REPUBLIC OF KENYA

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS

OF

KWALE COUNTY ASSEMBLY

FOR THE PERIOD
1 JULY 2013 TO 30 JUNE 2014

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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF KWALE COUNTY ASSEMBLY FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

Introduction

The Office of the Auditor-General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution of Kenya and the Public Audit Act, 2003.

Audit Objectives

The objective of the audit was to ascertain whether the systems formulated and applied by the County Assembly were reliable for the management of the County Assembly's finances in the delivery of services to the local residents.

Terms of Reference

The terms of reference set for the audit included verification and confirmation of transactions in respect to but not limited to the following areas:

- Budgetary controls and performance
- Annual operational / activity plans
- Procurement of goods, works and services
- Allowances including travelling and accommodation expenses for both local and foreign trips
- Motor vehicle running expenses – Fuel
- Consultancy services
- Imprest and advances
- Cash and bank balances
- Sitting Allowance
- Seminars
- Travel
- Residential and Non-residential
- Human Resource Records
- IT Environment including IFMIS
- Non-Current Assets
- Debtors
- Creditors

Methodology

The approach used in carrying out the audit included the following:

- Interviews with key officers at the County Assembly;

- Review of applicable legislation and regulations;
- Assessment of internal controls;
- Examination of vouchers, cash books, vote books, bank statements, banking slips, tender and contract documents, stores records and other related records;
- Review of minutes of meetings where there were resolutions affecting management of cash;
- Review of various financial reports;
- Physical inspection/Verifications;
- Verification of the Bank Reconciliation Statements.

The audit team was faced with several constraints during the audit, including delays in retrieval of information from IFMIS. These constraints resulted in delay in concluding the audit within the planned timelines.

Key Audit Findings

1.0 Budgetary Control and Performance

1.1 Development Expenditure

Records availed for audit review indicated that the County Assembly was allocated Kshs.63,988,619 in respect of development expenditure out of which Kshs.33,515,944 was in respect of construction of buildings and the balance of Kshs.30,472,675 related to purchase of vehicles. A total expenditure of Kshs.50,000,000 was incurred in respect of construction of buildings leading to an unexplained over expenditure and reallocation of Kshs.16,484,056 in respect of this item. No procurement and expenditure records were availed for audit verification in support of the expenditure of Kshs.50,000,000. In addition, no evidence of actual construction of buildings having taken place was seen during the audit. Further, no evidence in support of the reallocation of funds from purchase of motor vehicles to construction of the buildings was availed for audit review.

1.2 Expenditure Records

Quarterly expenditure returns made available for audit review indicated that the County Assembly incurred expenditure totaling to Kshs.495,164,437. However, the IFMIS vote book status report as maintained by the County Executive on behalf of the Assembly indicated that the total expenditure was Kshs.452,661,9750. The difference of Kshs.42,502,462 between these two records had not been reconciled or explained. In addition, the General Warrant to the County Assembly Accounting Officer authorizing the expenditure vide FORMs – E from the County Executive Committee Member of Finance was not seen.

2.0 Travelling, Accommodation, Sitting and Foreign Travel

2.1 Foreign Travel

Records availed for audit review indicated that the County Assembly incurred a total of Ksh.34,866,648.00 on foreign trips by the members of County Assembly. However, evidence in respect to invitations by the host countries and respective bodies including approval of the trips undertaken or evidence of actual travelling and full programmes and itineraries including passports and clearance certificates were not availed for audit verification. The expenditure therefore does not appear to have served the interest of the County as no official feedback was provided on lessons learnt from these overseas trips. In addition, out of the total expenditure of Kshs.34,866,648 an amount of Kshs.13,575,470 had no supporting documentation in regard to the beneficiaries. Further records availed for audit review indicated that the County Assembly had an approved budget on foreign travel amounting to Kshs.29,668,000 for the year 2013/2014.

