reports that procured goods, works, and services. The Public Procurement and Disposal Act, 2005 and related 2006 regulations requirements should be followed on all procurements made by the County Government. Also, Officers involved should be surcharged for not following the Public Procurement and Disposal Act and Regulations in performing their roles.

(ii) Unsupported Salary Paid

The County Treasury of Garissa paid Kshs.14,733,013 as May, 2013 and June, 2013 salary to the staff of the defunct County Council of Garissa, County Council of Ijara and the Municipal Council of Garissa.

The staffs of these Defunct Councils and Municipality were taken in by the new County Government of Garissa. Some of the senior transitional managers for the County Government of Garissa were the former chief officers of these defunct Councils. These two defunct councils and Municipality did not submit for audit their payrolls for the period July, 2012 - February, 2013.

This was the cut-off period before the transition to the County Government of Garissa. The failure for these defunct Councils to submit for audit their respective payrolls has been historical as confirmed in their previous audit certificates.

The County Government of Garissa inherited 58, 10 and 107 staffs from the County Council of Garissa, County Council of Ijara and Municipal Council of Garissa respectively. This is according to a schedule of names attached to each payment voucher that paid salary for the month of May, 2013 and June, 2013 for respective Councils. The County Treasury did not submit for audit the payrolls to support the schedule attached to each of the payments made on behalf of these defunct councils. These councils failed to include in their handing over/taking over reports their detailed lists of staffs.

Recommendations

The County Treasury should account for Kshs.14,733,013 in the form of a detailed payroll which should be backed by a detailed personnel file for each of these staffs (to confirm the accuracy of their purported salary scale).

The County Government of Garissa should instruct the former chief officers to submit the payrolls for the previous periods and the personal files of each of their staff.

(iii) Outstanding Imprests

Examination of imprest warrants and the imprest register among other records held at the county treasury of Garissa revealed that an amount of Kshs.7,888,074 was outstanding as imprest at the time of the audit. Further, the following were noted:-

(i) Individuals were issued with imprests before surrendering their previous ones

(ii) Some of the imprests were issued for reasons other than travelling contrary to Treasury circular no.AG.3/097/VOL.1V/ (34) of 7 May, 2010. There are instances where some individuals are issued two (2) imprests a day for different reasons.

(iii) There are instances where the AIE holder or head of department did not sign or authorized the imprest for example imprest warrant nos.1710099 and 1710123.

(iv) Most of the imprest holders never indicated their personal numbers.

Recommendations

Before issuing imprests ensure that the accountant in-charge of the imprest section should certify on the imprest warrant (f.o.24) that applicant does not have an outstanding imprest and that he has recorded in the imprest register the amount of imprest applied Issuance of imprest should be minimized and only restricted to travelling and accommodation.

All officers having outstanding imprest should account for the imprests and the same verified by the audit office.

County Assembly of Garissa

4.0 Procurement of Goods, Works and Services

(i) Irregular Procurement of Furniture, Stationeries and Computers

Examination of payment vouchers and other records held at the office of the Clerk Garissa County Assembly revealed the following observations:-

a) Contrary to Section 30(1) of the Public Procurement and Disposal Act 2005, the county Assembly split procurement of goods into several procurements. These was evidenced by payment voucher nos.009, 007 and 004 paid vide L.P.O no.1958945 of 19 June, 2013, L.P.O no.1958944 of 19 June 2013 and L.P.O no.1958927/28/29 of 11 June 2013. The goods were mainly office computers, photocopiers, TV sets and office stationeries which could have been procured through one order. Further, payment voucher no.006 and 005 for office furniture ordered through L.P.O no.1958926 of 11 June 2013 and L.P. no.1958930 of 12 June 2013. The goods were of the same nature so a single L.P.O. would have sufficed.

b) The opening and closing dates and times of the quotations were not indicated. The officers who opened the quotations were the same officers involved in awarding of the tenders and evaluations. The County Assembly did not maintain quotation opening register. Letters of award was not issued to the successful firm.

c) Acceptance and inspection committee & county assembly tender committee were not put in place. Further letters of appointment to the interim tender committee was not made available even after several demands were made. The receipt of the goods were not verified by the inspection and acceptance committee

d) The entity did not adhere to the first schedule of the principal regulation of class C entities which sets out thresholds for various procurement methods. This has resulted into use of inappropriate procurement method for instances where the office used request for quotations instead of open tendering.

e) Stores were not taken on charge although some stores were received with various counter receipt vouchers S13, the same was not issued with issue vouchers as required by Chapter 18.2.3 of the government financial regulations and procedures. The goods were issued to officers without inventories records and were not coded so it is difficult to trace the furniture to a particular office.

f) The entity did not maintain Asset Register; at the same time the assets procured were not labelled posing great challenge for physical verification.

