REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF GARISSA

FOR THE PERIOD
1 JULY 2014 TO 30 JUNE 2015

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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF GARISSA FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

EXECUTIVE SUMMARY

Background information

The Constitution of Kenya, 2010 under Article 176, created County Governments which consist of the County Assembly and the County Executive. The County Assembly is the legislative arm of the County Government and consists of the speaker and members of the County Assembly.

Introduction

The financial operations of County Assembly of Garissa are subject to audit by the Auditor-General in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003.

Terms of Reference

The office of the Auditor-General is an independent office mandated by the Constitution under Article 229 to audit the accounts of the National and County Government. In this regard, the office planned management and financial operations audit of the County Assembly of Garissa for the period 1 July 2014 to 30 June 2015.
The audit was carried out in October, 2015 and was designed but was not limited to the following areas:-

a) Budget Control and Performance
b) Annual Operations/Activity Plans
c) Procurement of Goods, Works and Services
d) Allowances including Travelling and Accommodation Expenses for Local and Foreign trips
e) Motor Vehicle Running Expenses-Fuel
f) Consultancy Services
g) Imprests and Advances Management
h) Cash and Bank Balances
i) Human Resource Records
j) IT Environment
k) Non-Current Assets

Scope and Determination of Responsibilities

Methodology of the audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). These standards require that the audit is planned and performed so as to obtain reasonable evidence that, in all

material respects, expenditure incurred is fairly stated and all financial transactions recorded. Therefore, the matters mentioned in this report are those that were identified through tests considered necessary for the purpose of achieving the audit objectives. For this reason, it is possible that there might be other matters and/or weaknesses that were not identified.

The formulation and maintenance of effective control measures and compliance with laws and regulations is the responsibility of the management. Our responsibility is to report on the weaknesses and non-compliance with laws and regulations identified in the course of the audit.

Key Audit Findings

1.0 Quarterly Report

County Assembly of Garissa did not prepare and submit to the County Treasury quarterly reports as required by the Section 166(1) of the Public Finance Management Act, 2012.

2.0 Expenditure

2.1 Un-vouched Expenditure

Audit scrutiny of recurrent cash books revealed that expenditure amounting to Ksh.42,451,057 consisting of Ksh.20,817,480 for First Community Bank cash book and Ksh.21,633,5776 for Kenya Commercial Bank cash book were paid to various payees and has not been supported by adequate documentary evidence such as payment vouchers and other related records.

In the absence of the payment vouchers and supporting documents, it has not been possible to ascertain the propriety of the expenditure amounting to Kshs.42,451,057.

2.2 Unsupported Mileage Claims

Examination of payment vouchers and other records maintained at County Assembly of Garissa revealed that Kshs.21,424,175.72 was spent on paying the MCA's mileage allowances during the financial year under review.

However, the payments were supported with incomplete records which lacked the vehicles registrations numbers, make, rating capacity (CC), temporary work tickets and the number of kilometers covered during MCAs visits to their wards. This is contrary to Salaries and Remuneration Commission circular Ref.SRC/TS/CGOVT/3/16 of 27 November 2013.

In the circumstances the audit was unable to ascertain whether the MCAs made the trips to their wards as claimed.

2.3 Transfer of Funds to Ward Offices

Examination of payment vouchers and other records maintained at County Assembly of Garissa revealed that Kshs.12,940,539 was paid to MCAs ward fund account to cater for staff salaries, office rent and other expenses in the ward offices for the period ranging from October, 2014 to 31 March, 2015.

However it was observed that ward offices did not maintain cash books, muster rolls to confirm daily attendance of the staff, staff payrolls maintained were not approved by the board before salaries were paid out as required by the regulations and also there was no evidence to show that statutory deductions made from the worker's salaries were remitted to the relevant bodies.

Further, it was noted that the County Assembly did not engage the department of Health, Public Works and Lands to inspect, verify and assess the value of offices before they rented them and no documentary evidence was availed to show that there existed lease agreements between the owners of the rented premises and the representative of the wards offices.

In view of the above the ward fund for Kshs.12,940,539 remains unaccounted for.

2.4 Unaccounted for Stores

During the year under review, the County Assembly of Garissa purchased various stores worth Kshs.6,028,159. However, the stores do not appear to have been taken on charge and entered in the respective stores ledger and other related records. Further, it was observed that some stores were directly procured instead of competitive sourcing. This is contrary to Chapter 18.2 /18.3 and Section 17.14.6.2 of the Government Financial Regulation and Procedures.

Consequently, it has not been possible to confirm whether or not the goods were recorded or properly accounted for.

2.5 Unsupported Travel and Accommodation Allowances (Local Trips)

Examination of payment vouchers and other supporting document revealed that the County Assembly of Garissa incurred an expenditure of Kshs.3,523,602 on travel and subsistence allowance for the financial year 2014/2015.
However, the payments were not supported with bus tickets or work tickets as evidence of travel, no invitation letters, payment schedules were not signed and where signed they were only signed by one person.

The management did not follow the Government Financial Regulation Chapter 5.5.14 (C) in payment of the Accommodation allowance.

Consequently, the payment for the subsistence allowances was not justified.

