REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF KAKAMEGA

FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

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EXECUTIVE SUMMARY

Introduction

The Office of the Auditor-General has the mandate to audit and report on the financial operations of the National and County governments under Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

Audit Objective

The audit objective was to find out how much the County Assembly complies with legislation governing its operations and whether there is general adherence to public financial controls in the operation of the County Assembly in the delivery of its services.

Terms of Reference

The terms of reference set out included verification and confirmation of transactions in respect of but not limited to the following areas;

- Audit of Projects
- Procurement of Goods and Services
- Budgetary Performance analysis
- Cash and Cash Equivalents
- Training Costs
- Staff Remuneration/salaries and wages
- Mortgage and car loans
- Fixed Assets – Fixed Assets Schedule (complete)
- Bursaries misuse
- MCAs travel
- Commitments (pending bills)
- Imprests
- Legal fees
- Inherited debts/liabilities
- Review of Controller of Budget report and audit mitigations
- Review of IFMIS and E-procurement
- Review of previous period audit issues

Key Audit Findings

1. Budget Performance and Funding

The County Assembly's approved estimates totalled to Kshs.751,000,000.00 but the Assembly received only Kshs.644,462,126.00 from the County Treasury including an amount of Kshs.393,462,124 deducted at source by the County Treasury as personel emoluments and Kshs.45,000,000.00 for development vote. The Assembly was underfunded by an amount of Kshs.106,537,874.00.

2. Cash and Cash Equivalents

2.1 Bank Reconciliation Statements for all bank accounts maintained were not availed to confirm both the accuracy of the cash books and the authenticity of bank transactions during the year. Further, both the recurrent and development bank accounts were maintained with Commercial banks contrary to the Guidelines from the National Treasury.

2.2 Cash withdrawal for office use amounting to a total of Kshs.714,000.00 was not recorded in the cash book. However, the correction was not supported by any journal voucher after rectification.

3. Car Loan and Mortgage Scheme Fund

The County Assembly set up Funds regulations before passing the County Assembly Car Loans and mortgage Act.

Bank statements examined indicates that only Kshs.180,000,000 was deposited into the Fund account by the County Treasury. However, a total of Kshs.440,000,000 was disbursed as loans to MCAs. The source of the additional Kshs.260,000,000.00 has not been explained.

4. Rentals for Ward Offices

The County Assembly incurred expenditure amounting to Kshs.6,600,000.00 in respect of rent for the 60 ward offices covering a period of eleven (11) months since each ward was allocated Kshs.10,000.00 as rent per month.

Most offices do not have tenancy agreements and those that have, the agreements are between the MCAs and the Landlords and not the Assembly (the clerk) who is the accounting officer.

Payment vouchers were not supported with the relevant receipts from the payees to acknowledge actual receipt implying that the amounts paid remain unaccounted for.

5. Unsupported Development Expenditure

5.1 Two in-house bank transfers amounting to Kshs.4,000,000.00 remain unaccounted as the specific accounts to which the money was transferred to were not specified or disclosed.

5.2 Further, an officer at the Assembly was reimbursed a total of Kshs.1,190,370.00 in respect of expenditure incurred on procurement of furniture. A process that did not adhere to the procurement regulations. There was also no assets register in place to account for the furniture purchased.

5.3 In addition, a Construction firm was paid an amount of Kshs.12,740,000.00 for civil and construction works at the Assembly without proper supporting

documents. Out of the amount, more than Kshs.4,790,000.00 was paid for works that could not be physically verified.

5.4 Four quotations for the work of providing local network for the Assembly over which a total of Kshs.1,500,000.00 had been spent, had totals with arithmetical errors leading to overstatement.

5.5 Tender documents in respect of expenditure amounting to Kshs.7,720,000.00 on procurement of furniture for the chambers were not made available for audit review.

6. Unvouched and unsupported Insurance Expenses

Expenditure on Insurance amounted to Kshs.6,846,257.00 while payment vouchers availed for audit totaled to Kshs.3,072,432.00 leaving un vouched amount of Kshs.3,773,825.00. Further no policy document was availed for audit verification.

7. Purchase of Office Furniture and Equipment

Computers and Stationery worth Kshs.12,182,800.00 were procured through requests for quotations. The expenditure exceeded the statutory maximum allowed for the request for Quotation method of procurement and required open tender.
Further, expenditure on purchase of furniture and general equipment according to the returns amounted to Kshs.12,530,100.00 while the schedule revealed Kshs.11,219,500.00, leading to an unexplained variance of Kshs.1,310,600.00. There was no proper needs assessment requisitions, and specifications by the user departments before invitations for supply.

