REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF KIAMBU COUNTY ASSEMBLY

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 KIAMBU FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

EXECUTIVE SUMMARY

Background Information

The Constitution of Kenya, 2010 under Article 176, created the County Government which consists of the County Assembly and the County Executive. The County Assembly which is the Legislative arm of the County Government consists of the Speaker and Members of County Assembly (elected and nominated). The County Assembly of Kiambu which is domiciled in Kiambu Town has sixty (60) elected and twenty seven (27) nominated Members, all totaling to eighty seven (87).

Introduction

This management and financial operations 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 under Article 229 to audit the accounts of the National and County Governments. In this regard, the office planned a management and financial operations audit of the County Assembly of Kiambu for the period 01July 2014 to 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 of the County Assembly.
- 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.
- Compliance with other relevant laws and regulations
- To ascertain the integrity and reliability of financial and other information used by management in the utilization of public funds.
- To confirm that all necessary supporting documents, records, and accounts have been kept in respect of all transactions.

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 and support documents, cash books, vote books, bank statements, 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 the International Standards of 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, expenditures incurred are fairly stated and 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 achieving the audit objectives and 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.

The sections below highlight audit findings noted during the audit of the financial operations for the period 1 July 2014 to 30 June 2015.

AUDIT FINDINGS

1.0 Budget Performance

During the year under review, the County Assembly of Kiambu total expenditure budget was Kshs.892,416,714 comprising of development expenditure budget of Kshs.28,000,000 and recurrent budget of Kshs.864,416,714. The actual total expenditure was Kshs.835,797,719 (94%),comprising of Kshs.26,976,570 development expenditure and Kshs.808,821,149 recurrent expenditure. Therefore, the County Assembly under spent by Kshs.56,618,995, representing 60% of total expenditure budget as analyzed below:-

Item	Budget allocation 2014/2015	Actual 2014/2015	Absorption in %	As % of Total Expenditure
Development	28,000,000	26,976,570	96%	32%
Recurrent	864,416,714	808,821,149	94%	68%
Total	**892,416,714**	**835,797,719**	**94%**	**100%**

Although the County Assembly achieved 96% absorption rate on development funds, the development expenditure was only 3% of the total expenditure for the year ended 30 June 2015, against the required minimum target of 30% as per the PFM Act, 2012. The County Assembly therefore used most of its budgetary resources on recurrent expenditure items in contravention of the law.

2.0 Untaxed Mileage Allowances

Members of the County Assembly, were paid mileage allowances claims totalling Kshs.3,684,057 during the year under review. However, these allowances were not taxed as required by the Income Tax Act. The members were therefore overpaid Kshs.1,105,217 tax thereof on the payments. Failure to tax the allowances led to loss of revenue to the National Government. Further, there was no evidence indicating that the members of the County Assembly actually travelled to their respective wards to justify the expenditure.

3.0 Mortgage and Car Loan Facilities

The County Assembly disbursed funds totaling Kshs.130,500,000 from July 2014 to 30 June 2015 for the Car Loan and Mortgage facilities to MCAs. An audit review of the records of loan revealed that fourteen (14) members who had taken loan amounting to Kshs.40,470,000 did not provide title deeds and log books as security for the loan taken. The County Assembly may not be able to recover the funds in case default in payment. Further, the County Assembly was recovering loan instalments from members' sitting allowances paid in cash instead of check-off payroll system making it susceptible to default. In addition, the County Assembly, has not prepared and submitted the financial statements of the fund to the office of the Auditor General as per the PFM, Act 2012.

4.0 MCAs Foreign Travel

The County Assembly had allocated Kshs.60,500,000 on foreign travel for the year ended 30 June 2015. A review of expenditure records revealed the following:

4.1 Trip to USA Washington DC

MCAs Trip to Washington DC took place between 21 and 30 March 2015 being a benchmarking study/tour by implementation and delegated legislation committee. A total of Kshs.2,942,853.00 was paid out to six (6) members of the County Assembly and one member of staff. The actual cost of the trip was not established since payment details

of air tickets, facilitation fees and other incidental charges were not produced for audit verification. Further, travel documents including passports were not made available for audit review. It was therefore not possible to establish whether the trip took place. No evidence was also provided indicating that the benchmarking report was prepared and tabled in the assembly for discussion and implementation.

