

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF
COUNTY ASSEMBLY OF KAJIADO

FOR THE PERIOD
1 JULY 2014 TO 30 JUNE 2015

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

Background Information

The Constitution of Kenya, 2010 under the Article 176, created the County Governments which consist of the County Assembly and the County Executive. The County Assembly which is the Legislative arm of County Government consists of the Speaker and Members of County Assembly (elected and nominated). Kajiado County Assembly has 25 elected and 16 nominated members.

Introduction

This audit covers the period 1 July 2014 to 30 June 2015. It was undertaken to assess the adequacy and reliability of the systems of management and financial controls instituted by the management of the County Assembly in running its affairs with emphasis on the utilization of public resources.

Terms of Reference

The Office of the Auditor-General is an independent office mandated by the Constitution in Article 229 to audit the accounts of the National and County Governments. In this regard, the office planned an interim audit of the systems of management and financial controls of the Kajiado County Assembly for the year ended 30 June 2015 with the following audit objectives:

- Assessment of controls over management of cash and bank accounts.
- Assessment of controls over management of assets under the control of the County Government.
- Assessment of compliance with the procurement laws in process of acquisition of goods or services.
- Assessment of compliance with Public Finance Management Act, 2012 in the utilization of public funds.
- To ascertain the integrity and reliability of financial and other information used by management in the utilization of public funds.
- Compliance with other relevant laws and regulations.
- To confirm that all necessary supporting documents, records and accounts have been kept in respect of all transactions

Audit Methodology

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

- Interviews with key officers at the County Assembly offices.
- Review of applicable legislation and regulations.

- Examination of payment vouchers, cash books, vote books, bank statements, and bank slips, miscellaneous receipt books, procurement documents, stores records, asset registers and other related records.
- Review of minutes of various meetings where there were resolutions regarding utilization of public funds.
- Physical inspection and verifications.
- Observation of processes and activities.
- Review of documents used by management to monitor use of funds.

Scope and Determination of Responsibilities

The audit was conducted in accordance with International Standards of Supreme Audit Institutions. These standards require that the audit is planned and performed so as to obtain reasonable assurance about whether, in all material respects, expenditures incurred are fairly stated and fair recording is achieved in all financial transactions.

The matters mentioned in this report are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and weaknesses that were not identified.

The maintenance of effective control measures and compliance with laws and regulations are the responsibility of the management. The responsibility of the Auditor General is to report on the weaknesses that were identified in the course of the audit.

Audit Findings

1.0 Policy Issues - Fraud Assessment

Treasury circulars and Public Finance Management Act 2012 and Regulations require government ministries and agencies to have regular fraud assessments.

As reported in the previous year, the County Assembly of Kajiado has no system for identifying and responding to the risks of fraud within the entity. It is therefore highly exposed to fraud related risks and hence cases of fraud and errors may go undetected. It is recommended that the Assembly management should formulate a risk and fraud assessment policy and carry out regular fraud assessments with a view to establishing mitigating factors to reduce the risk of exposure to fraud related risks.

2.0 Budgetary Control and Performance

2.1 Non-adherence to Budgetary Provisions

During the year under review, the County Assembly of Kajiado had budgeted to spend Kshs.679,999,998 on recurrent and Kshs.111,168,772 on development expenditure. However during the year under review, the Assembly was allocated amounts totalling Kshs.557,295,676 and Kshs.49,988,304 for recurrent and development expenditure

respectively. These amounts disbursed to the County Assembly by the County Treasury were however not broken down to the specific line items for the two votes. Consequently, it was not clear how the funds were to be applied.

Information and records available indicate that the County expended amounts totalling Kshs.640,732,080 and Kshs.59,749,146 on recurrent and development expenditure, respectively. Consequently, the Assembly incurred additional unauthorized expenditure excess vote of Kshs.83,436,404 and Kshs.9,760,842 on recurrent and development votes respectively. The commitments were made based on the budget which the County Assembly had anticipated would be honoured by the County Executive in full.

The County Assembly has not provided justification for this anomaly.

It is recommended that the County Assembly should adhere to budgetary provisions, and endeavour to work with available funds.

2.2 Unaccounted for Expenditure

The County Assembly incurred an expenditure of Kshs.49,988,304 on development and incurred pending bills amounting to Kshs.9,760,843 relating to development. However, an expenditure of Kshs.40,698,127 was not supported with information and documentary evidence.

It is recommended that:

- (i) The County Assembly should adhere to the Public Finance Management Act, 2012 by keeping proper books of account.
- (ii) The County Assembly should also adhere to Section 45(1) of the Public Procurement and Disposal Act 2005.

2.3 Under Funding of Budget Provisions

During the year under review, the County Assembly of Kajiado had budgeted Kshs.679,999,998 for recurrent and Kshs.111,168,772 in respect of development expenditure. Actual funding amounted to Kshs.557,295,576 and Kshs.49,988,304 for recurrent and development respectively representing 82% and 45% respectively.

This state of affairs may affect the service delivery when budgeted activities are not implemented due to underfunding.

The County Assembly should negotiate with the County Treasury and the National Treasury for adequate funding.

3.0 Expenditure

3.1 Subsistence and Retreat Allowances

In the period under review, various members of County assembly and staff detailed below made several retreats which exceed the threshold of Kshs.2,000 per day all totalling Kshs.6,161,686. These retreat allowances were paid to participants that exceeded ten (10), in number. In the circumstances, the Assembly may have lost public funds due to poor accountability and non-adherence to rules and regulations.

The Office of the President Circular letter Ref. OP/CAP.2/12A of 14 August 2006, provides that, Officers called to participate in retreats for special assignments which are meant to review, develop and produce policy documents will be paid Kshs.2,000 per day for a maximum of ten (10) days. The number of participants in such retreats should not exceed ten (10).

Date	Cheque No. or PV No.	Payee	Total Amount Kshs.	Remarks
19/5/2015	2061	Several	252,000	10 participants each 25,200 for Three days at Masai Eco Lodge
26/6/2015	1946	Several	4,650,786	15 participants each 292,724 for Nine days at Arusha, Tanzania
18/3/2015	983	Several	92,000,000	9 participants each 12,000.00 for 2 days at Masai Eco Lodge
20/5/2015	2057	Several	703,500.00	17 Participants each 70,000.00 for five days at Naivasha Memo attached is for 10 participants while the attendance list is signed by 17 participants
13/5/2015	1379	Several	274,400.00	10 participants each 28,000.00 for two days at KCB Leadership Center
24/3/2015	971	Several	189,000.00	9 participants each 21,000.00 for three days at Masai Eco Lodge
Total			6,161,686	

It is recommended that any irregularly paid amounts should be recovered from the payees accordingly.

3.2 Payment of Extra Charges for Air Tickets

According to Section 30(4) of Public Procurement and Disposal Act, 2005, public officials involved in transactions in which standard goods, services and works are procured at unreasonably inflated prices shall, in addition to any other sanctions prescribed by this Act or the regulations be required to pay the procuring entity for the loss resulting from their actions. During the year under review, the County Assembly paid amounts totalling Kshs.1,120,003 to a travel agent being extra charges incurred on air tickets booked for officers who travelled to Mombasa, Kigali and Addis-Ababa but had arrived late at the airport or rescheduled their flights. This payment was made on 26 June 2015.

Consequently, the County incurred unnecessary charges resulting in loss of public funds due to lateness of officers or poor planning by some officers.

It is recommended that the County Assembly management recovers the total amount of Kshs.1,120,003 from the officers responsible for extra air ticket charges paid by the Assembly.



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Nairobi

06 October 2016