REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF NANDI

FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

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EXECUTIVE SUMMARY

Introduction

The Auditor-General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution of Kenya and the Public Audit Act, 2003. Further, the Constitution and Section 107 of the Public Finance Management Act, 2012 requires the County Treasury to adhere to the principles of public finance.

Audit Objectives

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

Terms of Reference

The terms of reference set for the management and financial operations' audit of the Nandi County Assembly for the period 1 July 2014 to 30 June 2015 included 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 Assembly.
- Assessment of compliance with the procurement laws in the 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 confidentiality, integrity and availability 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.

Audit Methodology

The approach used in carrying out this audit included:

- Review of applicable legislation and regulations;
- Examination of expenditure records, including payment vouchers and supporting documents, cashbooks, vote books, bank statements, bank in slips, miscellaneous

receipt books, procurement documents, stores records, asset registers and other related records;

- Interviews with key officers at the County Assembly.
- Review of minutes of various meetings where there were resolutions regarding utilization of public funds;
- Physical inspection and verifications;
- Observation of processes and activities.

Scope and Determination of Responsibilities

The audit was conducted in accordance with 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, expenditure incurred is 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. My responsibility is to report on the weaknesses and non-compliance with the laws and regulations identified in the course of the audit.

The following sections highlight key audit findings noted during the audit of the financial operations for the year ended 30 June 2015;

Key Audit Findings

1.0 Budgetary Controls and Performance

1.1 Unsatisfactory Budget Performance

The Nandi County Assembly had an approved budget of Kshs.423,760,946 consisting of Kshs.363,760,946 for the Recurrent Vote and Kshs.60,000,000 for Development Vote.

Audit review of the vote book and expenditure returns showed that actual expenditure on recurrent vote amounted to Kshs.358,740,268 or approximately 98.2% of the budgeted expenditure of Kshs.363,760,946 while development expenditure amounted to Kshs.26,876,621 or approximately 44.8% of the budgeted expenditure of Kshs.60,000,000 resulting in an under-expenditure of Kshs.33,123,379 or approximately 55.2%.

Management did not comply with the budgetary provisions but held back funds that could have been put to a better use for the benefit of the citizens of Nandi County.

1.2 Unapproved Reallocations

Examination of records provided for the year ended 30 June 2015, indicated that amounts totalling Kshs.24,220,685 were irregularly transferred from the Nandi County Assembly Vote to various votes under Nandi County Executive Ministries and there was no documentary evidence to show that the reallocation was approved by the County Assembly as required by Section 154 of the Public Finance Management Act, 2012.

The transfers are therefore irregular.

2.0 Irregular Charge of Travelling and Subsistence Expenditure

Available information indicates that, an amount of Kshs.59,248,917 was incurred in respect of travelling expenses and irregularly charged to other expenditure items without the necessary approval as required by Section 154 of the Public Finance Management Act, 2012.

The Management was therefore in breach of the law.

3.0 Purchase of Motor Vehicles

A review of an approved budget for the County Assembly for the year ended 30 June 2015 indicated a provision of Kshs.30,000,000 for purchase of motor vehicles for the purpose of monitoring and evaluation. Information available indicate that three vehicles were acquired during the year at a cost of Kshs.18,423,440.40 from M/s Toyota Kenya Limited and the expenditure charged to the Ministry of Education vote instead of the County Assembly.

The management did not therefore comply with the approved budget.

4.0 Travelling and Subsistence Allowance

4.1 Unaccounted for Allowances for Roads and Infrastructure Trip to Malaysia and Singapore

Records availed for audit review indicated that an amount of Kshs.22,412,374 was incurred on thirteen (13) Members of the County Assembly and eight (8) members of staff on a roads and infrastructure benchmarking tour in Malaysia and Singapore between 19 May 2015 and 29 May 2015. The cash was however not issued to the MCAs and staff in form of imprest as required by the Government Financial Regulations and Procedures but was instead expensed at the time of payment. Further, a schedule of activities that were to be carried out during the trip, report of the study, copies of endorsed passports and boarding passes to support the travel were not provided for audit review.