8. Hospitality Supplies and Services

A total amount of Kshs.9,769,943.00 was paid to various hotels for providing conference facilities but no documentation was available to indicate the procurement method used. The propriety of the expenditure could not be condirmed.

9. Office and General Supplies Expenditure

The entity procured stationery and portraits worth Kshs.2,116,500.00 through direct procurement in disregard of public procurement regulations which require competitive bidding. Payments amounting to Kshs.2,220,940.00 were not supported by relevant documentation.

Payment vouchers in respect of Office and General Supplies amounting to Kshs.3,362,220.00 were not captured in the returns implying the reported amounts (expenditure) were understated.

10. Training Expenses and Domestic Travel, Subsistence and Transport Costs

All payment vouchers relating to training expenditure of Kshs.9,710,424.00 and travel expenses of Kshs.123,409,650.00 were not itemised. It has not been possible to confirm whether these payments were charged to the correct accounts and thus negating the objective of the budgeting process.

11. County Assembly Service Board composition

The County Assembly Service Board as presently constituted do not meet the legal requirements as there is no representation from the Public.

12. Weak Internal Controls

The entity failed to establish an inspection and acceptance committee whose among other roles is meant to ensure that goods, works and services provided meet the technical standards and specifications as defined in the contract.

As previously reported, the entity had not established a risk management process to mitigate against risks.

13. Poor Classification of Expenditure and Incompleteness in Accounting Records

Documents availed indicated that the Assembly incurred expenditure amounting to Kshs.638,915,086 which included development expenditure of Kshs.44,821,118.00.

However, all payment vouchers availed lacked necessary details as to account charged, vote book balances and departmental voucher numbers. Proper ledgers and schedules were also not in place to facilitate preparation of trial balances and subsequent preparation of financial statements. The situation depicted a complete compromised internal control.

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AUDITOR-GENERAL

Nairobi

05 September 2016

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

DETAILED REPORT

1. Budget Performance and Funding of the County Assembly

During the year, the Assembly actual expenditure was Kshs.638,915,086.00 which composed of Kshs.594,093,968.00 and Kshs.44,821,118.00 for Recurrent and Development votes respectively against a budget of Kshs.751,000,000.00 resulting in an underspending of Kshs.112,084,914.00. The Assembly received a total of Kshs.644,462,126.00 as funding from the County Treasury comprising of Kshs.393,462,124 (deducted at source by the County Treasury) as personel emoluments and Kshs.45,000,000.00 for development vote. This implies that the County Government underfunded the Assembly by Kshs.106,537,874.00. Records availed highlighted main expenditure items as follows;

Budget Performance

Expenditure item	Budget 2013/14 (Kshs)	Budget 2014/15 (Kshs)	Actual 2014/15 (Kshs)	Variance (Kshs)	%
Basic Salaries	144,087,111	154,037,772	150,391,209	(3,646,563)	2
Salaries Casuals	3,000,000	37,000,000	33,633,719	(3,366,281)	9
Personal Allowances paid as Salaries	52,504,600	247,229,063	209,437,176	(37,791,887)	15
Domestic Travel & subsistence costs	86,600,000	123,844,600	123,409,650	(434,950)	0
Printing, advertisement and Information supplies	15,200,000	15,362,000	14,434,591	(927,409)	6
Rentals for produced Assets	2,000,000	7,300,000	6,600,000	(700,000)	10
Training Expenses for staff	50,000,000	10,050,000	9,710,424	(339,5760	3
Hospitality Supplies	156,384,000	16,669,365	15,591,989	(1,077,376)	6
Insurance	36,600,000	7,462,000	6,846,257	(615,743)	8
Purchase of office equipment and furniture	65,000,000	12,800,000	12,530,100	(269,900)	2
Overall-Recurrent					9

However, no proper ledgers were in place to confirm the amounts indicated as actual expenditure and as payment vouchers were not properly itemized and classified for reporting purposes. Further, the budget for development vote of Kshs.100,000,000 was posted as lump sum with no details and the unsigned schedule of actual development expenditure incurred during the year amounting to Kshs.44,821,118 was

composed of individual transactions and not expenditure items as should be the case. The performance of the budget could therefore not be adequately analyzed and assessed. However, 9% underutilization, was observed.

Recommendations

(i) The County Assembly management to follow up the amount underfunded to ensure budgetary obligations are met.