4.2 Trip to United Kingdom

Six (6) members of the county assembly transport and public works committee and one member of staff incurred a total of Kshs.6,169,800 during a training trip to London Borough of Barking and Dagenham Council which took place between 27 April 2015 and 6 May 2015.The total cost of the trip comprised of Kshs.3,063,039 relating to air tickets, participation fees, transport and management fees and the balance of Kshs.3,106,761 related to allowances. However, copies of passports and other travel documents were not provided to confirm that the journey took place. Therefore, it was not possible to confirm value whether or not the trip took place and the duration.

5.0 Domestic Travel and Subsistence Allowances

5.1 Excessive Costs of Seminars/Workshops held within the Counties of Kiambu and Nairobi

The County Assembly paid a total of Kshs.49,238,700 in respect of daily subsistence allowance to members of the County Assembly, committee members and staff for attending workshops, report writing, and legislative consultative meetings in hotels within close proximity of the County Assembly Offices and Nairobi City County. However, the agendas of the discussion were mainly on their daily plenary and committee deliberations which could have been prudently held at the County Assembly's premises and save cost of subsistence allowances and hotel charges. Further, bus fare/work tickets, reports and programme of activities relating to the expenditure were not provided for audit review. It could not be established therefore whether the payments were for genuine meetings. It was not possible to confirm that the County Assembly`s resources were used in an economical and efficient way.

5.2 Payment of Subsistence Travel Allowance for Domestic Trips by MCAs outside Kiambu and Nairobi Counties

The County Assembly paid daily subsistence allowance amounting to Kshs.8,778,100 to members of various committees and staff of the assembly while attending workshops and consultative meetings outside Kiambu and Nairobi Counties. However, bus fare tickets, invitation letters, programme of activities and reports and relating to the trips were not provided for audit review, and therefore the propriety of the expenditure is doubtful.

6.0 Excessive Hire of Conference Facilities

Examination of expenditure documents revealed that, during the year under review, a total of Kshs.4,587,300 was paid to Oak Place Hotel for rendering conference facilities

to Members of the County Assembly. The hotel is situated in the outskirts of Kiambu not far away from County Assembly premises. Therefore, it was not prudent and unjustified to incur the expenditure, for meetings that could have been carried out at the Assembly's premises.

In addition subsistence allowance of Kshs.1,565,200 was paid to staff while attending etiquette workshop which was held 22 and 23 December, 2014 at Oak Place Hotel. According to signed attendance register, fifty-nine (59) participants attended the workshop although subsistence allowance was paid to seventy-one (71) staff.

Excess payment amounting to Kshs.341,600 to twelve (12) staff who apparently did not sign attendance register is irregular charge to public funds.

6.1 Unsupported Subsistence and Accommodation Allowance

Payment of night out allowances totaling to Kshs.1,009,920 was made during the year to various members of the County Assembly and staff while attending meetings in various locations outside County Assembly premises. However, the payment vouchers were not adequately supported. Some of the payments did not have work tickets or bus tickets, duly signed attendance schedules and invoices of hire of the conference facilities to show that the facilities were paid for, and that the meetings actually took place. Therefore, it was not possible to confirm value for money from the expenditure.

6.2 Doubtful Subsistence allowance to MCAs while on Benchmarking Tour at the Senate

Seven (7) members of the county assembly Roads, Transport and Public works Committee were paid a total of Kshs.192,000 as per diem while on a bench marking tour with the Senate Committee on Roads and Transport from 7 to 9 October 2014. However, records indicate that the same members were paid sitting allowances at the County Assembly sittings in the morning and afternoon sessions on 7 October 2014. The payment on this particular date therefore amounted to double payment. Further, bench marking report and evidence of travel was not provided for verification. Therefore, the allowance paid is irregular charge to public funds.

6.3 Unsupported hire of Conference Facilities

An amount of Kshs.595,446 was paid to Utalii Hotel vide cheque No. 001404 in respect of provision of conference facilities. However, signed attendance schedule, workshop/seminar programme and training reports were made available for audit review. It was therefore not clear who attended the seminar, the purpose and dates of the seminar was not indicated. The propriety of the expenditure of Kshs.595,446 could not be confirmed.