Further, included in the expenditure of Kshs.22,412,374 is a payment of Kshs.7,182,000 to an air travel firm in respect of accommodation, meals and other expenses out of which Kshs.5,187,000 was in respect of air tickets and other travel expenses. There was however no documentation on how the travel firm was identified or how the cost of air tickets and other expenses of Kshs.5,187,000 was determined.

Consequently, the benefits of the bench marking tour to the people of Nandi County could not be quantified. Further, the County Assembly risks losing public funds through journeys that may not have been taken. The management failed to comply with Government Financial Regulations and Procedures and the Public Procurement and Disposal Act, 2005 and related regulations, which encourage procuring entities to procure goods and services through a competitive bidding process.

4.2 Irregular Advances for East African Local Authorities Sports and Cultural Association Event in Uganda

A review of expenditure records for the year under review indicated that, an amount of Kshs.16,349,910 was advanced to forty eight (48) Members of the County Assembly and twenty three (23) members of staff to attend the East African Local Authorities Sports and Cultural Association Event in Uganda. However, the advances were expensed at the time of issue contrary to Section 5.6 of the Government Financial Regulations and Procedures which require imprests to be issued as advance and be accounted for within 48 hours after returning to duty station.

Consequently, the propriety of the expenditure of Kshs.16,349,910 could not be confirmed.

4.3 Unsupported Expenses for an Agricultural Trip to Israel

Records availed for audit review indicated that an amount of Kshs.5,897,700 was spent on an agricultural tour to Israel by Members of the County Assembly. An amount of Kshs.3,451,500 was paid to members in form of allowances while Kshs.2,446,200 was paid to a travel agency in respect of flight and accommodation expenses.

Although the allowances and other travel expenses were expensed at the time of issue, there was no supporting evidence to account for the funds as required by the Government Financial Regulations and Procedures. Copies of endorsed pass ports, air tickets/boarding passes, a schedule of activities that were carried out during the tour and a report of what was learned during the tour were not availed for audit review. In addition, there is no information on how the travel firm that offered the travel services was identified.

Consequently, the propriety of the expenditure of Kshs.5,897,700 could not be confirmed.

4.4 Unaccounted for Domestic and Foreign Travel Expenses

Expenditure records provided for audit review indicated that, travel expenses amounting to Kshs.40,536,499 were incurred on both local and foreign travels during the year under review. The amounts were advanced to Members of the County Assembly and staff to meet travelling expenses. However, there was no documentary evidence to show how the funds were utilised, including motor vehicle work tickets, copies of endorsed passports and reports of the trips made.

Consequently, public funds may have been lost through journeys that may not have taken place or imprests that are never accounted for. The journeys taken may also not be beneficial to the people of Nandi County as they do not add any value.

4.5 Irregular Payment of Sitting Allowances

Expenditure records reviewed showed that an amount of Kshs.1,996,800 was paid to Members of the County Assembly in respect of sitting allowances while attending 2014 Nandi Agricultural Show. The payment was contrary to Salaries and Remuneration Commission's Circular Ref. No. SRC./TS/CGOVT/3/16 which states that Members of the County Assembly shall be entitled to sitting allowance in accordance with the standing orders subject to a maximum of eight (8) sittings per week (four for plenary and four for committee sessions).

The payments were neither for plenary nor committee sessions and were therefore irregular and did not form a proper charge to public funds.

5.0 Procurement of Goods and Services

5.1 Nugatory Expenditure on Procurement of Consultancy Services

Examination of records provided for audit review indicated that, the County Assembly entered into a contract with two architectural firms for provision of architectural consultancy services for construction of modern Assembly Chambers and auxiliary amenities.