(ii) The County Assembly to use development funds effectively

2. Cash and Cash Equivalent

2.1 Bank Accounts Details

The assembly operated the following bank accounts:

	Bank and Account No.	Description	Audit Remarks Observations
1.	Co-operative Bank Account No. 01141545120500	Recurrent office operations	Cash book not closed/balanced at close of the year. No reconciliation
2.	Co-operative Bank No. 01141545627300	Development	Cashbook not availed. No reconciliation.
3.	Family Bank Account No. 078000032659	Mortgage and car loan	No cashbook, no reconciliation
4.	Central Bank of Kenya	No explanation	Dormant

The only cashbook made available was for the operations account which was not balanced at the close of the year and therefore, the balances could not be confirmed. Further, there were no bank reconciliation statements for all the bank accounts.

The Assembly did not provide the bank statements and reconcilliations for all the bank accounts. Consequently, the accuracy of the bank account balances could not be confirmed.

Further, the bank accounts were maintained with Commercial banks contrary to the Guidelines from the National Treasury which require such accounts to be maintained only at the Central Bank of Kenya.

Recommendations

(i) The County Assembly to maintain proper records of accounts and bank reconciliation statements to be prepared promptly.

(ii) Bank Accounts to be opened and maintained at approved banks only.

(iii) Cash books to be prepared and maintained for every bank account maintained.

2.2 Unaccounted for Cash Withdrawals

A total of Kshs.714,000.00 withdrawn from the bank (Recurrent Account) was not recorded as having been received in the relevant cash book even though posted in the cash book as payment at bank. Therefore, it could not be accounted for in terms of both recording and physical count. The amounts were withdrawn by two trainees vide cheque No.1104 dated 30 October 2014 of Kshs.200,000.00 and cheque No.1672 dated 17 June 2015 of Kshs.500,000.00.

The cash column of the cash book had a nil balance as at 30 June, 2015. Therefore, all the cash received in the till had been paid out as at that date. Upon raising this matter with the Assembly, the two figures were inserted on the relevant dates of the cash book instead of posting adjustments implying that the accuracy and authenticity of the cashbook entries could not be assured.

Recommendations

(i) The County Assembly management to ensure books of accounts are properly recorded and maintained.

(ii) The County Assembly management account for withdrawals of Kshs.714,000.00.

3. Car Loan and Mortgage Scheme Fund

The Kakamega County Assembly passed the Loans and Mortgage Regulations (2014) entitling members to the facility at an interest rate of 3% p.a. which is in line with the SRC circular SRC/TS/CGOVT/3/6 of 15 November 2014.

The Loans and mortgages management committee was formed and contracted Family Bank to administer the fund on behalf of the County Assembly. The County Treasury deposited Kshs.180,000,000.00 into account No.078000032659 at the bank as start-up capital.

The 88 members of the County Assembly are entitled to Kshs.5,000,000.00 each in which Kshs.2,000,000.00 is provided for car loan while Kshs.3,000,000.00 for mortgage facility.

Each MCA took a loan of Kshs.5,000,000.00 recoverable within a period of 32 months. As such, once issued with the loan, Kshs.163,000.00 p.m should be recovered from the salary .

It was however noted that the County Assembly came up with regulations first before passing the County Assembly Car Loans and mortgage Act.

The bank statement indicates that only Kshs.180,000,000.00 was deposited into the fund account by the County Treasury while a total of Kshs.440,000,000.00 was disbursed as loans to MCAs. The source of Kshs.260,000,000.00 disbursed has not been explained.

Further, the members applications were not subjected to vetting to ensure abiity to repay the loan as per the agreement and in compliance with the financial regulations.

In particular, it could not be confirmed whether the applications met the mandatory net pay of 1/3 of the basic salary of the applicants.

A withdrawal of Kshs.406,000.00 on 13 May 2015 was meant to meet committee operational costs but had no supporting documents.

It was noted that 75 out of the 88 members were either not servicing or partially servicing their loans which has occasioned to the outstanding loan of Kshs.42,381,900.00 as at 30th June 2015. See **Appendix III.**

The recoveries are not done through the check off system as directed by the County Treasury.

The County Assembly management confirmed that MCAs were not servicing their loans and agreed to institute measures aimed at rectifying the situation. Further, no cash book and minute book were opened. However, they have now been opened in 2015/2016 and will be availed for audit verification. In addition, the Accounts office is preparing the financial fund and will be availed for audit verification.