2.2 Night Out Allowance

Records availed for audit review indicated that the members of County Assembly and staff were paid a total of Kshs.1,913,500 being night out allowance while attending seminars and social event within Kwale out of which an amount of Kshs.924,000 being night out allowance for two days for thirty three (33) members of County Assembly and twenty eight members of staff of the County Assembly while attending and participating in youth ball games at Ukunda show ground. However, the function was more of social than official function and the venue was only twenty (20) kilometers from the office and therefore the payment of a night out was not justified. It is therefore not possible to confirm the authenticity of these payments.

2.3 Accommodation and Conference Expenditure

Records availed for audit indicated payments amounting to Kshs.18,499,742 in respect of accommodation, conferencing and subsistence allowance to members of County Assembly and staff were made to various hotels, facilities and individuals during the period under review. A review of these payments however revealed that there was no supporting documentation in the form of invitation letters to the participants, attendance registers and how the service providers were identified and their rates determined. In addition, the payment of subsistence allowance was not supported by schedules signed off by the participants as evidence of receiving monies. Further, the participants were paid full per diems notwithstanding the fact that they were booked at the conference facilities on a full board basis.

2.4 Sitting Allowances

Records availed for audit indicated that the County Assembly paid a total of Kshs.3,104,140 in respect of sitting allowances for extra sittings above the thirty two sittings recommended by the guidelines provided by the Salaries and Remuneration Commission. In addition, payments amounting to Kshs.6,303,696 were made in respect of sitting allowance whose supporting documents were not availed for audit review. Further, Pay As You Earn (PAYE) amounting to Kshs.4,392,058.50 in respect of committee members sitting allowances for the period May to October, 2013 was not deducted and remitted to KRA.

3.0 Cash and Bank Balances

3.1 Unaccounted Funds

Records availed for audit review indicated that total receipts in the cash book of the County Assembly amounted to Kshs.551,140,367 while the expenditure over the same period recorded in the cashbook amounted to Kshs.481,972,508.31 and outstanding bank balance of Kshs.10,585,549 resulting to unaccounted for funds amounting Kshs.58,582,309.69.

3.2 Gratuity Account

Information availed for audit review indicated that the County Assembly management transferred a total of Kshs.10,000,000 to the Gratuity Bank Account held at Equity Bank through voucher No.6/59 dated 27 June 2014. However, no authority from the CEC Members for Finance to open the gratuity bank account was made available for audit verification. In addition, no details were availed for audit verification to show how the transfer of the Kshs.10,000,000 was computed making it difficult to establish the adequacy or otherwise of balance in the gratuity account.

3.3 Bank Reconciliation

Records availed for audit review indicated that the County Assembly operated five (5) bank accounts, three (3) of them with Equity bank in respect of car and mortgage, gratuity and for development, all with total credit balance of Kshs.10,000,000 as at 30 June 2014. An imprest bank account is held with Kenya Commercial Bank while another one is maintained at Family bank with a total credit balance of Kshs.585,549 as at 30 June 2014 for car loan operations. Examination of bank statements and respective cash books revealed that only two (2) cash books, KCB Imprest account and Equity Bank, Development account were maintained though not in the prescribed government cash book format (FO.26). Cash books for the other three (3) bank accounts were not

maintained for the entire period under review. No evidence was availed to indicate the transactions of the bank accounts, since no bank reconciliation was prepared for all the bank accounts during the entire period under review.

4.0 Procurement of Goods, Works and Services

4.1 Procurement of Air Travel Services

According to information availed for audit, the County Assembly spent a total of Kshs.12,719,866 in respect of air travel. However, it was observed that the services were provided by only one travel agency because there was only one prequalified provider for supply of the air ticketing services to the County Assembly which amounted to single sourcing contrary to the Public Procurement and Disposal Act, 2012 and subsequent Procurement Regulations of 2006 and 2013.