The agreement was signed on 5 December 2014 for Kshs.32,758,620 and work was to commence on 6 January 2015. Subsequently, a payment of Kshs.7,183,999 was made on 28 April 2015. Another payment voucher for Kshs.22,931,034 (or 70% of the contract sum) was prepared on 22 June 2015, though not paid, but remains a potential liability to the Assembly.

Information available, however, indicates that the idea of constructing a new assembly has since been shelved following guidelines from the Commission on Revenue Allocation in circular Ref. No. CRA/CSC/CGM/10/Vol.8/4 dated 19 May 2015. The commission advised that major capital projects including construction of new County Assemblies were not a priority, and where there is justification to do so, then should be funded through long term finance arrangement. Further, management has not indicated when the financing for the building shall be secured and therefore, the same may not be constructed and the expenditure of Kshs.7,183,999 already paid may amount to nugatory expenditure as the same may not be of any value to the County Assembly.

5.2 Lack of Budgetary Allocation for Construction of a Perimeter Wall

Examination of records indicated that the County Assembly during the year, entered into a contract with two construction firms for construction of a perimeter wall at a contract sum of Kshs.4,165,317. The contract was to commence on 3 February 2015 and be completed in 12 weeks on 8 July 2015.

As at 10 November 2015, approximately 70% of the work had been completed. However, the construction had stalled due to non-payment to the contractor apparently because there was no budgetary allocation for the work and no reason was provided for entering into contract for works without a budgetary allocation. This is contrary to the provisions of Section 26 (6) of the Public Procurement and Disposal Act, 2005.

The management was therefore in contravention of the law and this may result in fines and penalties arising due to inability to meet the contractual financial obligations.

6.0 Unresolved Previous Year's Matters

As reported in the previous year's report, the following audit issues have remained unresolved.

6.1 Irregular Utilization of Mortgage and Car Loans

A review of the County Assembly records indicated that forty eight (48) members of the County Assembly and the speaker were each advanced Kshs.5,000,000, comprising of Kshs.3,000,000 for mortgage and Kshs.2,000,000 for car loan which was approved by the Salaries and Remuneration Commission (SRC). As at 30 June 2014, a total of Kshs.245,000,000 had been incurred on the facility. It was however, noted that none of the members purchased a residential house or a car but instead used the funds to repay personal bank loans which were outstanding as at 31 March 2014.

A review of the position during 2014/2015 showed that the Fund has not opened an account and maintained proper books for the purpose of administering and accounting for the loans as required by Section 104(1) (j) of the Public Finance Management Act,2012. Further, the financial statements for the Fund have not been prepared and submitted to the Auditor-General for audit as required by Section 167(7) (a) and (b) of the Act.

Under the circumstances it has not been possible to confirm the propriety and accountability of the mortgages and car loans amounting to Kshs.245,000,000 as at 30 June 2015.

6.2 Un-Supported Sitting Allowances to Members of the County Assembly

Examination of records on the payment of sitting allowances to the Members of the County Assembly revealed that an amount of Kshs.5,993,700 was incurred in the period July 2013 and June 2014. However, the payments were not supported with minutes of the meetings held, although Assembly members signed the attendance registers. The validity of the payments could not be confirmed due to lack of records of the proceedings indicating that the sittings actually took place and the allowances were genuinely earned.

Conclusion

Weaknesses in the budgetary performance, irregularities in the procurement of goods and services, irregular payment of allowances and unsupported/unaccounted for travelling and subsistence allowances have been noted.

The management of the County therefore needs to come up with proper and adequate control measures to safeguard public funds and utilize the appropriated funds in accordance with the law and for the benefit of the citizens.

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

Nairobi

30 August 2016

DETAILED AUDIT FINDINGS

1.0 Budgetary Controls and Performance

1.1 Unsatisfactory Budget Performance

The Nandi County Assembly had an approved budget of Kshs.423,760,946 consisting of Kshs.363,760,946 for the Recurrent Vote and Kshs.60,000,000 for Development Vote.