Recommendations

(i) The County Assembly management to explain the source of Kshs.260,000,000.00 (funded) used in the fund.

(ii) The County Assembly management to ensure recoveries of loans and mortgages are made by check off system and the 1/3 rule on net pay complied with.

(iii) The whole defaulted amount of Kshs.42,381,900.00 should be recovered in full and transferred to the Fund Account immediately.

(iv) The loans committee to vet all applicants to ensure compliance with the regulations.

(v) The County Assembly management to ensure MCAs to service their loans and mortgages or the properties are repossed to mitigate risk of loss of funds.

(vi) The County Assembly management Provide supporting documents for Kshs.406,000.00 on committee operational expenses.

(vii) The County Assembly management to prepare and submit for audit the fund financial statements since inception of the fund.

4. Rentals for Ward Offices

The County Assembly incurred expenditure amounting to Kshs.6,600,000.00 in respect of rent for the 60 ward offices covering a period of eleven (11) months since each ward was allocated Kshs.10,000.00 as rent per month.

A visit to 33 wards on various dates to verify whether the offices exist and the rent paid revealed that;

a) Most offices do not have tenancy agreements and those that have, the agreements are between the MCAs and the Landlords and not the Assembly (the clerk) who is the accounting officer.

b) Payment vouchers were not supported with the relevant receipts from the payees to acknowledge actual receipt implying that the amounts paid remain unaccounted for. See **Appendix IV.**

Recommendations

(i) Pay rent directly to the landlords.

(ii) Draw Tenancy/Lease agreement between county Assembly and the Land Lords

(iii) The County Assembly to assess the rent payable by using Public works officers.

5. Development Expenditure

5.1 Unaccounted for Inhouse Bank Transfers

Bank statements for the Development account number 001141545627300 at Cooperative Bank of Kenya revealed two in-house tranfers from the account of Kshs.1,500,000.00 on 19 December 2014 and Kshs.2,500,000.00 of 5 February 2015 respectively adding up to a total of Kshs.4,000,000.00. However, the accounts to which the money was tranfered could not be confirmed implying that the amount of Kshs.4,000,000.00 remain unaccounted for.

Recommendations

(i) The County Assembly management to avail the bank statements and payment vouchers to confirm the transfer.

(ii) The County Assembly management to account for the Kshs.4000,000.00 or to recover the amount from the officers.

5.2 Furniture for the Speaker's House

The speaker in his personal capacity was paid a total of Kshs.1,190,370.00 as reimbursements in respect of office furniture purchased vide cheque numbers 41 and 38 of Kshs.190,370.00 and Kshs.1,000,000.00 respectively. The procurement was irregular as it exceeded the threshold of Kshs.30,000.00 allowed for low value procurements and there was no correction.

Further, procurement and stores records were not provided for audit review.

Recommendations

(i) The County Assembly management to avail the documents for verification.

(ii) Institutional goods to be competitively sourced and taken on charge.

(iii) The County Assembly management to recover the amount of Kshs.1,190,370.00 from the speaker of the Assembly.

5.3 Expenditure on Renovation Works

The County Assembly paid a Building and Engineering firm Kshs.12,740,000.00 for various renovation works as follows:

Date	Cheq No	Reason for payment	Amount (Kshs)
Undated	44	Renovation of existing store into a Restaurant and Renovation of Assembly hall	2,400,000.00
5/02/2015	33	Various unspecified works	2,500,000.00
Undated	45	Renovation of existing store into a restaurant and renovation of assembly hall	2,390,000.00
16/10/2014	28	Renovation of VIP Toilet, reroofing of VIP Lounge and Construction of storage area for all materials	3,950,000.00
Undated	32	Part "B" Bill No. 2 Electricall installation works and repairs for county assembly	1,500,000.00
Total			**12,740,000.00**

However, procurement records and Certificates of completion, were not made available for audit review. Further, payments through cheque Nos 44, 45 and 28 were supported by the same photocopies of unsigned bills of quantities despite nature of works purportedly carried out being different. The photocopied bills of quantities were also priced differently despite quantities being the same. Futher, all the invoices used for payment did not indicate any provision for taxes contrary to the requirements of government financial regulations.

Physical verification of the stores purported to have been renovated at a total cost of Kshs.4,790,000.00 (see table above) revealed that no renovations were done. The toilet had also not been completed and the contractor was not on site.

Recommendations

(i) The County Assembly management to make available the aforementioned documents for verification.