2.6 Unsupported Catering and Meal Allowances

The County Assembly of Garissa paid meal allowances totaling to Kshs.1,288,000 and catering expenses amounting to Kshs.1,394,255 respectively during the financial year under review. It was however, noted that some of the duties for which the officers were paid to perform at lunch hour and evening were the same as those that fall under their substantive appointments and should have been performed during the normal working time. Also the days and hours worked have not been indicated and certified by a senior officer to the effect that the officers actually worked.

Further, it was noted that the catering expenses were not supported with schedules of the officers whom the services were rendered to and there was no documentary evidence to show that the services were procured competitively.

In the absence of documents and other records, it has not been possible to confirm that the amount constituted a proper charge against public funds.

2.7 Legal Services

Examination of payment records maintained at the County Assembly disclosed that an amount of Kshs.2,007,800 was paid to a Law Firm through payment voucher no.026 dated 19/12/2014 as legal fee for judicial review case no.11 of 2014. However, relevant documentary evidence to support this payment including casefile and contract agreement between the County Assembly of Garissa and the Law firm were not made available for audit review.

In the circumstances, it has not been possible to establish how the law firm was identified, its terms of engagement and how the legal fees were arrived at.

2.8 Payment of Sitting Allowance

Examination of expenditure records relating to allowances disclosed that Kshs.3,247,400 was incurred in respect of sitting allowances for members of County Assembly during the year ended 30 June, 2015.

However, the payment schedules supporting the payment vouchers lacked paying officers' names and signatures, minutes of the committee sittings were neither attached to the payment vouchers nor made available for audit.

Further, it was observed that the meeting attendance lists availed for audits were not dated and most of them were only signed by the chairmen making them doubtful.

3. Audit Committee/Internal Audit

The County Assembly of Garissa does not have an Auditee Committee and therefore the internal Audit Department reports to the management. This makes the internal Audit Department weak and ineffective to perform as an internal control tool for governance.

4. Asset Register

During the financial year under review, the County Government of Garissa financial statement reflected fixed assets worth Kshs.2,991,281,137 as at 30 June 2015 which also included all the assets of the County Assembly of Garissa. However, no Fixed Assets register was maintained by the Assembly and therefore it was difficult to verify the completeness, ownership and valuation of the asset held by the Assembly.

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

05 September 2016

DETAILED REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF GARISSA FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

DETAILED AUDIT FINDINGS

1.0 Quarterly Report

County Assembly of Garissa did not prepare and submit to the County Treasury quarterly reports as required by the Section 166(1) of the Public Finance Management Act, 2012.

Recommendation

Management should prepare quarterly reports as required by the regulations.

2.0 Expenditure

2.1 Unvouched Expenditure

Audit scrutiny of recurrent cash books revealed that expenditure amounting to Kshs.42,451,057 consisting of Kshs.20,817,480 for First Community Bank cash book and Kshs.21,633,5776 for Kenya Commercial Bank cash book were paid to various payees and has not been supported by adequate documentary evidence such as payment vouchers and other related records.

In the absence of the payment vouchers and supporting documents, it has not been possible to ascertain the propriety of the expenditure amounting to Kshs.42,451,057.

Recommendation

It is recommended that County Assembly Management to make sure that all payments should be fully supported with duly authorized documents and the payment vouchers and other records should be made available for audit.

2.2 Unsupported Mileage Claims

Examination of payment vouchers and other records maintained at County Assembly of Garissa revealed that Kshs.21,424,175.72 was spent on paying the MCA's mileage allowances during the financial year under review. However, the payments were supported with incomplete records which lacked the vehicles registrations numbers, make, rating capacity (CC), temporary work tickets and the number of kilometers covered during MCAs visits to their wards. This is contrary to Salaries and Remuneration Commission circular Ref.SRC/TS/CGOVT/3/16 of 27 November 2013.

In the circumstances the audit was unable to ascertain whether the MCAs made the trips to their wards as claimed.

Recommendations

a) The County Assembly should institute proper internal control systems for validating mileage claims by County Assembly Members and ensure that all amount paid are certified.

b) The rate used to pay mileage allowances should conform with the authority governing the payments of mileage allowances such as Salaries and Remuneration Commission (SRC) circulars.

c) Recover in full amounts irregularly paid to the Members of the County Assembly.

2.3 Transfer of Funds to Ward Offices

Examination of payment vouchers and other records maintained at Garissa County Assembly revealed that Kshs.12,940,539 was paid to MCAs ward fund account to cater for staff salaries, office rent and other expenses in the ward offices for the period ranging from October, 2014 to 31 March, 2015.

However it was observed that ward offices did not maintain cash books, muster rolls to confirm daily attendance of the staff, staff payrolls maintained were not approved by the board before salaries were paid out as required by the regulations and also there was no evidence to show that statutory deductions made from the worker's salaries were remitted to the relevant bodies.

Further, it was noted that the County Assembly did not engage the department of Health, Public Works and Lands to inspect, verify and assess the value of offices before they rented them and no documentary evidence was availed to show that there existed lease agreements between the owners of the rented premises and the representative of the wards offices.