(ii) Irregular Procurement of Consultancy Services

Examination of payment vouchers no.011 of 6 June 2013 and 012 of 26 June 2013 and the supporting documents revealed that the entity procured two consultancy services for training of members of assembly and recruitment of one member of the county assembly board. However, the following was noted:-

a) Proposals of the winning and the losing bids were not attached to the payment vouchers and were not maintained either, therefore, it was difficult to ascertain how the total consultancy services of Kshs.2,264,320 had been procured.

b) Tender and inspection evaluation committee minutes were not attached to the payment vouchers and were not made available for audit verification. Therefore, it was difficult to ascertain if the services were obtained through competitive bidding.

c) Attendance register to show the participants was not made available so establishing the number of Members of the County Assembly who attended the training was not possible.

d) Reports from the two consultants were not made available.

e) An amount of Kshs.1,702,100 paid to a consultancy firm included Kshs.72,000 for transport and Kshs.60,000 for car hire. No reason was offered to explain the two expenditures. The class of vehicle used for car hire was not disclosed, making it difficult to confirm the economic and cost effective use of the amount. The venue of the training was not disclosed.

f) Included in the amount for training is an amount of Kshs.10,000 shown as miscellaneous which has not been properly accounted for.

(iii) Car Hire Services and Supply of Specialized Equipments

The County Assembly issued LPO No. 0868012 on 20 of June, 2013 for car hire services to a firm at a cost of Kshs.1,700,000. The tender was awarded on the 5 April, 2013 to the firm. The invoices and the LPO used as supporting documents for this payment had no proper description of the services provided and sought respectively. The invoice does not provide a clear description of the car registration numbers. This payment voucher does not describe who actually used the car hire services, the motor vehicle logbooks and the rate per unit or per hour.

The County Assembly purchased specialized equipment for Kshs.1,925,000. These equipment as per the quotation and LPOs were fire proof cabinets (3 and 4 drawers), filling cabinets and safe. The tender committee as shown in its minutes used quotation as the mode of procurement for both Car Hire services and purchase of specialized equipment instead of open tender contrary to the threshold matrix provided in the Public procurement and disposal Act and the regulations thereon.

The assembly did not constitute tender opening and tender evaluation committees contrary to Section 7(2) of Public Procurement and Disposal Act, 2005. Hence the fairness, equitability, and transparency of this procurement cannot be confirmed. These services and equipment were not verified, reviewed, inspected and accepted by the Inspection and Acceptance Committee since the assembly had not constituted it contrary to the laws and regulations. In the absence of verification and acknowledgement by the Inspection and acceptance committee it was difficult to confirm that goods and services were actually received for public good.

The assembly paid for the transport services on the 2 August, 2013 vides Cheques No.000095 and 000096 each of Kshs.850,000. The fund was drawn from Transport Vote that had Kshs.1,000,000 overshooting the vote by Kshs.700,000. The assembly paid for the equipments vide Cheque No.000061 and 000062 of each Kshs.850,000. Documentary evidence authorizing the reallocation of funds were not made available and the source of the excess amount to cover the excess vote were not shown.

Recommendations

Goods, works or services procured should be in accordance with the Public Procurement and Disposal act 2005 and Public Procurement and Disposal Regulations 2006. Officers involved should be surcharged for not following the Public Procurement and Disposal Act and Regulations in performing their roles.

5.0 Other Audit Findings

(i) Unsupported Travelling and Subsistence Allowances

The Assembly paid travel and subsistence allowances for an induction course in Nairobi vide PV No. 002 dated 8 June 2013 (Chq No.000060) of Kshs.1,722,000 to various members of Assembly (MCA) which were not adequately supported. In all the payment vouchers examined;

- There was no evidence that the county assembly members and staff paid actually travelled out of their duty stations to qualify for travel and subsistence allowances.
- No invitation letters were produced for this training,
- The programme of training has not been made available.

Recommendations

The government financial regulations and procedures and other regulations in force should be strictly complied with.

(ii) Unsupported County Assembly Members Sitting Allowances

The Assembly paid sitting allowances of Kshs.1,087,800 vide PV No. 029 dated 28 June, 2013 to the county assembly members who sat in various committee meetings. The schedule of members attached to the PV does not indicate the dates of their respective committee sittings, and lacks signed schedule confirming daily attendance of meetings by the county assembly members.

