REPUBLIC OF KENYA

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF TRANS NZOIA COUNTY ASSEMBLY

FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

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

EXECUTIVE SUMMARY

Introduction

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 and the Public Audit Act, 2003. Further, the Constitution of Kenya and Section 107 of the Public Finance Management Act, 2012 require the County Treasury to enforce fiscal responsibility principles in the management of the County Government's public finances.

Audit Objectives

The objectives of the audit was to ensure existence of internal controls for proper accountability of public resources, confirm that procurement of goods, works and services is done in accordance with the Public Procurement and Disposal Act, 2005 and related regulations, and that public funds have been utilized effectively and in accordance with the law.

Audit Scope and Terms of Reference

The terms of reference set for the audit include 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 local and foreign trips.
- Motor vehicle running expenses
- Consultancy services
- Imprests and advances
- Cash and bank balances
- Human Resource Records
- IT Environment
- Non-current assets
- Debtors
- Creditor

Audit Findings

1. Payment of Sitting Allowances to Members of County Assembly Service Board (CASB)

Records availed for audit review indicated that members of CASB were irregularly paid sitting allowances totalling to Kshs.3,868,800 during the months of April, 2014 to June 2014. The allowances were calculated on the basis of 32 sittings per month contrary to Salaries and Remuneration Commission circular ref. No. SRC/TS/CGOVT/3/53 which set a maximum of 8 sittings per month. In addition, included in the amount of Kshs.3,868,800 is an irregular payment of Kshs.672,000 to a co-opted finance officer who according to County Government Act, 2012 is not a CASB member.

Further, records availed for audit review indicated that payments in respect of sitting allowance totalling to Kshs.2,782,680 to members of CASB between January 2014 and April 2014 were not supported by attendance registers and minutes of the Committee meetings.

In the circumstances, the propriety of the allowances totalling Kshs.6,651,480 paid to County Assembly Service Board could not be ascertained.

2. Foreign Travel and Subsistence Allowance

Records availed for audit review indicated that an amount of Kshs.14,951,984 was paid to members of County Assembly (MCAs) and two other officers of the County Government in form of foreign travel per diems and subsistence allowance for 12 days educational tour to Rwanda in the month of January 2014. Included in expense of Kshs.14,951,984 is an extra amount of Kshs.20,844 explained to be for water and joint lunches for MCAs which is against the government financial regulations and procedures pertaining to foreign travel per diems.

Further, the payment documents availed for audit were not supported by copies of stamped passports to confirm that the members of the County Assembly travelled to Rwanda. Also, the training programmes while in Rwanda and reports of what was learnt were not availed for audit verification and it was not clear whether the same was tabled in the County Assembly as required by the standing orders.

3. County Ward Offices Expenditure

Records provided for audit review indicated that during the year, amount totalling Kshs.19,000,000 was transferred to 25 wards under the management of members of the County Assembly. Based on the County Assembly Select Committee on Budget and Appropriation meeting of 30 August, 2013, a resolution was passed which allocated each Ward Kshs.560,000 for office rent and operation costs, and another Kshs.200,000 per ward for purchase of furniture.

In addition, the Clerk of the County Assembly authorized the opening of bank accounts at Co-operative Bank Kitale per every ward. According to a letter written to

a Co-operative Bank Manager on 25 March 2014 each ward bank account was credited with Kshs.560,000 and the balance of Kshs.200,000 was issued to each member of County Assembly in form of temporary imprest for acquisition of furniture. The procurement procedures followed in purchase of the furniture and in identification of rental offices were not disclosed for audit verification and no single documents pertaining to the opening and operation of the 25 bank accounts were provided.

The management also failed to provide evidence on how the opening of ward offices was done in compliance with the provisions of the County Government Act, 2012 and it was not clear whether the approval of the Budget Controller was sought in allocation of the expenditure of Kshs.19,000,000.

Consequently, it has not been possible to confirm how the funds have been utilized and therefore the propriety of the total Wards expenditure of Kshs.19,000,000 is doubtful.

4. Training Expenses

A review of expenditures for the year relating to training revealed that payments totalling Kshs.5,062,092 were made to various consultancy firms and Institutions in respect of training for Members of County Assembly and staff.

However, the payments were not supported by service orders and details of those to be trained or already trained. In addition, it was not clear and the management has not explained how the consultancy firms were identified, selected and their fees determined. Consequently, the propriety of the training expenses of Kshs.5,062,920 could not be confirmed.