6.4 Unsupported Transport Allowance

The County Assembly paid transport allowance totaling Kshs.1,448,000 in the financial year ended 30 June 2015. The money was paid in cash to MCAs and officers travelling

on duty and on seminars/workshops. However, the expenditure was not supported with bus, air or work tickets upon return. In the circumstances, the propriety of this expenditure could not be ascertained.

7.0 Procurement of Goods and Services

7.1 Procurement of Ward Office premises

During the year under review, the County Assembly incurred a total of Kshs.10,980,000 in respect of ward offices rent for the members of the County Assembly at a uniform rent of Kshs.15,000 per month for every ward office. However, as previously reported in 2013/2014, no valuation was done to establish the reasonableness of the rent charged. Procurement of the office was done by members of the County Assembly themselves instead of the Procurement Department of the Assembly. It was also not explained how the rent for offices located at different towns were charged and paid for uniformly. Further, no lease agreement was signed between the Assembly and the landlords and no acknowledgement receipts was issued for the rent paid. Therefore, propriety of the expenditure of Kshs.10,980,000 could not be confirmed.

7.2 Procurement of Sports Gear for MCAs

During the year under review, the County Assembly incurred a total of Kshs.3,133,110 on sports gear of for County Assembly members and staff participating in the Kenya Inter-County Sports and Cultural Association (KICOSCA) held in Eldoret between 17 to 23 August 2014. Included in this expenditure is an amount of Kshs.1,148,400 being payment of tracksuits and sports shoes for MCAs. It was not explained why the MCAs were bought sportswear for which no evidence was provided to confirm that they actually participated in the competitions. Therefore, value for money on the expenditure of Kshs.1,148,000 could not be confirmed.

8.0 Unsurrendered Imprests

Records indicate that the County Assembly had un-surrendered temporary imprest amounting to Kshs.123,500 as at 30 June 2015, which ought to have been surrendered on or before 30 June 2015 but they were still outstanding as at the same date. No reason was provided for the delay and failure to recover the funds from the concerned staff.

9.0 Pending Bills

The County Assembly had pending bills amounting to Kshs.44,968,873.00 as at 30 June 2015. However, the accuracy and movement of pending bills balances could not be confirmed due to the failure of the County Assembly to maintain suppliers' ledgers, relevant invoices and contract agreements during the year under review. Further, no reason was provided as to why the bills were not cleared during the financial year.

Failure to settle the bills will adversely affect the budget for 2015/2016 to which they have to be charged.

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

NAIROBI

27 September 2016

DETAILED AUDIT REPORT ON THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF KIAMBU FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

Detailed Findings

1.0. Budget Performance

1.1 Budgetary control

During the year under review, the County Assembly of Kiambu total expenditure budget was Kshs.892,416,714 comprising of development expenditure budget of Kshs.28,000,000 and recurrent budget of Kshs.864,416,714. The actual total expenditure was Kshs.835,797,719 (93.6%) comprising of Kshs.26,976,570 development expenditure and Kshs.808,821,149 recurrent expenditure as follows:-

Item	Budget allocation 2014/2015	Actual 2014/2015	Absorption in %	As % of Total Expenditure
Development	28,000,000	26,976,570	96%	3%
Recurrent	864,416,714	808,821,149	94%	97%
Total	**892,416,714**	**835,797,719**	**94%**	**100%**

The County Assembly spent Kshs.26,976,570 on development projects against a budget provision of Kshs.28,000,000 thus realizing an absorption rate of 96% while recurrent expenditure total to Kshs.808,821,149 or 94% utilization against budget of Kshs.864,416,714 and 97% of the total expenditure for the year 2014/2015.

1.2 Budget Performance

During the year under review, the County Assembly of Kiambu total expenditure budget was Kshs.892,416,714 comprising of development expenditure budget of Kshs.28,000,000 and recurrent budget of Kshs.864,416,714. The actual total expenditure was Kshs.835,797,719 (93.6%),comprising of Kshs.26,976,570 development expenditure and Kshs.808,821,149 recurrent expenditure. Therefore, the County Assembly under spent by Kshs.56,618,995, representing 6.34% of total expenditure budget as analyzed below:-

Item	Budget allocation 2014/2015	Actual 2014/2015	Absorption in %	As % of Total Expenditure
Development	28,000,000	26,976,570	96%	32%
Recurrent	864,416,714	808,821,149	94%	68%
Total	**892,416,714**	**835,797,719**	**94%**	**100%**

Although the County Assembly achieved 96% absorption rate on development funds, the development expenditure was only 3% of the total expenditure for the year ended

30 June 2015, against the required minimum target of 30% as per the PFM Act, 2012. The County Assembly therefore used most of its budgetary resources on recurrent expenditure items in contravention of the law.