An audit review of the vote book and expenditure returns showed that actual expenditure on recurrent vote amounted to Kshs.358,740,268 or approximately 98.2% of the budgeted expenditure of Kshs.363,760,946, while development expenditure amounted to Kshs.26,876,621 or approximately 44.8% of the budgeted expenditure of Kshs.60,000,000 resulting in an under expenditure of Kshs.33,123,379 or approximately 55.2% as detailed below:

Development Vote:

	EXPENDITURE ITEM	APPROVED ESTIMATE (Kshs)	ACTUAL EXPENDITURE (Kshs)	BALANCE (Kshs)	Absorption Rate %	% Weighted Absorption Rate
1	Construction of Buildings	7,657,559.00	7,657,559.00	0.00	100%	12.8%
2	Purchase of Motor vehicles	30,437,001.00	5,900,400.00	24,536,601.00	19.4%	9.8%
3	Purchase of Exchange &Comm. Equipment	17,905,440.00	13,318,662.00	4,586,778.00	74.8%	22.2%
4	Purchase of Educational Aids& Equipment	4,000,000.00	0.00	4,000,000.00	0%	0%
	Total	**60,000,000.00**	**26,876,621.00**	**33,123,379.00**	**44.8%**	**44.8%**

There was no reason or explanation provided for the under expenditure of Kshs 33,123,379 on the development vote. Consequently, the management did not comply with the budgetary provisions thus holding back funds that could have been put to a better use for the benefit of the citizens of the Nandi County.

1.2 Unapproved Reallocation

Examination of records provided indicated that amounts totalling Kshs.24,220,685 as detailed in **Appendix I** were irregularly transferred from the Nandi County Assembly Vote to various votes under the Nandi County Executive Ministries. However, there was no documentary evidence to show that the reallocation was approved by the County Assembly as required by Section 154 of the Public Finance Management Act, 2012.

Consequently, the transfers are irregular and may lead to non-implementation of the planned projects or loss of public funds through unnecessary spending.

Recommendation

The Management should ensure that expenditure is charged to appropriate votes as per the approved budget and for any reallocation, appropriate approval is obtained as required by Section 154 of the Public Finance Management Act, 2012.

2.0 Irregular Charge of Travelling and Subsistence Expenditure

Available information indicates that an amount of Kshs.59,248,917 as detailed in **Appendix II** was incurred in respect of travelling expenses and irregularly charged to other expenditure items without the necessary approval as required by Section 154 of the Public Finance Management Act, 2012.

The Management was therefore in breach of the law and some programs may not be implemented due to the irregular reallocation of funds.

Recommendation

The Management should ensure that expenditure incurred is in line with the approved budget and any reallocation is approved as required by Section 154 of the Public Finance Management Act, 2012.

3.0 Purchase of Motor Vehicles

A review of the approved budget for the County Assembly indicated that there was a provision of Kshs.30,000,000 for purchase of motor vehicles for monitoring and evaluation. Information available indicate that three vehicles were acquired during the year at a cost of Kshs.18,423,440.40 from M/s Toyota Kenya Limited and the expenditure charged to Ministry of Education instead of the County Assembly.

Consequently, the management did not comply with the approved budget.

Recommendation

The Management should ensure that expenditure is charged to the correct vote as per the approved budget and any reallocation be regularised through supplementary budget as required by Section 154 of the Public Finance Management Act, 2012, failure to which the respective officers are held liable and accountable.

4.0 Travelling and Subsistence Allowance

4.1 Unaccounted for Allowances for a Roads and Infrastructure Trip to Malaysia and Singapore

Records availed for audit review indicated that an amount of Kshs.22,412,374 as detailed in **Appendix III** was incurred on thirteen (13) members of the County Assembly and eight (8) members of staff on a roads and infrastructure benchmarking tour in Malaysia and Singapore between 19 May 2015 and 29 May 2015. The cash was however not issued to

the MCAs and staff in form of imprest as required by the Government Financial Regulations and Procedures but was instead expensed at the time of payment. Further, a schedule of activities that were to be carried out during the trip, report of the study, copies of endorsed passports and boarding passes to support the travel were not provided for audit review.