Recommendations

The financial regulations and procedures should be adhered to.

(iii) Under Recovery of PAYE from Members of County Assembly

The County Assembly paid Allowances for the month of June, 2013, being benefits from employment, without deducting appropriate PAYE as required by the Income Tax Act Cap 470 of the Laws of Kenya. The County Assembly had eight County Assembly members including the county speaker who each earn a monthly Allowance and salary respectively of Kshs.130,680 each after deducting NSSF and NHIF. The monthly PAYE for each individual in this category was Kshs.33,076 instead of Kshs.27,925 deducted in the payroll. Hence the County Assembly members and the speaker were each under recovered by Kshs.5,151. Hence PAYE was under cast by Kshs.41,208. The Assembly also had 23 County Assembly members each earning Kshs.98,680. The monthly PAYE would have been Kshs.4,641 for each county member in this income bracket. Hence this category of members had their PAYE under cast by Kshs.106,743. In this regard PAYE was under cast by Kshs.147,951 for the month of June 2013.

Recommendations

The Assembly should recover this tax immediately from the said staff members to avoid penalties. The Assembly is advised to make arrangements to recover all PAYE Appropriately and remit the same to the Kenya Revenue Authority

Defunct County Council of Garissa

6.0 Improper Handing over to the County Government

There was no proper handing over of the former County Council of Garissa Assets and Liabilities to the Transition Authority as required by the Ministry of Local Government Circular No. MLG/1333/TY/52 of 18 February, 2013. As a result, the County Government has no records of assets and liabilities owned by the former Councils as well as other outstanding debts.

Recommendations

The Transition Authority should arrange for proper handing over of assets, liabilities and staff of the former Council to the County Government to enable the County Government have a basis of opening balances reflected in its books of account. The County Government should recall the Chief Officers of the defunct Local Authority in order to ensure that proper handing over is done.

7.0 Current Assets and Liabilities

(a) Non-Closure of Bank accounts

The council operated eleven (11) bank accounts that had balances totaling to Kshs.14,543,301 as at 28 February 2013. However, the bank accounts remained operational after 4 March 2013. The County Government did not comply with Section 28 of the County Governments Public Finance Management Transition Act, 2013. Similarly,

bank reconciliation statements were not prepared and there were unclear payments made before, during and after the transition period.

Recommendations

Transition Principal Finance Officer should ensure that reconciliation is carried out as per section 28 of the County Governments Public Finance Management Transition Act, 2013 and explanation given to establish the correct bank balances that are to be transferred to the revenue fund account.

(b) Unaccounted for Withdrawals

Examination of payment vouchers, Bank Statements, cheque book counterfoils and payment cash book of the Defunct County Council of Garissa revealed that Kshs.88,028,298 was withdrawn from the bank account on various dates. Further, the following unsatisfactory observations were made.

Payment vouchers were not authorized by the clerk and the treasurer of the Defunct Council.

i) Payment vouchers were not dated

ii) Cheque numbers were not shown on the payment vouchers

iii) Payment vouchers were not numbered

iv) Payment vouchers did not have any supporting documents explaining what was being paid

v) Some of the payment vouchers did not have amounts written on them.

vi) Payment cash book was updated up since June 2012

It was therefore difficult to confirm the propriety of Kshs.88,028,298 since the withdrawals reflected in the counterfoil cheques and Bank Statements were not supported with payment vouchers. Additionally, since the entity did not maintain the payment cash book and even main cash book it was not possible to relate and confirm the payment in the Bank Statement.

On 1 March 2013, an amount of Kshs.26,168,744 was transferred from LATF A/c no 0580295452864 to A/c no 0580560417286. However, the bank statement for the account No. 0580560417286 was not made available for audit review. Further, on 1 March 2013, Kshs.10,000,000 was transferred from the same LATF A/c with an RT 005801260713 number. However, the purpose of the expenditure could not be confirmed.

Recommendations

Officers involved should be disciplined or surcharged for not following the Public Financial Management Act, 2012 and regulations in performing their roles.
The County treasury should ensure that all expenditure are accounted for and are as per the approved estimates.

(c) Bank over Drafts

Examination of bank statements for the Garissa County council revealed that total amount of Kshs.22,200,072 had been borrowed as an overdraft as at 28 February, 2013. However, the overdrafts reduced and as at 30 June, 2013 the defunct Garissa county council had an outstanding overdraft balances of Kshs.18,865,437 in various bank accounts. The management could not provide explanation on how the overdraft was obtained. Further, the management did not provide minutes of the finance committee meetings, the full council meeting minutes, the approval from the Ministry and the agreement between the bank and the management to continuously enjoy the overdraft facility.