Recommendation

The County Assembly management should ensure that allocated funds as outlined in the approved budget are utilized for the intended purpose and within the financial year.

1.3 Over/Under Expenditure

An analysis of expenditure for the year ended 30 June 2015 revealed over and under expenditure as follows:-

Items	Approved Budget	Actual Expenditure	Over Expenses	Under Expenses
Development				
Refurbishment of buildings	20,000,000	19,397,473		602,527
Construction of civil works	8,000,000	7,579,097		420,903
Recurrent				
Basic salaries-permanent staff	245,016,714	245,016,712		
Basic Salaries-Temporary staff	40,000,000	39,999,999	-	1
Personal allowances	24,400,000	24,400,000	-	-
Contribution to pension scheme	3,200,000	3,200,000		
Domestic Travel allowances	133,900,000	128,759,774	-	5,140,226
Foreign Travel allowances	60,500,000	53,000,898	-	7,499,102
Training	11,100,000	11,324,259	224,259	-
Hospitality and supplies	15,000,000	11,678,382	-	3,321,618
Insurance	25,000,000	22,166,332	-	2,833,668
General office supplies	5,000,000	3,610,235	-	1,389,765
Other operating expenses	18,500,000	12,507,355	-	5,992,645
Routine maintenance of assets	4,000,000	2,313,266	-	1,686,734
Purchase of furniture	10,200,000	2,712,222	-	7,487,778
Purchase of specialized equipment	13,800,000	10,861,195	-	2,938,805
Subscriptions to Associations	2,000,000	1,455,093	-	544,907
Ward office expenses	22,000,000	15,475,022	-	6,524,978
Loans to Members	130,500,000	130,500,000	-	-
Fuel, Oil and lubricants	3,000,000	450,500	-	2,549,500
Communication and printing	17,300,000	10,961,005	-	6,338,995
Rental for offices	60,500,000	53,000,898	-	7,499,102

The County assembly underspent on seventeen (17) items and over spent on one (1) item with a total expenditure of Kshs.408,929,645 and Kshs.11,324,259 respectively.

Recommendation

The budget should be as realistic as possible to avoid tying resources in items which are not of priority to the Assembly.

2.0 Untaxed Mileage Allowances

During the year under review, a total of Kshs.3,684,057.00 was paid in cash to members of the County Assembly being mileage allowances claims expenditure. However, these allowances were not taxed as required by the Income Tax Act. The members were therefore overpaid Kshs.1,105,217.10 tax thereof on the payments. These allowances were also not captured in the IPPD payroll as required. Failure to tax the allowances led to loss of revenue to the National Government. Further, there was no evidence indicating that the members of the County Assembly actually travelled to their respective wards to justify the expenditure as below: -

Date	Voucher No.	Period/month	Amount-Kshs
16 /09/2014	178	July 2014	365,412
16 /09/2014	277	September 2014	48,751
03 /10/2014	423	Aug./Sept 2014	545,045
20 /10/2014	550	October 2014	479,604
4/12/2014	794	November 2014	479,604
15/12/2014	334	December 2014	98,820
24/03/2015	1221	Feb./March 2015	70,711
20/05/2015	1696	Feb./March 2015	780,733
08/05/2015	1493	April 2015	479,604
29/06/2015	1644	June 2015	335,773
		Total	**3,684,057**

Recommendations

- The County Assembly should recover the unpaid taxes from the respective members of County Assembly and remit to KRA.
- Mileage allowances should only be paid upon production of valid evidence of travel.

3.0 Mortgage and Car Loan Facilities

The County Assembly disbursed funds totaling Kshs.130,500,000 from July 2014 to 30 June 2015 for the Car Loan and Mortgage facilities to the members of the County Assembly. An audit review of the records of loans revealed the following:

(i) The security for the loans deposited with the Assembly were not valued and there was no transfer forms signed to enable the Assembly sell the security in case of members fail to repay the loans.