Additionally, included in the expenditure of Kshs 22,412,374 is a payment of Kshs.7,182,000 paid to a travel agency in respect of accommodation, meals and other expenses out of which Kshs.5,187,000 was in respect of air tickets and other travel expenses.

There was, however, no documentation on how the firm was identified and the air cost and other expenses of Kshs.5,187,000 determined. Consequently, the benefits of the bench marking tour to the people of Nandi County could not be quantified.

Further, the County Assembly risks losing public funds through journeys that may not have taken place. Management did not comply with the Government Financial Regulations and Procedures and the Public Procurement and Disposal Act, 2005 and related regulations of 2006 and 2013, which encourage procuring entities to procure goods and services through a competitive bidding process.

Recommendation

i. The management should ensure that officers travelling on official tour are issued with individual imprest to meet their cost of living in line with Government regulations governing imprest and account for the same on return from the journey.

ii. Management should also ensure that journeys taken have a positive impact on the lives of the people of Nandi County and the expenses are adequately supported.

iii. Further, sourcing of air travel services should be sourced competitively as required by the Public Procurement and Disposal Act, 2005 and related regulations of 2006 and 2013.

iv. Management should also ensure that advances that are not accounted for are recovered from the respective officers.

4.2 Irregular Advances for East African Local Authorities Sports and Cultural Association Event in Uganda

A review of expenditure records for the year under review indicated that, an amount of Kshs.16,349,910 as reflected under **Appendix IV** was advanced to forty eight (48) Members of the County Assembly and twenty three (23) members of staff to attend the East African Local Authorities Sports and Cultural Association Event in Uganda. However, the advances were expensed at the time of issue and were not accounted for contrary to Section 5.6 of Government Financial Regulations and Procedures which require imprests to be issued as advance and be accounted for within 48 hours after returning to duty station.

Further, no reason has been provided as to why all the forty eight (48) MCAs, the Speaker and the Clerk had to attend the function which has no tangible benefit to the people of Nandi County instead of a few members of a Select Committee.

In addition, the event was for seven (7) days according to the program, while the Nandi County Assembly delegation was paid allowances for twelve days; ten in Uganda and two in Kenya.

Consequently, the propriety of the expenditure of Kshs.16,349,910 could not be confirmed. In addition, there is risk of loss of public funds through imprests paid for journeys that may not have taken place.

Recommendation

i. Management should ensure that journeys taken are only those that are beneficial to the people of Nandi County and that the size of the delegation is small to reduce on costs and avoid unnecessary expenditure.

ii. Management should also ensure that imprests are advanced in accordance with the Government Financial Regulations and Procedures governing imprests and such imprest are accounted for, supported with copies of passports, motor vehicle work tickets/air tickets and boarding passes.

iii. Management should investigate and recover the irregularly paid allowances and surcharge those officers who irregularly authorised and approved the allowances for more days than those that the event covered.

iv. The advances should also be recovered from the officers who have not accounted for the same.

4.3 Unsupported Expenses for an Agricultural Trip to Israel

Records availed for audit review indicated that an amount of Kshs.5,897,700 as detailed under **Appendix V** was spent on an agricultural tour to Israel by Members of the County Assembly. An amount of Kshs.3,451,500 was paid to members inform of allowances while Kshs.2,446,200 was paid to a travel agency in respect of flights and accommodation expenses.

According to the letter of invitation dated 18 October 2014, the event was to take place between 17 and 26 November 2014. However, according to the invoice by the travel firm dated 13 November 2014, the travel dates were set as between 22 November to 1 December 2014.