(ii) The County Assembly management to recover from the payees and the authorizing officers - Kshs.4,790,000.00 for the unrenovated stores.

(iii) The County Assembly management to recover all unsupported payments from the authorizing officers.

5.4 Unsupported Expenditure on Networking of the Chambers

Payments amounting to Kshs.1,500,000.00 were made to a contractor for networking of the lower and upper chambers vide cheque numbers 58 and 59 of Kshs.500,000.00 and Kshs.1,000,000.00 repectively.

However, documentations including bills of quantities (Specifications), tender minutes and Certificate of works done by the Engineer to justiy the payment being made and inspection and acceptance committee reports were not made available for audit review.

Further there was no evidence that tax due was withheld and remitted to the Kenya Revenue Authority.

Consequently, it could not be confirmed whether public procurement regulations were adhered to and the Assembly received fair value for the expenditure of Kshs.1,500,000.

Recommendations

(i) The County Assembly management to avail the aforementioned documents for audit verification.

(ii) The County Assembly management to recover Kshs.1,500,000.00 paid from the authorizing officers.

(iii) The County Assembly management to confirm tax compliance

5.5 Procurement of Furniture

A furniture company based in Nairobi was paid a total of kshs.7,720,000.00 in respect of supply of furniture for the Assembly chambers. The tender minutes used to procure the furniture were reportedly those used by Mandera County. However,the said minutes were not availed for verification. The purchased furniture were also not taken on charge.

Recommendation

(i) The County Assembly management to provide supporting documents for the pruchases of furniture of Kshs.7,720,000.00

(ii) The County Assembly management to recover the expenditure of Kshs.7,720,000.00 from the authorizing officers.

6. Unvouched and Unsupported Insurance Expenses

Records examined reflected expenditure on insurance of Kshs.6,846,257.00 while payment vouchers availed for audit amounted to only Kshs.3,072,432.00 leaving un vouched amount of Kshs.3,773,825.00. Further, no policy document was availed for audit verification.

Recommendations

(i) The management should provide policy documents for Kshs.6,846,257.00.

(ii) The management should ensure the accuracy of records and that the difference of Kshs.3,773,825.00 is duly reconciled.

(iii) The management should recover the expenditure of insurance service not supported from the authorizing officers.

7. Purchase of Office Furniture and Equipment

7.1 Purchase of Office Equipment

The Assembly used request for quotations on procurement of office equipment, supplies and furniture whose values exceeded the statutory limit of Kshs.1,000,000.00 for use of the quotations as detailed below;

PV No. & date	Cheq No.	Payee	Details	Amount (Kshs.)
36 of 14/2/2015	794	Worf Technology Co Ltd.	3 iPADs @Kshs.135,000.00 and 15 Laptops @ Kshs.100,000.00	1,905,000.00
151 of 7/10/2015	946	Worf Technology Co Ltd.	85 iPads @ Kshs.85,000.00	5,057,500.00
202 of--------	1005	Worf Technology Co Ltd.	Part payment for 85 iPads @ Kshs.85,000.00	2,167,500.00
740 of 2/3/2015	1489	Worf Technology Co Ltd.	4 Laptops @ Kshs 100,000.00, 4 Desktop computers @Kshs.90,000.00, 4 Hp Printer @Kshs.70,000.00, 20 Flashdisks @Kshs.4,000.00, 20 Modems @ Kshs.4,500.00 and 3 IPads @ Kshs.130,000.00	1,600,000.00
380	1078 & 1079	Ledona sports products	Supply of 88 MCAs identification cards @ Kshs.600.00 and 4000 visitors cards @ Kshs.350.00	1,452,800.00
TOTAL				**12,182,800.00**

Without competitive bids it could not be confirmed whether the Assembly got fair value from the expenditure of Kshs.12,182,800. The use of 4000 visitors cards at a price of Kshs.350.00 each totaling to Kshs.1,400,000.00 could also not be confirmed. The justification of the expenditure was not provided. The assets register was not maintained for the safe custody of the items so procured thus their security and ownership could not be confirmed.

Recommendations

(i) The management should ensure that Public Procurement and disposal Act 2005 and the corresponding regulations are adhered to.

(ii) The management should recover the cost of the overpriced items from the authorizing officers.

(iii) The management should develop and maintain an asset register so as to ensure security and ownership of all the assets of the Assembly.