(ii) Fourteen (14) members did not deposit title deeds and log books as security for their loans taken amounting to Kshs.40,470,000. The county assembly may not be able to recover the funds in case of failure by members to repay the loan as shown below:-

S.No	Name of MCA	Amount-Kshs.
1	Mary Waithera	4,500,000
2	Joseph Ngugi	3,000,000
3	Moses Munyua Kiarie	1,500,000
4	Joel Waichere Githii	4,500,000
5	George Gitau Wambui	3,000,000
6	Geoffrey Mureithi Njuguna	3,000,000
7	Evans Mwithukia Mberere	3,000,000
8	George Nganga Muthua	3,000,000
9	Paul Karungi Thangwa	3,000,000
10	Jackson Njuguna Karanja	2,068,500
11	Samuel Gitau Munene	1,131,500
12	Samuel Kimani Gachihi	3,000,000
13	Samuel Nganga Nyambura	3,000,000
14	George Irungu Kioi	3,000,000
	Total	**40,700,000**

(iii) The County Assembly was making loan recoveries from members' sitting allowances paid in cash instead of check-off payroll system. Payment of sitting allowances is dependent on Assembly sessions and committee meetings which are not regular making it susceptible to default.

(iv) The County Assembly, has not prepared and submitted the financial statements of the Fund to the office of the Auditor General as per the PFM Act, 2012.

The administration of the car and mortgage facility as a revolving Fund may not be sustainable if rules and regulations governing its operations are not adhered to.

Recommendations

- The County Assembly should ensure that all the Car Loan and Mortgages are fully secured and rules and regulations on the operation of the facility should be adhered to;
- Annual financial statements should be prepared and submitted for audit.
- The accounting officer should process all payments to MCAs through the IPPD payroll and recover loans due accordingly.

4.0 Unaccounted for Expenditure on Foreign Travel

The County Assembly had allocated Kshs.60,500,000 on foreign travel for the year ended 30 June 2015. A review of expenditure records revealed the following:

4.1 Trip to USA -Washington DC

This trip took place between 21 and 30 March 2015 being a benchmarking study/tour by implementation and delegated legislation committee. The actual cost of the trip was not established since payment details of air tickets, facilitation fees and other incidental charges were not produced for audit verification. However, a total of Kshs.2,942,853.00 was paid out to six (6) members of the County Assembly and one member of staff. Further, travel documents including passports were not made available for audit review and it was not possible to establish whether the trips took place. No evidence was also provided indicating that the benchmarking report was prepared and tabled in the Assembly for discussion and implementation.

4.2 Trip to United Kingdom

The total cost of the trip was Kshs.6,169,800 out of which Kshs.3,063,039 was paid for air tickets, participation fees, transport and management fees and the balance of Kshs.3,106,761 paid in allowances to six(6) members of the County Assembly and one staff of staff. This was a training trip to London Borough of Barking and Dagenham Council by Transport and Public Works Committee which took place between 27 April 2015 and 6 May 2015. However, copies of passports and other travel documents were not provided to confirm that the journey took place.
Therefore, it was not possible to confirm value for money from the trips.

Recommendations

- The accounting officer should provide reports and stamped passports for the trips and ensure that mechanisms for control and accountability of public funds are put in place as required by PFM Act, 2012.

- Any unaccounted for funds arising from the trips should be recovered from the respective staff and members of the County Assembly.

5.0 Domestic Travel and Subsistence Allowance

5.1 Excessive costs of Seminars/Workshops held within the Counties of Kiambu and Nairobi

The County Assembly paid a total of Kshs.49,238,700 daily subsistence allowance to members of the County Assembly, committee members and staff for attending workshops, report writing, and legislative consultative meetings in hotels within close proximity of the County Assembly Offices and Nairobi City County. However, the following was noted:-

(i) The agendas of the discussion were mainly on daily plenary and committee deliberations which could have been prudently held at the County Assembly's premises and save cost of subsistence allowances and hotel charges.

(ii) Bus fare/work tickets, reports and programme of activities relating to the expenditure were not provided for audit review and it was not possible to establish whether the payments were for genuine meetings that took place.