Recommendations

The management of the Council should provide the necessary documents to prove that the overdraft was obtained through the laid down procedures and that the management followed the due process. The County Government should avoid over-committing its resources thereby opting for expensive financial facilities to meet its obligations.

(d) Irregular Borrowing

Examination of bank statements for an account held with Equity Bank – Garissa branch for the defunct Garissa County Council revealed a loan disbursement of Kshs.5,000,000 issued on 20 May, 2013. The same account had accrued interest amounting to Kshs.167, 124 by 20 July, 2013. The loan was acquired after the entity was dissolved and became county government entity. Further, the management did not provide minutes that approved the loan, the agreements between the management and the bank, the terms and conditions of the loan and the rate of interest chargeable. Therefore, we could not establish how a loan of this magnitude was acquired after the establishment of the county government and how the same was utilized.

Recommendations

The management should explain how this loan was acquired and what necessitated it. The former management should account for the loan.

(e) Debtors

Outstanding house rent of Kshs.3,000,000 was disclosed in the handing over report. However, there were no schedules supporting the same.

Recommendations

The County Government to maintain up-to date records of debtors and ensure that measures are put in place to collect revenue from the outstanding debtors.

(f) Liabilities

i) Co-operative Bank Loan

The handing over report shows a Co-operative Bank loan of Kshs.12,000,000. However, examination of the bank statements for the account revealed that on 15 February, 2013 Kshs.20,000,000 was withdrawn and as at 14 May, 2013 the account had a debit balance of Kshs.13,640,993.11. The management did not provide minutes of the finance and full council that approved the loan. The agreements between the management and the bank, terms and conditions of the loan were also not made available.

ii) Defunct County Council Staff Outstanding Salary Arrears

The schedule of staff members showing the amount outstanding and the period for the salary arrears was not made available for audit. We could therefore not confirm the correctness or otherwise of the amount of Kshs.17,336,267.

iii) Unremitted deductions

The schedules for the individuals whose alleged deductions totaling to Kshs.13,000,000 which were not remitted was not made available for audit.

Recommendations

The County Government to maintain up-to date records of creditors with relevant supporting documents. No Creditors should be paid without properly establishing that a service/good was correctly rendered or advanced to the council/county Government.

8.0 Collection Revenue

Failure to maintain accountable documents

The Counterfoil Receipt Book revenue books and other accountable documents of the defunct county council of Garissa were not handed over nor disclosed in the handing over report. The revenue books were not made available for audit. The receipt cash book was not updated. The deposit slips, collection control sheets and general ledgers were not available. In view of the above, audit of revenue could not be carried out.

Recommendations

The County Government should always comply with the provisions of Public Financial management Act.

9.0 Fixed Assets

The report disclosed the existence of a Nissan Double Cabin Pick up whose value was disclosed as Kshs.3,000,000. However, there was no valuation report on the same. The vehicle registration number KAW 667Z was grounded at the defunct County Council offices. The work ticket was not made available for audit review. The ownership of the motor vehicle could not be confirmed since the logbook was not made available for audit and the Council did not maintain an asset register to confirm the same.

Office equipments and furniture such as computers, laptops, tables, chairs, filling cabinets, printers, sofa sets, fans, fax etc amounting to Kshs.208,863 were disclosed in the report. However, the number of the respective items and their serial numbers were not recorded. It was difficult to establish how the amount of Kshs.208,863 was arrived at as there was no valuation report on the same. There was no assets register maintained. In addition, physical verification revealed that there was 2no. TFT computers, 3no. Tables, 1no. Sofa set and 2 no. Filling cabinets in the offices. However, there was no Laptop, printers, fans or fax found.

Recommendations

The County Government of Garissa should ensure that all assets of the former County Council are recorded and secured by the Council.

10.0 Other Audit Findings

Outstanding Imprest

Imprest amounting to Kshs.2,900,000 was still outstanding as at 10 October, 2013. The imprest was owed by former councilors and officials of the defunct County Council. The imprest was not signed by the payees and the purpose of the imprest was not indicated in the imprest form. The imprest has been outstanding for a long period.

Recommendations

The outstanding imprest should be accounted for.

Defunct County Council of Ijara

11.0 Improper handing over to the County Government

There was no proper handing over of the former County Council of Ijara assets and liabilities to the Transition Authority as required by the Ministry of Local Government

circular. Although the former Clerk to the Council prepared a statement of assets and liabilities as at 28 February 2013, the handing over letter dated 7 March 2013 was only signed by the former Clerk to the Council. The Interim County Secretary taking over did not sign the letter. The statement did not set out a debt management strategy and also assumptions underlying the debt management strategy as well as an analysis of the sustainability of the actual amount of debt and potential liabilities required by the above circular.