7.2 Unreconciled Differences on Furniture and General Equipment

Furniture and General Equipment returns reflected an amount of Kshs.12,530,100.00 which differed with the audited schedules figure of Kshs.11,219,500.00, leading to an unexplained variance of Kshs.1,310,600.00.

Recommendation

The management should reconcile the difference of Kshs.1,310,600.00 of the furniture and equipment.

8. Hospitality Supplies and Services

8.1 Irregular Procurement of Conference Facilities

An extract from the cash book showed that a total of Kshs.9,769,943.00 was paid to various hotels for providing conference facilities **(Appendix I).** However, the procurement records were not provided and therefore it was not clear how the hotels were identified.

Recommendation

(i) The management should adhere to Public Procurement and Disposal Act, 2005 and Regulations, 2006.

(ii) The authorizing officers to be held liable for the irregular procurements.

8.2 Unsupported Payments

Payments amounting to Kshs.3,522,447.00 consisting of conference facilities of Kshs.1,962,670.00 and advertisement of Kshs.1,559,777.00 were not completely supported while others were partially supported but not by the relevant documents as analysed below:

PV No	Payee	Cheq No.	Description as per payment voucher	Amount (Kshs)	Audit Remarks
4	Three and Four Barrels.	761	Being payment for conference facilities for committees.	172,000.00	Nature of facilities/committe not detailed

5	Deep Fry Café	762	Being payment for snacks and conference facilities for committees.	290,670.00	No detail of committees Invoices not Tax Compliant,7 crates of sodas excessive
73	Three and Four Barrels.	841/842	Being payment for conference facilities during various committee meetings.	1,500,000.00	Nature of facilities,committees and dates not indicated. Invoice not tax compliant
			Sub Total	**1,962,670.00**	
105	Nation Media Group	891	Being payment made for advertisement in the media.	995,976.00	No details/not supported
429	The Standard Group Limited.	1139	Being payment for official advertisement in the daily newspaper.	104,400.00	No details/ no dates
669	Nation Media Group Limited.	1417	Being payment for obituary for Governor`s mother and appointments for County Assembly.	248,861.00	Space ordered in October before death
869	The Standard Group Limited.	1614	Being payment of the above for advertisement of the vetting members.	210,540.00	No documents
			Sub Total	**1,559,777.00**	
			TOTAL	**3,522,447.00**	

Recommendation

The management should recover the unsupported payments from the authorizing officers.

9. Office and General Supplies

9.1 Direct Procurement

The Assembly procured stationery and portraits worth Kshs.2,116,500.00 as analysed in the table below through direct procurement.

Payee	Details	Pv Number	Chq No.	Amount (Kshs.)
Double Sasha	Supply of various stationery items	900	1655	565,000.00
Venamu stationers	Supply of 100 reams photocopy papers @Kshs.580,00,4 Shredder machines @ Kshs.75,000.00,200 Pkts biro pens @ Kshs.750.00 and 5 reams Conqueror@ 9,500.00	366	1069	422,500.00
Stephen Agwatta	Supply of portraits and wall clocks	154	950	126,000.00
Stephen Agwatta	Supply of 40 portraits @ Kshs.5,000.00	367	1070	200,000.00
Stephen Agwatta	Supply of portraits	441	1146	240,000.00
Stephen Agwatta	Supply of portraits	590	1324	100,000.00
Stephen Agwatta	Supply of portraits	590	1389	60,000.00
Stephen Agwatta	Supply of portraits	658	1405	403,000.00
TOTAL				**2,116,500.00**

The rationale for direct procurement of protraits has not been provided and the Assembly may not have got value for money from the transactions.

Recommendations

(i) The County Assembly management to ensure that Public Procurement and Disposal Act, 2005 and Regulations, 2006 (Revised 2013) are adhered to.

(ii) The Assembly management to recover the cost of overpriced items from the authorizing officers.

9.2 Unsupported Payments

Payments amounting to Kshs.2,220,940.00 as indicated below were not supported by relevant documentation.

Payment voucher number	Cheque number	Payee	Details	Amount (Kshs.)
600	1336 & 1337	Double Sasha	Voucher supported ONLY by invoice.Documents not availed; Procurement documents/Minutes LPO raised,Delivery note and Stores records.	198,000.00
135	921	Double Sasha	Voucher supported ONLY by invoice.Documents not availed; Procurement documents/Minutes LPO raised,Delivery note and Stores records.	356,220.00
38	796	Matendechere general supplies	Voucher supported ONLY by invoice.Documents not availed; Procurement documents/Minutes LPO raised,Delivery note and Stores records.	970,720.00
110	894	Worf Technology	Not supported at all,That is, Documents not availed; Procurement documents/Minutes LPO raised,Delivery note,Invoice and Stores records.	696,000.00
TOTAL				**2,220,940.00**

Recommendation

The County Assembly management to recover the unsupported amount of Kshs.2,220,000.00 form the authorizing officers.