4.2 Ward Offices Expenses

Records availed for audit review indicate that the County Assembly had paid a total of Kshs.7,893,500 to members of County Assembly in respect of rent and ward staff salaries for the nine months period ending 31 March 2014. However, no receipts in support of the expenditure or supporting documents in form of lease agreements or employees appointment letters were provided for audit review. Additionally, during the period under review, the County Assembly further paid Kshs.4,570,800 for rent and salaries for ward offices and employees.

4.3 Taxi Services

Records availed for audit review indicated that the County Assembly spent a total of Kshs.989,705 on hire of taxi services by various officers. However no evidence of the officers having been authorized to use taxi services was availed for audit review. Again, the registration numbers of the vehicles used during the various journeys were not indicated and the official duty that had to be undertaken. It is therefore not possible to confirm the authenticity of the expenditures totalling Kshs.989,654.

4.4 Procurement of Training Services

The records availed for audit review indicated that a total of Kshs.8,754,600 was spent on various training and workshops for members of County Assembly and staff. However, no supporting details were availed for audit review on how the service providers were identified, selected, price determined and awarded the contracts. In addition, no attendance registers were availed for audit verification to confirm the occurrence of the training and participation by the persons indicated. In addition, members of County Assembly were also paid full per diem amounting to Kshs.798,000 being three night outs for the period of training even though they were booked on full board basis at the hotel. In the circumstances the validity of the expenditure on training service totalling to Kshs.9,552,600 could not be ascertained.

4.5 Advance Payment for Supply of Motor Vehicles

According to the records availed for audit review, the County Assembly acquired two motor vehicles, in accordance with the Ministry of Public Works circular on supply of motor vehicles and in line with Section 32 of the Public Procurement and Disposal Act, 2005. Examination of the documents however, revealed that the County Assembly paid Kshs.6,780,000 as 50% down payment for purchase of the two vehicles which had not been delivered as at the time of audit contrary to the procurement law.

4.6 Irregular Procurement of Computers

Records availed for audit review indicate that he County Assembly acquired forty (40) laptops in the year under review at a cost of Kshs.3,000,000. However no tender committee minutes were availed for verification. It was therefore not possible to confirm whether procurement procedures were followed and whether there was competitive bidding. Additionally, no acceptance and inspection committee certificate was availed for audit verification. It was therefore not possible to verify whether the delivered laptops were as per the required specification and were in good condition. Further allocation and recipients of the laptops could not be established as there was no documentary evidence availed for audit to confirm proper distribution of the laptops.

5.0 Management of Imprest and Advances

5.1 Imprest Surrender

Records availed for audit indicated that various members of staff had outstanding imprests amounting to Kshs.1,698,250 which had remained outstanding since September 2013 contrary to the regulations governing issuance of imprests. The County Assembly members of staff were also issued with imprest amounting to Kshs.1,194,060 for the period ending 31 March 2014 for purchase of various items that should have been procured through tender or request for quotation of which the items were not properly accounted for.

5.2 Imprest Records

Records maintained and made available for audit by the County Assembly indicate that a total of Kshs.952,880 was issued during the period under review to staff as imprests and surrendered after undertaking various activities and duties. The audit revealed that the County Assembly did not use the Government approved FO.24 forms (imprest warrant) to process the issuance and surrender of the imprests. An imprest register in use during the period under audit was also not made available for verification. No record was made available of any outstanding imprests, total amount issued as imprest during the year and their respective surrenders.

6.0 Car Loans

Records availed for audit review indicated that Members of County Assembly were facilitated with loans totalling Kshs.94,430,000. Each Member of County Assembly got Kshs.3 million which was above the Salaries and Remuneration Commission recommended maximum car loan of Kshs.2 million resulting to excess payment of Kshs.32,430,000.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 May 2015

DETAILED AUDIT REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF KWALE COUNTY ASSEMBLY FOR THE PERIOD 1 JULY 2013 TO JUNE 2014