The propriety of the expenditure amounting to 49,238,700 incurred by the Assembly during the year ended 30 June 2015 could not be confirmed. **(Appendix I)**

5.2 Unsupported Subsistence Allowance Payments

The County Assembly paid daily subsistence allowance to members of various committees and staff of the Assembly amounting to Kshs.8,778,100.00 while attending workshops and consultative meetings outside Kiambu and Nairobi City County. However, payment vouchers did not have work tickets or bus tickets, signed list of attendance, invitation letters, or invoices and reports relating to the trips to proof that such meetings occurred. Therefore, the propriety of the expenditure could not be verified. **(Appendix II)**

Recommendations

- The County Assembly should account for the above expenditure.
- The accounting officer should ensure prudent management of public resources to avoid wasteful and unnecessary expenditure.

5.3 Other Unexplained Payment for Subsistence Allowances

5.3.1 Payment of Subsistence Allowance – Etiquette Workshop at Oak Hotel

A review of subsistence allowance expenditure revealed that an amount of Kshs.1,565,200 was incurred by staff while attending etiquette workshop which was held on 22 and 23 December, 2014 at Oak Place Hotel. According to signed attendance register, fifty-nine (59) participants attended the workshop but subsistence allowance was paid to seventy-one (71) staff.

Excess payment to twelve (12) staff amounting to Kshs.341,600 who apparently did not sign attendance register is irregular charge to public funds.

Recommendations

The management of the County Assembly should institute recoveries of payments to staff who did not attend the workshop and ensure that in future allowance is paid for genuine and official purpose only.

5.3.2 Unsupported Subsistence and Accommodation Allowance

Payment of night out allowances totaling to Kshs.1,009,920.00 was made during the year to various members of the County Assembly and staff while attending meetings in various locations outside County Assembly's premises. However, the payment vouchers were not adequately supported. Some of the payments did not have work tickets or bus tickets, signed attendance list and invoices of hire of the conference facilities to show that the facilities were paid for, and that the meetings actually took place. **(Appendix III).**

Recommendation

The accounting officer should ensure that all payments are adequately supported and is a proper charge to public funds.

5.3.3 Doubtful Subsistence allowance to MCAs while on Benchmarking Tour at the Senate

Members of the Roads, Transport and Public works committee were paid a total of Kshs.192,000 as per diem while on a bench marking tour with the Senate Committee on Roads and Transport on 7 – 9 October 2014. However, the following issues were noted:-

(i) That the following MCAs received committee sitting allowance (morning session), plenary sitting allowance (afternoon session) at the County Assembly and also per diem to Nairobi on the 7 October 2014; Wambui George Gitau, Wanjiru Patrick Chege Kioi, Gathogo David Waihumbu, Mbuiyu Nelson Munga, Munyua Moses Kiarie, Kibeh Annie Wanjiku and Muthoni Isabella Kiarie.

(ii) An attendance register of 7 October 2014 indicate that the above MCAS attended the benchmarking meeting at Senate at Nairobi. It is not clear how the members attended both meetings running concurrently.

(iii) The benchmarking report and evidence of travel were not provided for audit to ascertain whether the meeting actually took place.

The above point out to double payment of sitting allowances and per diem which was not deserved by the concerned members.

Recommendation

The accounting officer should ensure that allowances paid are genuinely earned and any overpayment should be recovered from the respective MCAs.

6.0 Unsupported Hire of Conference Facilities

An amount of Kshs.595,446.00 was paid to Utalii Hotel vide cheque No. 001404 in respect of provision of conference facilities. However, signed attendance schedule,

workshop/seminar programme and training reports were made available for audit review. It was therefore not clear who attended the seminar, the purpose and dates of the seminar was not indicated.

Recommendation

The County Assembly management should ensure that procurement of goods and services are done in accordance to the Public Procurement and Disposal Act, 2005 and related regulations.

7.0 Unsupported Transport Allowance

The County Assembly paid transport allowance totaling kshs.1,448,000 in the financial year ended 30 June 2015. The money was paid in cash to MCAs and officers travelling on duty and on seminars/workshops. However, the expenditure was not supported with bus, air or work tickets upon return. **(Appendix IV)**

Recommendation

The MCAs and staff should be reimbursed the cost they incur on transport on production of receipts.