In view of the above the ward fund for Kshs.12,940,539 remains unaccounted.

Recommendation

It is recommended that expenditures are properly supported and are done for the benefit of the County. The County Assembly management should recover the amount of Kshs.12,949,539 in full from the officer concerned or account for the same.

2.4 Unaccounted for Stores

During the year under review, the County Assembly of Garissa purchased various stores worth Kshs.6,028,159. However, the stores do not appear to have been taken on charge and entered in the respective stores ledger and other related records. Further, it was observed that some stores were directly procured instead

of competitive sourcing. This is contrary to Chapter 18.2 /18.3 and Section 17.14.6.2 of the Government Financial Regulation and Procedures.

Consequently, it has not been possible to confirm whether or not the goods were recorded or properly accounted for.

Recommendation

Ensure that all the stores procured are received in the stores ledgers cards/ registers and properly issued out using counter requisition and issue vouchers duly authorized. And also ensure that goods are always competitively sourced.

2.5 Unsupported Travel and Accommodation Allowances (Local Trips)

Examination of payment vouchers and other supporting document revealed that the County Assembly of Garissa incurred an expenditure of Kshs.3,523,602 on travel and subsistence allowance for the financial year 2014/2015.

However, the payments were not supported with bus tickets or work tickets as evidence of travel, no invitation letters, payment schedules were not signed and where signed they were only signed by one person. The management did not follow the Government Financial Regulation Chapter 5.5.14 (C) in payment of the Accommodation allowance.

Consequently, the payment for the subsistence allowances was not justified.

Recommendation

The County Assembly should comply with the regulations governing payment of allowances and ensure that all claims are properly supported.

2.6 Unsupported Catering and Meal Allowances

The County Assembly of Garissa paid meal allowances totaling to Kshs.1,288,000 and catering expenses amounting to Kshs.1,394,255 respectively during the financial year under review. It was however, noted that some of the duties for which the officers were paid to perform at lunch hour and evening were the same as those that fall under their substantive appointments and should have been performed during the normal working time. Also the days and hours worked have not been indicated and certified by a senior officer to the effect that the officers actually worked.

Further, it was noted that the catering expenses were not supported with schedules of the officers whom the services were rendered to and there was no documentary evidence to show that the services were procured competitively.

In the absence of documents and other records, it has not been possible to confirm that the amount constituted a proper charge against public funds.

Recommendation

It is recommended that you ensure all payment for services rendered are fully supported with duly authorized schedules.

It is further recommended that the County management accounts for the expenditure totalling to Kshs.1,394,255 purportedly incurred on catering and meal allowance.

2.7 Legal Services

Examination of payment records maintained at the County Assembly disclosed that an amount of Kshs.2,007,800 was paid to a Law Firm through payment voucher no.026 dated 19/12/2014 as legal fee for judicial review case no.11 of 2014.

However, relevant documentary evidence to support this payment including casefile and contract agreement between the County Assembly of Garissa and the Law firm were not made available for audit review.

In the circumstances, it has not been possible to establish how the law firm was identified, its terms of engagement and how the legal fees were arrived at.

Recommendation

It is recommended that services are competitively procured and ensure that payments for services rendered are supported to embrace accountability.

2.8 Payment of Sitting Allowance

Examination of expenditure records relating to allowances disclosed that Kshs.3,247,400 was incurred in respect of sitting allowances for members of County Assembly during the year ended 30 June, 2014.

However, the payment schedules supporting the payment vouchers lacked paying officers' names and signatures, minutes of the committee sittings were neither attached to the payment vouchers nor made available for audit.

Further, it was observed that the meeting attendance lists availed for audits were not dated and most of them were only signed by the chairmen making them doubtful.

Recommendation

It is recommended that payments should be properly supported before payments are affected. It is further recommended that the management provides evidence confirming the expenditure totaling to Kshs.3,247,400 paid to MCAs for sitting allowance or recover the amount in full from the officers concerned.

3. Audit Committee/Internal Audit

The County Assembly of Garissa does not have an Auditee Committee and therefore the internal Audit Department reports to the management.

This makes the internal Audit Department weak and ineffective to perform as an internal control tool for governance.

Recommendation

(i) The County Assembly should form an Audit Committee.

(ii) The Internal Audit Department to report directly to the Audit Committee to Strengthen internal control and governance.

4. Asset Register

During the financial year under review the Garissa County Government had Fixed Assets worth Kshs.2,991,281,137 as at 30 June 2015. This also includes all the assets of the County Assembly of Garissa. Further, no Fixed Assets register was maintained by the Assembly and therefore it was difficult to verify the completeness, ownership and valuation of the asset held by the Assembly.

Recommendations

(i) All the assets for the County Assembly should be valued.

(ii) Develop and update the Fixed Asset Register for the County Assembly assets.

Conclusion

County Assembly of Garissa still had teething challenges as reported in the report of the Auditor-General for the operations of the Assembly for the year ended 2013/2014. The teething problems can however be overcome by adhering to the Constitution, the Public Finance Management Act, 2012, the Public Procurement and Disposal Act, 2005 and Regulations, 2006 and all the other relevant Legislations on the management of public finances.

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

05 September 2016