Detailed Audit Findings

1.0 Budgetary Control and Performance

1.1 Development Expenditure

Records availed for audit review indicated that the County Assembly was allocated Kshs.63,988,619.00 in respect of development expenditure out of which Kshs.33,515,944.00 was in respect of construction of buildings and the balance of Kshs.30,472,675.00 related to purchase of vehicles. A total expenditure of Kshs.50,000,000.00 was incurred in respect of construction of buildings leading to an unexplained over expenditure and reallocation of Kshs.16,484,056.00 in respect of this item. No procurement and expenditure records were availed for audit verification in support of the expenditure of Kshs.50,000,000.00. In addition, no evidence of actual construction of buildings having taken place was seen during the audit. Further, no evidence in support of the reallocation of funds from purchase of motor vehicles to construction of the buildings was availed for audit review.

1.2 Expenditure Records

Quarterly expenditure returns made available for audit review indicated that the County Assembly incurred expenditure totaling to Kshs.495,164,437.00. However, the IFMIS vote book status report as maintained by the County Executive on behalf of the Assembly indicated that the total expenditure was Kshs.452,661,975.00. The difference of Kshs.42,502,462.00 between these two records had not been reconciled or explained. In addition, the General Warrant to the County Assembly Accounting Officer authorizing the expenditure vide FORMs – E from the County Executive Committee Member of Finance was not seen. Consequently, the County Governments Public Finance Management Act, 2013 that require effective application to standard financial management while budgeting, accounting and reporting and other directives of the Transition Authority were not adhered to.

Recommendations

The management should ensure adherence to the Government Financial Regulations and Procedures. The management should also provide documents in support of the building construction expenditure amounting to Kshs.50,000,000, failure to which the respective officer is surcharged for the amount of expenditure not supported with documentary evidence.

2.0 Travelling, Accommodation, Sitting and Subsistence Allowances

2.1 Foreign Travel

Records availed for audit review indicated that the County Assembly incurred a total of Ksh.34,866,648.00 on foreign trips by the members of County Assembly as indicated below; -

Country Visited	**Amount (Kshs.)**
Rwanda	5,656,673.00
Tanzania	1,798,248.00
India	3,255,834.00
Singapore	19,948,219.00
Mauritius	4,207,697.00
Total	**34,866,648.00**

However, evidence in respect to invitations by the host countries and respective bodies including approval of the trips undertaken or evidence of actual travelling and full programmes and itineraries including passports and clearance certificates were not availed for audit verification. The expenditure therefore does not appear to have served the interest of the County as no official feedback was provided on lessons learnt from these overseas trips. In addition, out of the total expenditure of Kshs.34,866,648.00 an amount of Kshs.13,575,470 had no supporting documentation in regard to the beneficiaries. Further records availed for audit review indicated that the County Assembly had an approved budget on foreign travel amounting to Kshs.29,668,000.00 for the year 2013/2014. However, the total actual expenditure for the period amounted to Kshs.34,866,648.00 resulting to over expenditure of Kshs.5,198,648.00. No documents were availed for audit review in support of the excess expenditure in line with the Public Finance Management Act, 2012.

2.2 Night Out Allowance

Records availed for audit review indicated that the members of County Assembly and staff were paid a total of Kshs.1,913,500.00 being night out allowance while attending seminars and social event within Kwale out of which an amount of Kshs.924,000.00 being night out allowance for two days for thirty three (33) Members of County Assembly and twenty eight members of staff of the County Assembly while attending and participating in youth ball games at Ukunda show ground. However, the function was more of social than official function and the venue was only twenty (20) kilometers from the office and therefore the payment of a night out was not justified. It is therefore not possible to confirm the authenticity of these payments.

In addition, records availed for audit review indicated that forty-one persons (members of County Assembly and staff) were paid a total of Kshs.905,500.00 while attending County strategy plan. However, the participant list availed indicated only 24 members of County Assembly and staff were actually present occasioning unexplained payment to seventeen (17) people. Further the Members of the County Assembly were paid allowance for three night outs even though the function was for two nights leading to unexplained one night out allowance totaling Kshs.142,000.00. In all the above cases full per diem was paid notwithstanding the fact that the participants were booked at hotel on full board basis and therefore the participants were only entitled to quarter per diem.