Although the allowances and other travel expenses were expensed at the time of issue, there has been no supporting evidence to account for the funds as required by Government Financial Regulations and Procedures. Copies of endorsed passports, air tickets/boarding passes, a schedule of activities that were carried out during the tour and a report of what was learned during the tour were not availed for audit review. In addition, there is no information on how the firm was identified to offer travel services.

Consequently, the propriety of the expenditure of Kshs.5,897,700 could not be confirmed

Recommendation

i. Management should ensure that issuance of imprests is in accordance with Section 5.6 of the Government Financial Regulations and Procedures and that

procurement of services is done in accordance with provisions of the Public Procurement and Disposal Act, 2005 and related regulations of 2006 and 2013.

ii. Management should also ensure that benchmarking tours undertaken are those that have direct impact on the citizens of Nandi County and that invitations are done through diplomatic channels.

iii. Management should also ensure that all the advances are accounted for and those who do not account, the same is recovered from their salaries.

4.4 Unaccounted for Domestic and Foreign Travel Expenses

Expenditure records provided for audit review indicated that, other travel expenses amounting to Kshs.40,536,499 as indicated under **Appendix VI** were incurred on both local and foreign travels during the year under review. The amounts were advanced to members of the County Assembly and staff to meet travelling expenses. However, there was no documentary evidence, including motor vehicle work tickets, copies of endorsed passports and reports of the trips made to show how the funds were utilised.

There is a possibility that public funds may have been lost through journeys that never took place or imprests that are not accounted for. The journeys taken may also not be beneficial to the people of Nandi County.

Recommendation

i. Management should ensure that issuance of imprest is in accordance with Section 5.6 of Government Financial Regulations and Procedures and that such imprests are accounted for immediately after the journey as required by the regulations, failure to which the same is recovered from the officers.

ii. Management should also ensure that all retreats and trips culminate in reports that are laid before the County Assembly as required by the standing orders and such reports be a point of reference in future decision making.

4.5 Irregular Payment of Sitting Allowances

Expenditure records reviewed show that an amount of Kshs.1,996,800 as reflected under **Appendix VII** was paid to Members of the County Assembly in respect of sitting allowances while attending the 2014 Nandi Agricultural Show. The payment was contrary to Salaries and Remuneration Commission Circular Ref. No. SRC./TS/CGOVT/3/16 which states that Members of the County Assembly shall be entitled to sitting allowance in accordance with the standing orders subject to a maximum of eight (8) sittings per week (four for plenary and four for committee sessions).

The payments were therefore irregular and did not form a proper charge to public funds.

Recommendation

i. Management should ensure that allowances to MCAs are in line with the SRC circular and that any irregularly paid allowances is recovered from the officers.

ii. Management should also ensure that the irregularly paid allowances are recovered from the members of the County Assembly.

5.0 Procurement of Goods and Services

5.1 Nugatory Payment on Procurement of Consultancy Services

Examination of records provided for audit review indicated that, the County Assembly entered into a contract with a consultancy firm in partnership with an architectural firm for provision of architectural consultancy services for construction of modern Assembly Chambers and auxiliary amenities.

The agreement was signed on 5 December 2014 for Kshs.32,758,620 and work was to commence on 6 January 2015. Subsequently, a payment of Kshs.7,183,999 was made on 28 April 2015. Another payment voucher of Kshs.22,931,034 or (70% of the contract sum) was prepared on 22 June 2015, although not paid and remains a potential liability to the Assembly.

Information available however indicates that the idea of constructing a new assembly has been shelved following advice from the Commission on Revenue Allocation in circular Ref. No. CRA/CSC/CGM/10/Vol.8/4 dated 19 May 2015 in which the commission advised that major capital projects including construction of new County Assemblies were not a priority and where there is justification to do so, then should be funded through long term finance arrangement.