Recommendations

The County Government should recall the Chief Officers of the defunct Local Authority in order to ensure that proper handing over is done.

12.0 Current Assets and Liabilities

(i) Cash and Bank

(a) Non-Closure of Bank accounts

The council bank accounts had balances totaling Kshs.5,417,241 as at 28 February 2013. The County Government did not comply with Section 28 of the County Governments Public Finance Management Transition Act, 2013 since none of the accounts operated by the defunct council were closed on 28 February 2013 in accordance with Transition Authority instructions. Similarly, bank reconciliation statements were not prepared and there were unclear payments made before, during and after the transition period.

Recommendations

Transition Principal Finance Officer should ensure that reconciliation is carried out as per Section 28 of the County Governments Public Finance Management Transition Act, 2013 and explanation given to establish the correct bank balances that are to be transferred to the revenue fund account.

(b) Withdrawals

Examination of GRF & LATF Bank statements for the County Council of Ijara accounts held with First Community Bank and Kenya Commercial Bank revealed that Kshs.7,045,016 was withdrawn out of the accounts after the establishment of the county government. During the time of audit, the accounts were not closed contrary to the County Governments Public Finance Management Transition Act 2013.

Recommendations

The signatories to the Bank Accounts should give reasons for failure to comply with the circular directing the closure of bank accounts by 28 February 2013. The Council should explain and account for Kshs.7,045,016 as a proper charge to public funds.

(ii) Debtors/Creditors

a) Debtors and creditors schedule made available for audit purposes revealed an amount of Kshs.28,238,719 and Kshs.7,365,702 respectively. The Council did not provide list of plot rent defaulters amounting to Kshs.23,889,595 making confirmation of the accuracy and completeness of this amount difficult. Included in the debtors balance is an amount of Kshs.768,580 relating to accrued single business permit. However single business permits cannot be accrued. In addition, the Council has accrued last disbursement of LATF which has been included in the debtors list. The amount was to be disbursed to the County Government therefore including it in the debtors list is erroneous. An amount of Kshs.650,800 relating to a contractor has been included in the debtors balance. No explanation was offered how this item qualifies to be listed under debtors.

b) Some of the amounts indicated in the schedule as creditors totaling to Kshs.1,324,000 were false as the goods and services said to have been delivered or rendered had not been delivered or rendered.

Recommendations

The County Government should maintain up-to date records of debtors/creditors with relevant supporting documents. I should also ensure that measures are put in place to collect revenue from the outstanding debtors. No Creditors should be paid without properly establishing that a service/good was correctly rendered or advanced to the council/county Government.

13.0 Fixed Assets

There was none disclosure of the following assets in the handover report:-

i) Two (2) laptops held by the council clerk and the treasurer
ii) Two Samsung Galaxy mobile phones purchased at a total cost of Kshs.100,000.

Motor vehicles, Office equipments amounting to Kshs.1,423,568 were disclosed in the report. The report disclosed the existence of a Land Rover KAN 978U valued at Kshs.950,000. However, there was no valuation report of the vehicle made available for audit. The council procured two (2) motorcycles which were not included in the report. The existence and the ownership of the Land Rover and the Motor Cycles could not be confirmed since the Land Rover was said to be in a garage in Malindi while one of the Motor cycles was not in Masalani. The work tickets for the same were not made available. The log books or transfer documents were not available to ascertain the ownership. The council did not maintain an asset register to record the same.

Recommendations

The County Government of Garissa should ensure that all assets of the former County Council are recorded and secured by the Council.

14.0 Procurement of Goods, Works and Services

(i) Irregular Procurement and Unaccounted for Assets

The council procured furniture, computers and 2 motor cycles amounting to Kshs.1,900,000. However, part payment was made for the furniture (Kshs.425,000) and computers (Kshs.400,000). The amount for the two motorcycles worth Kshs.100,000 was fully paid.