Further, a payment of Kshs.46,000 was paid to an officer through voucher number 6/87 dated 24 June 2014 in respect of two (2) night out and travelling allowances while travelling to Nairobi on official duty. However, supporting evidence availed in respect of journey in form of taxi receipts for journeys to and from Mombasa airports indicate that the to and from journeys were on the same day. No explanation was provided as to why the officer was paid for two (2) nights yet it's clear he was out for only one day. In addition, no copy of air ticket and boarding pass were availed for audit verification. The authenticity of this expenditure cannot be confirmed.

Additionally, a payment of Kshs.38,000 was made through voucher number 6/27 dated 10 June 2014 in respect of two (2) night outs, one ¼ per diem and transport allowance to a member of County Assembly attending a workshop in Naivasha. However, no supporting documentations were availed for audit to proof the actual travelling and the invitation to workshop. The authenticity of this expenditure cannot be confirmed.

2.3 Accommodation and Conference Expenditure

Records availed for audit indicated payments amounting to Kshs.18,499,743 in respect of accommodation, conferencing and subsistence allowance to Members of County Assembly and staff were made to various hotels, facilities and individuals during the period under review. A review of these payments however revealed that there was no supporting documentation in the form of invitation letters to the participants, attendance registers and how the service providers were identified and their rates determined. In addition, the payment of subsistence allowance was not supported by schedules signed off by the participants as evidence of receiving monies. Further, the participants were paid full per diems notwithstanding the fact that they were booked at the conference facilities on a full board basis.

In the circumstances, it was not possible to confirm the validity of the expenditure on accommodation and conferencing facilities by the County Assembly totaling Kshs.18,499,743.

Further a service provider was paid Kshs.2,909,600.00 on accommodation for members of County Assembly, Assembly Staff and Executive staff who were attending a budget discussions workshop. However, the payment was not supported by a signed list of

participant's attendance register. Also the service provider was not in the prequalified list of suppliers for goods, works and services and evidence was not availed for audit review on how the facility was identified and the rates determined. Consequently, the authenticity of the expenditure of Kshs.2,909,600 could not be ascertained.

Further, another hotel was also paid Kshs.393,250 through payment voucher no.6/33 dated 30/06/2014 being accommodation expenses on various dates. It is not clear and the management did not explain the purpose of the accommodation and the officers accommodated in the facility. Evidence of how the hotel was identified and the rates determined was not made available for audit verification.

2.4 Sitting Allowances

Records availed for audit indicated that the County Assembly paid a total of Kshs.3,104,140.00 in respect of sitting allowances for extra sittings above the thirty two sittings recommended by the guidelines provided by the Salaries and Remuneration Commission and also as detailed below:-

PV No.	Date	Period	Amount (Kshs.)
5/29	08/05/2014	2nd to 8th May, 2014	764,660.00
5/55	16/05/2014	9th to 15th May, 2014	706,420.00
6/143	27/06/2014	20th to 27th June, 2014	807,430.00
6/190	03/07/2014	27th June to 3rd July, 2014	825,630.00
Total			**3,104,140.00**

It is not clear and management has not explained why the payments were made against the set regulations. Evidence to show that the same was recovered at any point during the period was not availed for audit verification. In addition, payments amounting to Kshs.6,303,696 were made in respect of sitting allowance whose supporting documents were not availed for audit review.