5. Pay As You Earn (PAYE)

A review of the documents availed for audit showed that the County Assembly failed to deduct and remit indicated PAYEs totalling Kshs.2,112,600 and Kshs.248,400 corporate taxes to Kenya Revenue Authority (KRA) on sitting allowances for both members of County Assembly (MCAs) and members of County Assembly Service Board (CASB) respectively contrary to PAYE regulations.

6. Irregular Cashing of Cheque

Audit review of payment records and the cash book showed that a payment of Kshs.2,000,000 was made to the Speaker of County Assembly in respect of night outs and transport for MCAs while attending an Induction and Capacity Development Workshop at a hotel in Eldoret on 19 and 20 December 2013. However, the payment voucher did not have the necessary details including Vote, expenditure head, Item and the same was not fully signed and authorised as required.

In addition, according to the workshop programme, the event was for one day excluding two travelling days and no reason has been given for paying for four night outs. Further according to the bank statement the cheque for Kshs 2,000,000 was cashed by a Mr. David K. Sifuma while the same was recorded as Kshs.200,000 in the cashbook. No reason has been provided for the difference arising between the

two records and why the cheque was not cashed by the cashier as demanded by the Government Financial Regulations.

The report of the workshop was not provided for audit review and there is no evidence that the same was laid before the County Assembly as required by the House Standing Orders.

Consequently, the propriety of the expenditure of Kshs.2,000,000 cannot be confirmed.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

22 May 2015

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

Detailed Audit Findings

1. Payment of Sitting Allowances to Members of County Assembly Service Board (CASB)

Records availed for audit review indicated that members of CASB were irregularly paid sitting allowances totalling to Kshs.3,868,800 during the months of April, 2014 to June 2014. The allowances were for 32 sittings per month contrary to the circular Ref. No. SRC/TS/CGOVT/3/53 from the Salaries and Remuneration Commission which set a maximum of 8 sittings per month. In addition, the amount of Kshs.3,868,800 also included an irregular payment of Kshs.672,000 to a co-opted finance officer who according to County Government Act, 2012 is not supposed to be a CASB member.

Further, records availed for audit review indicated that payments in respect of sitting allowance totalling to Kshs.2,782,680 made to members of CASB between January 2014 and April 2014 were not supported by attendance registers and minutes of the Committee meetings.

In the circumstances, the propriety of the allowances totalling Kshs.6,651,480 paid to County Assembly Service Board could not be ascertained.

Recommendation

Management should operate within the law and guidelines set by the Salaries and Remuneration Commission (SRC) by ensuring that CASB members are only paid sitting allowances according to set maximum of 8 sittings per month and that proper attendance register for committee sittings is also in place and supported by respective minutes. Further, the irregularly paid allowances amounting to Kshs.3,868,800 should be recovered from the members of the Board and staff.

2. Foreign Travel and Subsistence Allowance

Records availed for audit review indicated that an amount of Kshs.14,951,984 was paid to members of County Assembly (MCAs), two members of the County Assembly Service Board and eighteen(18) staff of the County Assembly in form of foreign travel per diems and subsistence allowance for 12 days educational tour to Rwanda during the month of January 2014. Included in the expense of Kshs.14,951,984 is an extra amount of Kshs.20,844 explained to be for water and joint lunches for MCAs which is against the government financial regulations and procedures pertaining to foreign travel per diems.

Further, the payment documents availed for audit were not supported by copies of stamped passports to confirm that the members of the County Assembly travelled to Rwanda. Also, the training programmes while in Rwanda and reports of what was learnt were not availed for audit verification and it was not clear whether the same was tabled in the County Assembly as required by the standing orders.

Recommendation

The management should ensure that public funds are used prudently and towards the purpose for which such funds were voted for. Further, foreign travel should be supported by copies of stamped passports as prove of travel and reports of what was learnt laid before the house as required by house standing orders. Further, educational tours should be tailored for each specific groups and not all MCAs and staff as was the case.

In addition, management should adhere to the regulations governing issuance of imprests whereby officers travelling outside their duty station are issued with individual imprests which they should account for on return from such tours and provide the necessary supporting documents such as copies of stamped passports, motor vehicle work tickets and boarding passes where air transport is used.

The expenditure of Kshs.20,844 said to be in respect of refreshments and common meals should be recovered from the imprest holder. Further all the officers who travelled should fully account for their imprest by providing all the necessary supporting documents failure to which the same is recovered from their salaries.

3. County Ward Offices Expenditure

Records provided for audit review indicated that during the year, amounts totalling Kshs.19,000,000 was transferred to 25 wards under the management of members of the County Assembly. Based on the County Assembly Select Committee on Budget and Appropriation meeting of 30 August, 2013, a resolution was passed which allocated each Ward Kshs.560,000 for office rent and operation costs, and another Kshs.200,000 per ward for purchase of furniture.