The following anomalies were noted:-

a) The council had a procurement committee comprising of the clerk, treasurer and a revenue officer who only drafted minutes of what they are procuring and the person awarded to

b) There was no inspection and acceptance committee in place

c) The number of furniture and computers were not specified

d) There were no L.P.Os, invoices for the furniture and the computers

e) Cash was used to procure the motor cycles

f) The furniture was not delivered yet cheque no.115 of Kshs.425,000 was withdrawn on 26 February, 2013 six days to the Kenya's general election

g) The specifications of the computers was not given

h) Three desk top computers were physically in the office. However, it was not possible to establish if the three were among those procured since there was no evidence provided for verification. The computers had not been coded.

i) The defunct council did not maintain fixed assets register

j) One motor cycle was physically verified while the other one was said to have been taken to Garissa by the Treasurer. However, there were no documents to prove this.

The propriety of Kshs.1,900,000 of which Kshs.1,025,000 has already been paid could not be confirmed.

Recommendations

The clerk and the treasurer should offer explanation for the payment of goods not delivered. The government financial regulations and procedures and other regulations in force should be strictly complied with.

(ii) Irregular and Unaccounted for Works and Fuel

The defunct Ijara County Council paid for the fencing of dumpsite Kshs.224,000, fencing of Ijara Primary Kshs.250,000, constructing gate walls Kshs.357,844 and fuel Kshs.454,590. However, the following anomalies were noted:-

a) The services and goods were not competitively obtained

b) There were no specifications for the fencing

c) The fencing of dumpsite was not done while the fencing of Ijara Primary and fencing of gate walls was partially done. For instance in the case of the primary school only one side was fenced with weak poles, which had collapsed by the time of audit inspection while the gate fence the Council was to purchase 1850blocks yet only 220 blocks was used.

d) The fuel was not accounted for work tickets and detail orders were not available

Therefore the propriety of the expenditure could not be confirmed.

Recommendations

The government financial regulations and procedures and other regulations in force should be strictly followed.

(iii) Unsupported Payments for Consultancy Services

The council paid a consultancy firm Kshs.2,345,000 for consultancy services at various dates on ISO 9001-2008 Certification, training needs assessments (TNA), Automation (ICT) and staff work environment, and Baseline survey – customer satisfaction.

The council did not follow the procurement rules and regulations in sourcing and subsequently verifying for payments the consultancy services. These payments lacked supporting documents such as well descriptive invoices/fee notes, a tender committee minutes, advertisements, detailed contractual agreements, verification approval for payment by the Acceptance and Inspection Committee and related study reports.

Recommendations

The County treasury should ensure that all expenditure are accounted for and are as per the approved estimates. Officers involved should be surcharged for not following the Public Procurement and Disposal Act, 2005 related 2006 and Regulations in performing their roles. Goods, works or services procured should be in accordance with the Public Procurement and Disposal act 2005 and Public procurement and disposal regulations 2006.

15.0 Other Audit Findings

(i) Unsupported Allowances

Examination of payment vouchers in respect of subsistence travel and accommodation and trainings for the defunct County Council of Ijara revealed that a payment of Kshs.1,640,960 was made without proper supporting documentations such as bus tickets and work tickets.

Recommendations

The government financial regulations and procedures and other regulations in force should be strictly complied with.

(ii) Personnel Cost

The County Council of Ijara prepared handing over report containing the names of employees to be handed over. The list contained the names of the acting county council clerk and the Ag. County treasurer who were in scale 9 and 5 respectively as per the payroll. However, the handing over report showed that the two officers were in scale 3 and 4 respectively. There was no documentary evidence to confirm the current status or to prove the promotion**.**

Defunct Municipal Council of Garissa

16.0 Improper Handing Over to the County Government

There was no proper handing over of the former Municipal Council of Garissa assets and liabilities to the Transition Authority as required by the Ministry of Local Government circular**.** Although the former Clerk to the Council prepared a statement of assets and liabilities as at 28 February 2013, the handing over letter FIN.4/15 VOl.III/103 of 17 April, 2013 was only signed by the former Clerk to the Council. The Interim County Secretary taking over did not sign the letter. The statement did not set out a debt management strategy and also assumptions underlying the debt management strategy as well as an analysis of the sustainability of the actual amount of debt and potential liabilities required by the above circular.

Recommendations

The County Government should recall the Chief Officers of the defunct Local Authority in order to ensure that proper handing over is done.

17.0 Current Assets and Liabilities

(i) Cash and Bank

(a) Failure to close Bank Accounts

The council bank accounts had debit balances totaling to Kshs.7,259,294 as at 28 February 2013. The County Government did not comply with Section 28 of the County Governments Public Finance Management Transition Act, 2013 since none of the accounts operated by the defunct council was closed on 28 February 2013 in accordance with Transition Authority instructions. Similarly, bank reconciliation statements were not prepared and there were unclear payments made before, during and after the transition period.