Further, Pay As You Earn (PAYE) amounting to Kshs.4,392,058.50 in respect of committee members sitting allowances for the period May to October, 2013 was not deducted and remitted to KRA as detailed below:-

Month	Monthly expenditure	PAYE @30%
May	72,000.00	21,600.00
June	1,869,000.00	560,700.00
July	2,461,100.00	738,330.00
August	4,974,985.00	1,492,495.50

September	3,107,110.00	932,133.00
October	2,156,000.00	646,800.00
Total	**14,640,195.00**	**4,392,058.50**

Recommendations

- Management should ensure that public funds are used prudently and towards the purpose for which such funds were voted for and in line with Government Financial Regulations and Procedures.

- Foreign travel should be supported by copies of passports as prove of travel and reports of what was learnt failure to which the unsupported amounts are recovered from the respective officer.

- Procurement of goods, services and works should be in line with Public Procurement and Disposal Act, 2005 and the respective procurement regulations of 2006 and 2013.

- The management should provide for audit review all the documents in support of foreign travel, night out allowance, accommodation and conference expenditure and sitting allowance, failure to which the unsupported expenditure amount is recovered from the respective officer.

- Management should operate within the law and guidelines set by the Salaries and Remuneration Commission (SRC) by ensuring that members are only paid sitting allowances according to maximum sittings per month and any excess payment is recovered from the respective member

- Management should ensure that all taxable earnings are taxed at source and such taxes remitted to KRA in accordance with the Law.

3.0 Cash and Bank Balances

3.1 Unaccounted Funds

Records availed for audit review indicated that total receipts in the cash book of the County Assembly amounted to Kshs.551,140,367 while the expenditure over the same period recorded in the cashbook amounted to Kshs.481,972,508.31 and outstanding bank balance of Kshs.10,585,549 resulting to unaccounted for funds amounting Kshs.58,582,309.69 as detailed below: -

Cashbook	Amount (Kshs.)		
	Receipts (B/S)	**Payments (CB)**	**Unaccounted for Funds**
KCB	418,032,552.00	364,832,350.21	53,200,201.79
Equity	133,369,815.00	117,140,158.10	16,229,656.90
Total Receipts for the period	**551,140,367.00**	**481,972,508.31**	**69,429,858.69**
Less: KCB bank balance			585,549.00
Gratuity bank account balance			10,000,000.00
Total funds unaccounted for the period			**58,582,309.69**

In the circumstances, it was not possible to ascertain the completeness and accuracy of cash and bank balance of Kshs.10,585,545 as at 30 June 2014 and when Kshs.58,582,309 will be accounted for.

3.2 Account

Information availed for audit review indicated that the County Assembly management transferred a total of Kshs.10,000,000 to the Gratuity Bank Account held at Equity Bank through voucher No.6/59 dated 27 June 2014. However, no authority from the CEC Members for Finance to open the gratuity bank account was made available for audit verification. In addition, no details were availed for audit verification to show how the transfer of the Kshs.10,000,000 was computed making it difficult to establish the adequacy or otherwise of balance in the gratuity account.

In the circumstances, it was not possible to establish the accuracy and validity of the gratuity account balance of Kshs.10,000,000 as at 30 June 2014.

3.3 Bank reconciliation

In the circumstances, the validity and completeness of transactions carried out through bank accounts could not be confirmed as at 30 June 2014.

Recommendations

- The management should ensure that cash books are maintained and bank reconciliation statements prepared on a monthly basis and verified by a senior officer in line with Government Financial Regulations and Procedures.

- Bank reconciliation statements should be availed by the management for audit review to explain how the amount of Kshs.58,582,309.69 was accounted for.

- The management should work out the total gratuity payment due and payable and transfer the amount to the gratuity account based on the recommended rates and the same availed for audit review, failure to which the respective officer is held accountable for any loss arising thereon.

4.0 Procurement of Goods, Works and Services

4.1 Procurement of Air Travel Services

Records availed for audit review indicated that a private firm was single sourced and paid a total of Kshs.12,719,866.00 for provision of air ticketing services for the County Assembly during the period under review as indicated below: -

PV No.	Date	Amount (Kshs.)
4/29	03/04/2014	4,207,674.00
5/117	29/05/2014	571,857.00
6/63	17/06/2014	5,000,000.00
6/106	30/06/2014	2,940,335.00
Total		**12,719,866.00**

Three of the procurements made for air travel were above threshold of Kshs.2,000,000 and therefore required to be done through open tender. Further there was no evidence of actual travelling in the form of boarding passes or e-travel reports made available for audit verification. In addition no evidence was availed for audit examination to confirm the purposes and the nature of travelling.