In addition, the Clerk of the County Assembly authorized the opening of bank accounts at Co-operative Bank Kitale per every ward. According to a letter written to a Co-operative Bank Manager on 25 March 2014, each ward bank account was credited with Kshs.560,000 and the balance of Kshs.200,000 was issued to each member of County Assembly in form of temporary imprest for acquisition of furniture. The procurement procedures followed in purchase of the furniture and in identification of rental offices were not disclosed for audit verification and no single documents pertaining to the opening and operation of the 25 bank accounts were provided.

The management also failed to provide evidence on how the opening of ward offices was done in compliance with the provisions of the County Government Act, 2012 and it was not clear whether the approval of the Budget Controller was sought in

allocation of the expenditure of Kshs.19,000,000. Consequently, it has not been possible to confirm how the funds have been utilized and therefore the propriety of the total Wards expenditure of Kshs.19,000,000 is doubtful.

Recommendation

The Management should ensure that expenditures are in accordance with the approved budget and that establishment of public offices and employment of staff to ward offices is done in accordance with the provisions of the County Government Act, 2012 and the regulations governing appointment and promotion of staff.

4. Training Expenses

A review of expenditure for the year relating to training revealed that payments totalling Kshs.5,062,920 were made to various consultancy firms and Institutions in respect of training Members of County Assembly and staff.

However, the payments were not supported by service orders and details of those to be trained or already trained. In addition, it was not clear and the management has not explained how the consultancy firms were identified, selected and their fees determined. Consequently, the propriety of the training expenses of Kshs.5,062,920 could not be confirmed.

Recommendation

Management should ensure that procurement of goods and services is done in accordance with the provisions of the Public Procurement and Disposal Act, 2005 and Regulations of 2006 and 2013. In addition, all payments should be properly and adequately supported as required by the Government Financial Regulations and Procedures.

5. Pay As You Earn (PAYE)

A review of the documents availed for audit showed that the County Assembly failed to deduct and remit indicated PAYEs totalling Kshs.2,112,600 and Kshs.248,400 corporate taxes to Kenya Revenue Authority (KRA) on sitting allowances for both members of County Assembly (MCAs) and members of County Assembly Service Board (CASB) respectively contrary to PAYE regulations.

Recommendation

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

6. Irregular Cashing of Cheque

A review of the cash book and the bank statements showed that a payment of Kshs.2,000,00 was made to Hon. David K. Sifuna vide payment voucher No.159 and cheque No.000182 on 11 December 2013. The payment was said to be in respect of four night outs and transport for MCAs while attending an Induction and Capacity Development Workshop at Wagon Wheel Hotel in Eldoret on 19 and 20 December 2013. However, the payment voucher did not have the necessary details including Vote, expenditure head, Item and the same was not fully signed and authorised as required.

In addition, according to the workshop programme, the event was for one day excluding two travelling days and no reason has been given for paying for four night outs. Further according to the bank statement, cheque No.000182 for Kshs.2,000,000 was cashed by a Mr David K. Sifuma while the same was recorded as Kshs.200,000 in the cashbook. No reason has been provided for the difference arising between the two records and why the cheque was not cashed by an authorised officer and the same surrendered to the cashier as required in Section 5.9.5 of the Government Financial Regulations and Procedures.

The report of the workshop was not provided for audit review and there is no evidence that the same was laid before the County Assembly as required by the House Standing Orders.

Consequently, the propriety of the expenditure of Kshs.2,000,000 cannot be confirmed.

Recommendation

The management should ensure that officers travelling outside their duty station are issued with individual imprests which they should account for on return to duty station in line with the Government Financial Regulations and Procedures governing imprests.

Management should also ensure that payments are properly and adequately supported, examined authorized and approved before they are paid as required by the regulations. In addition, cashment of cheques on behalf of the County Assembly should be done by authorized persons only.

In addition, since the workshop was for one day, the members should be entitled to two night outs instead of the four paid. An amount of Kshs.836,000 should therefore be recovered from members, the speaker and two staff of the County Assembly for the two extra night outs. Also the transport allowance should be paid in accordance with the guidelines governing mileage reimbursement and any overpayment be recovered from the members.

Conclusion

The County Assembly should address the anomalies noted in order to ensure effective delivery of services to the people of Trans Nzoia County. Laid down Government procedures and processes should be adhered to ensure public resources are only utilized for purposes for which they were intended.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

22 May 2015