9.3 Procurement Without Requisitions

Computers and Stationery amounting to Kshs.15,149,740.00 as detailed below were procured without needs assessment, requisitions and the necessary technical specifications from user departments.

A firm was paid Kshs.1,600,000.00 for supply of laptops, printers, iPads and desktops whose specifications were sought from the supplier who was the lowest bidder.

The utilization of 4000 identification cards at Kshs.1,400,000.00 vide Pv number 380, 3,200 litres of disinfectant at Kshs.928,000.00 included in a payment Kshs.950,000.00 and Kshs.112,056.00 for 276 rolls of tissue papers could not be confirmed.

Payee	Pv Number	Cheque Number	Amount (Kshs.)
Worf Technology Co Ltd	151	946	5,057,500.00
Worf Technology Co Ltd	202	1005	2,167,500.00
Worf Technology Co Ltd	740	1489	1,600,000.00
Frodan Enterprises			340,000.00
Ledona Sports Products	380	1078 & 1079	1,452,800
Worf Technology Co Ltd	550	1275	382,000
Worf Technology Co Ltd	550	1275	382,000
Matendechere Suppliers	38	789	970,720
Double Shasa	135	921	356,220
Double Shasa	600	1336 & 1337	198,000
Worf Technology Co Ltd	110	894	696,000
Matendechere Suppliers	_	_	950,000
Worf Technology Co Ltd	134	920	597,000
TOTAL			**15,149,740.00**

Recommendation

(i) The County Assembly management to require user department to initiate any procurement and identify the needs and specifications.

(ii) The County Assembly management to surcharge the officers who authorized the procurement of items that had not been repurchased and in bulky.

9.4 Unrecorded Procurement of Office and General Supplies

Expenditure returns indicate an amount of Kshs.6,141,140.00 was spent on Office and General Supplies during the financial year. A schedule was provided to support the amount. However, payment vouchers amounting to Kshs.3,362,200.00 as detailed below had for unexplained reasons been excluded from the schedule on Office and General Supplies implying the recorded amounts were understated and therefore misleading.

PV No	Cheq No	Payee	Details	Amount (Kshs)
135	921	Double Shasa	Supply of office accessories	356,220.00
600	1336 & 1337	Double Shasa	Supply of office equipment	198,000.00
134	920	Worf Technology Co. Ltd	Supply of office equipment	597,000.00
_	1634	Matendechere suppliers	Suppy of cleaning materials	950,000.00
900	1655	Double Shasa	Supply of office stationery	565,000.00

110	894	Worf Technology Co Ltd	Supply of office stationery	696,000.00
TOTAL				**3,362,220.00**

Recommendations

(i) The management should record and reconcile the procured items in the stores records.

(ii) Carry out regular stock count to ensure safety of its consumable items.

10. Training, Domestic Travel, Subsistence and Transport Expenses

10.1 Poor Documentation of Accounting Records

All payment vouchers relating to training of Kshs.9,710,424.00 and travel expenses of Kshs.123,409,650.00 were not itemised hence not possible to confirm the vote charged thus negating the objective of the budgeting process. The vote book was not maintained.

Recommendation

All expenditure to be itemised against the votes to conform to financial regulations and to determine appropriate expenses as per approved budgets.

10.2 Missing schedules for Training, Travelling and Subsistence Expenditure

Payments on domestic travel and accommomadation amounting to Kshs.123,409,650.00 and Kshs.9,710,424.00 were not supported by schedules. It could therefore not be established exactly what was paid out from this two accounts.

Recommendation

The County Assembly to ensure all account balances should be supported with relevant schedules in accordance with government financial regulations and approved budgets.

10.3 Expenditure not Acknowledged by Recipients

All allowances on travel and subsistence paid out amounting to Kshs.59,030313.00 were not acknowledged by the recipients by way of signing against their names and it is not clear whether the payments were received by the alleged beneficiaries. More so the recommended imprest system was not used but rather payments were made directly to the accounts of the beneficiaries and no other supporting documents were provided to support the cash advances. **See Appendix II.**

Recommendation

(i) The County Assembly to use Imprest system on expenses for travelling and subsistence.