Recommendations

The management should adhere to the provisions of the Public Procurement and Disposal Act, 2005, Procurement Regulations, 2006 and 2013. Documentary evidence in respect to the purpose and nature of travelling and document in support of the travel should be availed for audit review, failure to which the unsupported amounts are recovered from the respective officers' payroll. Further investigation need to be done on the procurement process and the officer responsible for the flowed procurement process should be held accountable for the resulting loss for the process not subjected to competition.

4.2 Ward Office Expenses

Records availed for audit review indicate that the County Assembly had paid a total of Kshs.7,893,500 to members of County Assembly in respect of rent and ward staff salaries for the nine months period ending 31 March 2014. However, no receipts in support of the expenditure or supporting documents in form of lease agreements or employees appointment letters were provided for audit review. Additionally, during the

period under review, the County Assembly further paid Kshs.4,570,800 on rent for twenty (20) ward offices and salaries for ward employees. Lease agreements in support of the ward offices and contract agreements and copies of letter of appointments for the ward employees were not made available for audit verification. The authenticity of this expenditure cannot be ascertained.

In the circumstances, the propriety of the expenditure totalling Kshs.12,463,300 could not be confirmed.

Recommendations

The management should ensure that documentary evidence in support of Kshs.12,463,300 is availed for audit review, failure to which the responsible officer is surcharged for the expenditure amount not supported. The management should also ensure that expenditure is incurred in accordance with the approved budget and that provisions of the County Government Act, 2012 relating to establishment of public offices are adhered to.

4.3 Taxi Services

Records availed for audit review indicated that the County Assembly spent a total of Kshs.989,705 on hire of taxi services by various officers. However no evidence of the officers having been authorized to use taxi services was availed for audit review. Again, the registration numbers of the vehicles used during the various journeys were not indicated and the official duty that had to be undertaken. It is therefore not possible to confirm the authenticity of the expenditures totalling Kshs.989,654. The County Assembly's policy on hire of taxi service was not made available for audit verification.

Recommendations

The management should ensure that all expenditures are incurred in accordance with the provisions of the Public Finance Management Act, 2012 and that public finances are managed prudently as set out in the Public Finance Management Act, 2012, failure to which the unsupported and unapproved expenditure is recovered from the responsible officer.

4.4 Procurement of Training Services

The records availed for audit review indicated that a total of Kshs.8,754,600 was spent on various training and workshops for Members of County Assembly and staff. However, no supporting details were availed for audit review on how the service providers were identified, selected, price determined and awarded the contracts. In addition, no attendance registers were availed for audit verification to confirm the occurrence of the training and participation by the persons indicated. In addition, Members of County Assembly were also paid full per diem amounting to Kshs.798,000 being three night outs for the period of training even though they were booked on full

board basis at the hotel. In the circumstances the validity of the expenditure on training service totalling to Kshs.9,552,600 could not be ascertained.

Recommendations

The management should ensure that all procurement of goods and services is done in line with Public Procurement and Disposal Act 2005 and the related regulations. Further the excess payment in respect of the per diem during the training should be recovered from the concerned Members of the County Assembly.
The management should also avail for audit review all documents in support of the procurement process and payments, failure to which the responsible officer is surcharged for any amount not duly supported.

4.5 Advance Payment for Supply of Motor Vehicles

According to the records availed for audit review, the County Assembly acquired two motor vehicles, as indicated below, in accordance with the Ministry of Public Works circular on supply of motor vehicles and in line with Section 32 of the Public Procurement and Disposal Act, 2005.