Further, management has not indicated when the financing for the building shall be secured and therefore, the same may not be constructed and the expenditure of Kshs.7,183,999 already paid may amount to nugatory expenditure as the same may not be of any value to the County Assembly.

Recommendation

i. The management should demonstrate prudence in the use of the public resources in order to derive maximum benefits to the citizens of Nandi County.

ii. Contracts should also be entered into after adequate funds have been set aside for such projects as required by Section 26 (6) of the Public Procurement and Disposal Act, 2005.

5.2 Lack of Budgetary Allocation for Construction of a Perimeter Wall

Examination of records indicated that Nandi County Assembly during the year, entered into a contract with two firms for the construction of a perimeter wall at a contract sum of Kshs.4,165,317. The contract was to commence on 3 February 2015 and be completed in 12 weeks on 8 July 2015.

As at 10 November 2015, approximately 70% of the work had been completed although the works had stalled due to non-payment to the contractor, apparently because there was no budgetary allocation for the work. However, no reason has been provided for entering into a contract for works without a budgetary allocation. This is contrary to the provisions of Section 26 (6) of the Public Procurement and Disposal Act, 2005 which requires a procuring entity to only commence procurement procedure after it is satisfied that sufficient funds have been set aside in its budget to meet the obligations of the resulting contract.

The management was therefore in contravention of the law and this may lead to fines and penalties arising due to inability to meet the financial obligations.

Recommendation

i. Management should ensure that sufficient funds are provided for in the budget before entering into any contractual agreement.

ii. Management should also ensure that the works are completed according to the agreed terms and any changes to the contract be agreed on by both parties, documented and signed to avoid any future disputes.

6.0 Unresolved Previous Year's Matters

As reported in the previous year's report, the following audit issues have remained unresolved.

6.1 Irregular Utilization of Mortgage and Car Loans

A review of the County Assembly records indicated that forty eight (48) members of the County Assembly and the speaker were each advanced Kshs.5,000,000, comprising of Kshs.3,000,000 for mortgage and Kshs.2,000,000 for car loan which was approved by the Salaries and Remuneration Commission (SRC). As at 30 June 2014, a total of Kshs.245,000,000 had been incurred on the facility. It was however, noted that none of the members purchased a residential house or a car but instead used the funds to repay personal bank loans which were outstanding as at 31 March 2014.

A review of the position during 2014/2015 showed that the Fund has not opened an account and maintained proper books for the purpose of administering and accounting for the loans as required by Section 104(1) (j) of the Public Finance Management Act,2012. Further, the financial statements for the Fund have not been prepared and submitted to the Auditor-General for audit as required by Section 167(7) (a) and (b) of the Act.

Under the circumstances it has not been possible to confirm the propriety and accountability of the mortgages and car loans amounting to Kshs.245,000,000 as at 30 June 2015.

Recommendation

Fund management should adhere to section 104(1)(j) of Public Finance Management Act, 2012.

6.2 Un-Supported Sitting Allowances to Members of the County Assembly

Examination of records on the payment of sitting allowances to the Members of the County Assembly revealed that an amount of Kshs.5,993,700 was incurred in the period July 2013 and June 2014. However, the payments were not supported with minutes of the meetings held, although Assembly members signed the attendance registers. The validity of the payments could not be confirmed due to lack of records of the proceedings indicating that the sittings actually took place and the allowances were genuinely earned.

Recommendation

The County Assembly Management should provide document to supporting the above payment failure to which the amount should be recovered from the Accounting Officer.

Conclusion

This report highlights weaknesses noted in the budgetary performance, irregularities in the procurement of goods and services, irregular payment of allowances and unsupported/unaccounted for travelling and subsistence allowances. The management therefore needs to come up with proper and adequate control measures to safeguard public funds and utilize the appropriated funds in accordance with the law.

The recommendations should be implemented in an endeavour to improve on the management of public resources for the benefit of the citizens of Nandi County.

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AUDITOR-GENERAL

Nairobi

30 August 2016