(ii) Cash advances should be expensed upon accounting.

11. County Assembly Service Board

a. Composition of County Assembly Service Board

The County Assembly Service Board as presently constituted do not meet the legal requirements as there is no representation from the Public.

Recommendation

The management should constitute the County Assembly Service Board as legally required.

b. Payments to Non-Contracted Employees

The County Assembly incurred Kshs.33,000,000.00 being payments to non-contracted employees working in various ward offices. However,

- The criteria used to hire the said employees and terms of engagement was not provided for audit review.
- The county assembly did not maintain any records of the employed staff in the wards.
- There were no letters of appointment.
- A spot check of Likuyani, Lugari, Khwisero, Butere, Navakholo, Mumias East, Mumias West and Matungu wards revealed that all the people working in these wards did not have any contractual documents to show how they were recruited and engaged to work in those stations.

Recommendations

(i) The County Assembly management to review the recruitment of the staff in the ward appropriately.

(ii) Records for all employees to be propely maintained.

(iii) The terms of employment to be clearly stated on record and applied in making payments to staff.

c. Over Recruitment for Advertised Posts (6 Staff)

The County Assembly advertised for recruitment of Assistant Clerks II (3 Posts) and Assistant Clerks III (8 Posts).

However, 5 Assistant Clerks II and 12 Assistant Clerks III were recruited leading to an over-recruitment of the advertised posts by 6 as shown below.

Post Advertised	Number Required	Number Employed	Over Employement
Clerk Assistant II	3	5	**2**
Clerk Assistant III	8	12	**4**
Total	11	17	**6**

Further,

- Minutes and score sheets/cards for the interviews were not availed and therefore it was not possible to confirm the exact criteria used to recruit the staff.
- Similarly, the application letters for employment were not in the officers personal files.
- An officer who had been shortlisted for the post of assistant clerk II was employed as an Assistant Clerk III.

In the absence of records, it could not be confirmed whether the recruitment process was carried out and met the objective required.

Recommendations

(i) The County Assembly management to have an approved staff establishment to be drawn and implemented.

(ii) Proper records to be maintained in place for all members of staff.

(iii) The accounting officer should guard against over employment.

d. Payments for Mileage Allowances to MCAs

An amount of Kshs.41,267,232.00 was paid to Members of County Assembly being mileage allowances without ascertaining the actual distance for all the MCAs from their wards to the Assembly headquarters.

The Salaries and Remuneration Commission does not provide information on payment of mileage allowances to nominated MCAs since they do not have areas of representation.

Recommendation

(i) The County Assembly to ensure payment of mileage complies with SRC circulars.

(ii) The orverpaid mileage allowances to be recoved from the responsible MCAs.

(iii) The management to seek directives from the Salaries and Remuneration Commission on nominated MCAs mileage allowances.

12. Weak Internal Controls

12.1 Failure to Establish an Inspection and Acceptance Committee

During the year, the entity failed to establish an inspection and acceptance committee whose role among others is to ensure that goods, works and services provided meet the required technical standards and specifications.

Recommendation

The County Assembly management to estabish the Inspection and Acceptance Committee to undertake quality quotations.

12.2 Failure to Establish Risk Management Process

There was no risk management policy in place to support risk analysis and mitigation by the County Assembly. This implies the resources of the Assembly are vulnerable to loss or wastage.

Recommendation

A risk management committee to develop and be put in place immediately.

13. Poor Classification of Expenditure and Incompleteness in Accounting Records

Documents availed indicated that the Assembly incurred expenditure amounting to Kshs.638,915,086 which included development expenditure of Kshs.44,821,118.00.

However, all payment vouchers availed lacked necessary details as to account charged, vote book balances and departmental voucher numbers. Proper ledgers and schedules were also not in place to facilitate preparartion of trial balances and subsequent preparation of financial statements. The situation depicted a complete compromised internal control.

Recommendations

(i) The Assembly management to establish and maintain clear segregation of duties and internal controls.

(ii) Accounting records to be prepared and cross-checked by a senior officer on a regular basis.

Conclusion

The County Assembly of Kakamega had teething challenges in its second year of operations. Setting up of systems, structures and staffing was slow and took long.

The County Assembly management to embrace the Constitution, the Public Finance Management Act, 2012, the Public Procurement and Disposal Act, 2005 and Regulations, 2006 (Revised 2013) to enhance the effective and efficient use of resources for the benefit of the County residents.

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

Nairobi

05 September 2016