8.0 Unnecessary Hire of Conference Facilities

Examination of expenditure documents revealed that, during the year under review, a total of Kshs.4,587,300 was paid to Oak Place Hotel for rendering conference facilities to Members of the County Assembly. The following anomalies were noted on the payments:-

(i) The hotel is situated in the outskirts of Kiambu not far away from County Assembly premises. Therefore, it was not prudent and unjustified to incur the expenditure, for meetings that could have been carried out at the Assembly's premises.

(ii) The purpose for the retreats was not justifiable e.g. writing reports or amendments of bills. These duties could have been done at the duty stations to avoid unnecessary expenditure as shown below:-

Payment voucher No.	Date	Purpose	Amount-Kshs.
110	22/12/2014	Conference facilities for 60 people from 10-11 Nov.2014	1,127,800
119	17/12/2014	Conference facilities for 80 people from 23-24 Oct.2014	432,000
119	26/11/2014	Conference facilities for 110 people from on 5 Nov.2014	383,000
	15/12/2014	Conference facilities for 25 people from 19-21 July 2014	495,000

1545/1546	23/4/2015	Conference facilities for 180 people from 26-31 Jan.2015	1,686,500
1626	28/4/2015	Conference facilities for 80 people on 21 March 2015	462,000
		Total	**4,587,300**

Recommendations

The County Assembly should ensure that seminars and workshops are not organized for work activities that can be carried out at the Assembly premises.

9.0 Procurement of Goods and Services

9.1 Procurement of Ward Office Space

During the year under review, the County Assembly incurred a total of Kshs.10,980,000 being ward offices rent for the members of the County Assembly at a uniform rent of Kshs.15,000 per month for every office. However, as previously reported in 2013/2014, no valuation was done to establish the reasonableness of the rent charged. Procurement of the office was done by members of the County assembly themselves instead of the Procurement Department of the assembly. It was not explained how the rent for offices located at different towns were charged and paid for uniformly. Further, no lease agreement was signed between the assembly and the landlords and no acknowledgement receipts was issued for the rent paid.

Recommendations

- Valuations should be carried out on the offices to ascertain the market value.
- Procurement of goods and services including renting office space should be done in accordance to public procurement regulations.

9.2 Procurement of Sports Gear for MCAs

During the year under review, the County Assembly incurred a total expenditure of Kshs.3,133,110.00 to purchase sports gear for County Assembly members and staff participating in the Kenya Inter-County Sports and Cultural Association (KICOSCA) held in Eldoret on 17 - 23 August 2014. Included in this expenditure is an amount of Kshs.1,148,400.00 being payment of tracksuits and sports shoes for MCAs. It was not explained why the sportswear were bought for the MCAs since there was no evidence of their participation in the games.

Recommendation

The accounting officer should ensure that public resources are used in a prudent and economical way.

10.0 Avoidable Tax Penalties

Records indicate that, the County Assembly did not deduct and remit Value Added Tax (VAT) and Income Tax as required of tax agents and as a result a total of Kshs.5,945,349.00 tax assessment was issued by KRA for tax arrears, penalties and interests for delaying tax returns and payments during the year. The nugatory expenditure could have been avoided had the County Assembly paid the required taxes.

Recommendation

The County Assembly should ensure that all statutory deductions are remitted within the stipulated timelines.

11.0 Commitments-Pending Bills

The County Assembly of Kiambu had pending bills amounting to Kshs.44,968,873.00 as at 30 June 2015. However, the accuracy and movement of pending bills balances could not be confirmed due to the failure of the County Assembly to maintain suppliers' ledgers during the year under review. Further, no reason was provided as to why the bills were not cleared during the financial year. Failure to settle the bills will adversely affect the budget for 2015/2016 to which they have to be charged. The County Assembly may also incur additional cost in form of interest on overdue accounts and/or litigation cost if the debts are not settled promptly.

Recommendations

- The accounting officer should ensure procurement of goods and services are documented in annual procurement plan and cash flow projections to avoid buildup of pending bills prompt settlement of its suppliers.
- The accounting officer should maintain and regularly update payables ledger.

Conclusion

From the foregoing, it is clear that the management has not instituted reliable financial systems and effective internal controls to safeguard public funds from misuse and loss.

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

NAIROBI

27 September 2016