The handing over report showed the balance of bank account no.0580295343857 had a debit balance of Kshs.6,264,756. However, the bank statement figure was a debit balance of Kshs.6,186,975 thereby overstating the figure by Kshs.77,780. Further, the management of the defunct municipal council of Garissa did not prepare monthly bank reconciliation statements.

Recommendations

Transition Principal Finance Officer should ensure that reconciliation is carried out as per Section 28 of the County Governments Public Finance Management Transition Act, 2013 and explanation given to establish the correct bank balances that are to be transferred to the revenue fund account.

(b) Irregular withdrawals after 4 March 2013

Scrutiny of GRF & LATF Bank statements for the Municipal Council of Garissa accounts held with Equity Bank and Co-operative Bank revealed that an amount of Kshs.63,783,599 was withdrawn from these accounts after the establishment of county government. The accounts were not officially closed contrary to the County Governments Public Finance Management Transition Act 2013.

Recommendations

The chief officers of the Council should give reasons for operating the accounts beyond the authorized time.

(c) Bank over Drafts

Scrutiny of various bank statements for municipal council of Garissa revealed that a total amount of Kshs.9,860,676 was an overdraft as at 28 February, 2013. However, the overdrafts increased and as at 30 June, 2013 the defunct municipal council had an outstanding overdraft balances of Kshs.14,685,662 in various bank accounts. The management could not provide proper explanations.
Further, the management did not provide minutes of the finance committee meetings, the full council meeting minutes, the approval from the Ministry and the agreement between the bank and the management to continuously overdraw their bank accounts.

Recommendations

The County Government should avoid over-committing its resources thereby opting for expensive financial facilities to meet its obligations. The management of the Council should provide the necessary documents to prove that the overdraft was obtained through the laid down channel and that the management followed the due process.

(d) Irregular Borrowing

Examination of bank statements for bank account held with Equity Bank Garissa branch for the defunct Municipal Council of Garissa revealed a debit loan disbursement of Kshs.7,000,000. The same account had accrued interest by amounting to Kshs.264,2886 July, 2013. The loan was acquired after the entity was dissolved and the entity became a county government entity. Further, the management did not provide finance and full council minutes that approved the loan. The agreements between the management and the bank, the terms and conditions of the loan and the rate of interest chargeable were also not provided. Therefore, it was not possible to establish how a loan of this magnitude was acquired after the establishment of the county government and how the same was utilized.

Recommendations

The former management should explain how this loan was acquired and what necessitated it.

(iii) Unsupported Creditors

(i) There were various creditors stated in the handing/taking over report totalling Kshs.105,073979. However, the creditors were not supported by invoices, L.S.Os, L.P.Os etc for suppliers and supporting documents Schedules of individuals whose deductions were not remitted to LAPTRUST and provident fund was lacking.

(ii) An overdraft amounting to Kshs.9,860,676 was not included in the defunct council's creditors.

(iii) The defunct municipal council took a loan of Kshs.30,000,000 from Equity Bank as stated in the handing/taking over reports and the same was reflected in the bank statements. However, there was no council finance committee minute, full council meeting minute, approval of the Minister of Local Government. On the same note the Council did not provide agreement between the bank and the defunct Municipal Council stating the terms and condition of the loan as well as the rate of interest charged to the loan. There was no documentary evidence made available for audit purposes on how the Kshs.30,000,000 loan was applied.

Recommendations

The County Government to maintain up-to date records of creditors with relevant supporting payments. No Creditors should be paid without properly establishing that a service/good was correctly rendered or advanced to the council/county Government.

(iii) Debtors

In the handing/taking over report the debtors schedule was not supported except an amount of Kshs.73,684,581 which had a schedule of individual's names who did not pay their plot rates although the council did prepare a periodic reconciliation of the plot rates debtors. The accuracy of the figures could not be confirmed.

Recommendations

The County Government to maintain up-to date records of debtors and ensure that measures are put in place to collect revenue from the outstanding debtors.

18.0 Fixed Assets

The council did not maintain a fixed assets register furniture and computers were not included in the handing over report. Physical verification of the assets revealed that there were new furniture and computers in various offices of the Council. The furniture was said to have been donated by the Turkey government. However, there was no documentary evidence to show the source. The items donated were not revalued to give the market value of the items to be recorded in the Council records.

The motor vehicles stated in the handing/taking over reports were not valued and there was no valuation report on the assets. The Council did not disclose in the report the existence of 2 (two) refuse trailers which had no valuation report. There were no log books or other documentary evidence to show that the motor vehicles were owned by the municipal council of Garissa.