Make	Registration No.	Supplier	Invoice No.	Amount (Ksh)
Toyota Prado	KBW 846V	Toyota Kenya	1089	10,965,680
Toyota Corolla	KBW 844V	Toyota Kenya	1088	2,854,368

Examination of the documents however, revealed that the County Assembly paid Kshs.6,780,000 as 50% down payment for purchase of the two vehicles which had not been delivered as at the time of audit contrary to the procurement law.

Recommendations

The management should ensure adherence to the provisions of Public Procurement and Disposal Act, 2005 and Procurement Regulations, 2006 and 2013. The management should make a follow up and ensure that the supplier delivers the vehicles for use by the County Assembly.

4.6 Irregular Procurement of Computers

Records availed for audit review indicate that he County Assembly acquired forty (40) laptops in the year under review at a cost of Kshs.3,000,000. However no tender committee minutes were availed for verification. It was therefore not possible to confirm whether procurement procedures were followed and whether there was competitive bidding. Additionally, no acceptance and inspection committee certificate was availed for

audit verification. It was therefore not possible to verify whether the delivered laptops were as per the required specification and were in good condition. Further allocation and recipients of the laptops could not be established as there was no documentary evidence availed for audit to confirm proper distribution of the laptops.

Recommendations

The management should ensure adherence to the provisions of Public Procurement and Disposal Act, 2005 and Procurement Regulations, 2006 and 2013. Further the management should ensure that documentary evidence in support of the procurement process and beneficiaries is availed for audit review failure to which the responsible officer is surcharged for the unsupported amount of laptops.

5.0 Management of Imprest and Advances

5.1 Imprest Surrender

Records availed for audit indicated that various members of staff had outstanding imprests amounting to Kshs. 1,698,250 which had remained outstanding since September 2013 contrary to the regulations governing issuance of imprests. The County Assembly members of staff were also issued with imprest amounting to Kshs.1,194,060 for the period ending 31 March 2014 for purchase of various items that should have been procured through tender or request for quotation of which the items were not properly accounted for.

5.2 Imprest Records

Records maintained and made available for audit by the County Assembly indicate that a total of Kshs.952,880 was issued during the period under review to staff as imprests and surrendered after undertaking various activities and duties. The audit revealed that the County Assembly did not use the Government approved FO.24 forms (imprest warrant) to process the issuance and surrender of the imprests. An imprest register in use during the period under audit was also not made available for verification. No record was made available of any outstanding imprests, total amount issued as imprest during the year and their respective surrenders. The accuracy of the Kshs.952,847 expenditure on imprest and surrenders could not be established and indeed the actual amount of imprest outstanding issued during the year under review.

Recommendations

The management should ensure Government Financial Regulations and Procedures relating to issuance and surrender of imprest are adhered to and which require among others, proper records be maintained, imprest be surrendered within 48 hours after completion of official duties and no additional imprest is issued before previous ones are surrendered. Imprest should only be used where activities being financed cannot be paid

for through the cash office or bank. Use of imprest for procurement of goods, works and services is contrary to the law.

6.0 Car Loans

Records availed for audit review indicated that Members of County Assembly were facilitated with loans totalling Kshs.94,430,000. Each Member of County Assembly got Kshs.3 million which was above the Salaries and Remuneration Commission recommended maximum car loan of Kshs.2 million resulting to excess payment of Kshs.32,430,000. Further, it was noted that the disbursed amount of Kshs.94,430,000 exceeded the budgeted amount of Kshs.80,000,000 resulting to excess expenditure of Kshs.14,430,000.

Recommendations

The management should ensure that the provision contained in the Salaries and Remuneration Commission's Circular No.SRC/TX/CGOVT/16 on loan facility is complied with. Further any excess payment on the loan facility should be recovered from the members' payroll.

Conclusion

The forgoing observations are an indication of weak internal controls which affect the Assembly's fiscal management of public funds.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 May 2015