Recommendations

The County Government of Garissa should ensure that all assets of the former County Council of Ijara are recorded.

19.0 Inadequate Controls on Revenue Collection

Examination of revenue records for the period January to June, 2013 revealed the following anomalies;

a) The receipt cash book was not updated.

b) There was no collection control sheets maintained by the local authority.

c) The receipt books used to collect revenue could not be matched to the bank pay-in-slip.

d) There was no general ledger maintained.

e) There was under banking of revenue as a result of computation errors.

f) Some of the receipt books did not reflect the dates the revenue was collected. It was therefore not possible to ascertain whether the revenue was within the period under review.

g) The revenue was collected by the defunct municipal council even after it was dissolved.

h) The bank accounts were in operation and although the management stated that they have closed them in May, 2013 there was no letter instructing the banks availed for audit.

Recommendations

The government financial regulations and procedures and other regulations in force should be strictly followed in the collection and receipt of revenue.

20.0 Procurement of Goods, Works and Services

Payment for Unsupported and Irregular Goods, Works and Services

Examination of payment vouchers revealed that an amount Kshs.6,837,500 was incurred on procurement of goods, works and services by the defunct Municipal Council of Garissa. However, the following observations were made:-

a) There were no supporting documents for the expenditure

b) Deliberations of various committees of procurement were not made available.

c) There was no procurement plan prepared by the defunct Municipal Council for the period under review.
d) Tender opening minutes, awarding, evaluation minutes were not prepared

e) Award letters, acceptance and contractual agreements were not prepared and maintained

f) Payment voucher No.0050 has an invoice dated 8 January, 2013 attached indicating services of computers rendered in 2010. However, the same was not indicated as a pending bill

g) Some of invoices and the expenditure did not match

h) BQs and other tender documents were never maintained

21.0 Unsupported Consultancy Services

Examination of payment vouchers revealed that an amount of Kshs.5,020,000 was spent on procurement of consultancy and baseline survey services by the defunct Municipal Council of Garissa for the period under review. However, the following observations were made:-

i) The expenditures was not supported

ii) Request for proposals were not made and were neither attached to the payment vouchers.

iii) Reports of the baseline survey were not attached to the expenditure

iv) Deliberations of various committees of procurement were not made available

v) There were no procurement plan

vi) Tender opening minutes, awarding, evaluation minutes were not prepared

vii) Awarding letters, acceptance and contractual agreements were not maintained and were not supported with the expenditure.

viii) How the consultants were sourced could not be established since there were no competitive bidding.

Recommendations

Goods, works or services procured should be in accordance with the Public Procurement and Disposal Act 2005 and Public Procurement and Disposal Regulations 2006.

Officers involved should be surcharged for not following the public procurement and disposal Act and regulations in performing their roles.

22.0 Staff Salary and Statutory Deductions

(i) Staff salary

The council paid staff and chief officers Kshs.20,559,367 as sampled for the period 1 January, 2013 to 30 June, 2013. The vouchers paying the amounts had no supporting documents such as schedule of staff members.

(iv) Statutory deductions

The council paid Kshs.3,228,688 between 1 January, 2013 and 30 June, 2013 for NSSF contributions, cooperative bank loan deductions and KRA PAYE deductions. The payments for statutory deductions had no supporting documents attached such as names of the contributors and their respective contributions and the employer's respective contributions for the staff. The payments did not have any receipts as acknowledgement from these statutory bodies.

Recommendations

The council should provide documents to all those payments made to these statutory bodies.

23.0 Other Audit Findings

a) Unsupported Payments for Travelling and Subsistence Expenses - Kshs.456,000

The council on the 26 April, 2013, paid some county assembly members Kshs.456,000 vide cheque no.000187 and Pv no.0043 in respect of travelling and accommodation expenses. The payment was made without evidence of travel documents such as air tickets, bus tickets, motor vehicle work tickets or invitation letters for seminars/workshop attended.

Recommendations

The government financial regulations and procedures and other regulations in force should be strictly complied with.

(c) Unsupported Payments for Casuals

The council spent Kshs.6,202,736 on casual wages. The council did not produce for audit a muster roll with details or dates, names and hours worked daily rate and supervisors comment. All the payments were either not examined or authorized for payment. There

was no authority from Minister to engage the casuals. There was no proper control over engagement and payment of casuals.

Recommendations

The council is advised to seek ministerial approval before engaging casuals. The Council should also introduce and maintain up to date casuals' muster roll.

24.0 Conclusion

I wish to thank the management of Garissa County for the cooperation and assistance extended to my staff during the period of this audit assignment.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

10 June 2014