REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF TAITA-TAVETA

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 TAITA-TAVETA FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

EXECUTIVE SUMMARY

Background Information

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

Introduction

The Office of 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.

Terms of Reference

The Office of the Auditor-General is an independent office mandated by the Constitution under Article 229 to audit the accounts of the National and County Government. In this regard, the office planned a management and financial operations audit of the County Assembly of Taita Taveta for the period 1 July 2014 to 30 June 2015 with the following audit objectives:-

- Budgetary Performance Analysis
- Analytical Review
- Revenue
- Staff Remuneration/Salaries and Wages
- Procurement of Goods and Services
- Bank and Cash
- Projects
- Fixed Assets
- Mortgage and Car Loans
- Training Costs
- Consultancy Fees

- Bursaries
- Members of County Assembly Travels
- Commitments (Pending Bills)
- Confidential Expenditure
- Imprests
- Legal Fees
- Inherited debts/Liabilities
- Roads
- IFMIS & E-Procurement

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, cashbooks, vote books, bank statements, bank slips, miscellaneous receipt books, procurement documents, stores records, assets register and other related records.
- Review of minutes of various meetings where there were resolutions regarding utilization of public funds.
- Physical inspection and verification of assets and projects
- Observation of processes and activities.
- Review of documents and procedures used by management to monitor collection, recording and use of funds.

Scope and Determination of Responsibilities

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs).These standards require that the audit is planned and performed so as to obtain reasonable evidence that, in all material respects, expenditure incurred is fairly stated and recording is done of 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 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 Performance Analysis

During the year under review, Taita Taveta County Assembly allocated a total of Kshs.80,450,000 for development expenditure and spent Kshs.69,850,000 of this budget, resulting in under-expenditure of Kshs.10,600,00 or about 13% of the budget. Further, the recurrent expenditure budget for the year under review was Kshs.414,735,350 against expenditure of Kshs.418,155,410, resulting in overall over-expenditure of Kshs.3,420,060 comprising unders of Kshs.65,723,198 and overs of Kshs.69,143,258.

It clear from the above statistics that the County Assembly did not fully utilize funds allocated to both recurrent and development activities during the year under review, a situation that may be attributed to over budgeting or activities not undertaken thereby curtailing service delivery to the public. Management has not provided explanation for this state of affairs.

1.1 Development Budget

During the year under review, Taita Taveta County Assembly allocated Kshs.80,450,000 for development projects but spent Kshs.69,850,000, resulting in under expenditure of Kshs.10,600,000 or about 13% of budget.

Management has not explained the failure to utilize all the funds budgeted for construction and refurbishment of buildings for the year ended 30 June 2015. The under expenditure is an indication of over-budgeting for development projects.

1.2 Recurrent Budget

During the year under review, Taita Taveta County Assembly allocated Kshs.411,835,350 for recurrent expenditure but spent a total of Kshs.412,351,838, resulting in overall over expenditure of Kshs.516,480. Management has not provided explanation for the excess expenditure.

2.0 Human Resources Management

2.1 Irregularities in Staff Establishment

Review of the staff establishment records revealed that the County Assembly has fifty (50) employees, out of which forty-four (44) employees, representing eighty-eight per cent(88%) of the total, are from the dominant Taita ethnic community. However, this is contrary to the provisions of Section 65(e) of the County Governments Act, 2012 which provides that at least thirty per cent (30%) of vacant posts at entry level are filled by candidates who are not from the dominant community in the County.

Consequently, the employment of staff in excess of statutory limit is irregular.

2.2 Irregular Retention of Staff

Records availed for audit indicated that the County Assembly Service Board appointed a Senior Procurement Officer II on 3/06/2014 on permanent and pensionable terms when he was fifty-nine (59) years old. The records further indicate that upon retaining the mandatory retirement age of sixty(60) years, the Board did not release the officer but instead revised his terms of service to a five-year contract beginning 19 February 2015 under unclear circumstances and was immediately promoted to the position of Senior Procurement Officer I. However, evidence that the new post was advertised in line with Government regulations was not provided for audit verification and as such it could not be confirmed if it was competitively filled. In addition, no explanation has been given as to why the Board engaged the services of an officer who was past the mandatory retirement age of sixty (60) years.

Under the circumstances, the County Assembly Service Board did not comply with Section 66 of the County Governments Act, 2012 which requires advertisement of vacant positions before being filled and other laws and regulations on appointment and retirement of County Government staff.

2.3 Payments to Ward Casual Employees

Human Resources records maintained by the County Assembly reveals that a total of one hundred(100) casuals were engaged during the year under review with each of the twenty(20) wards getting an allocation of five(5) casuals. The records further, indicates that a total of Kshs.14,280,000 was spent on casual wages during the year under review. However, evidence of advertisement of the posts and how the wages were determined was not provided for audit verification. Further, the expenditure was not supported with signed master roll. Under the circumstances, it was not known how the casuals were identified for employment and whether the amount spent on casual wages of Kshs.14,280,000 is a proper charge to public funds.

3.0 Purchase of Motor Vehicles

Information availed for audit review indicated that the County Assembly paid a total of Kshs.17,724,864 in favour of M/s Toyota Kenya Ltd of P. O. Box 82048-80100, Mombasa for the supply and delivery of three (3) motor vehicles to the County Assembly. However, quotations and contract agreement between the County Assembly and the supplier were not availed for audit verification. Therefore, how the supplier was identified, whether the motor vehicles were procured at the most economical price and the terms of the contract could not be ascertained as at 30 June 2015.

4.0 Fixed Assets Register

Audit review of the County Assembly's Fixed Assets Register revealed that details on the values, unit prices, dates of purchase, type of asset and asset code/number are not recorded. Therefore the particulars of fixed assets Taita Taveta County Assembly had in its possession as at 30 June 2015 could not be confirmed.

5.0 Procurement of Goods and Services

5.1 Unaccounted for Expenditure on Fuel

Review of Integrated Financial Management and Information Systems (IFMIS) expenditure summary for the County Executive of Taita Taveta revealed that a total of Kshs.3,600,000.00 as per the **appendix II** was disbursed to the County Assembly for purchase of fuel during the year under review. However, no records were availed by the County Assembly to confirm that the funds were received and spent on fuel. Consequently, it has not been possible to confirm the propriety of expenditure of Kshs.3,600,000 disbursed to the County Assembly for purchase of fuel during the year ended 30 June 2015.

5.2 Purchase of Office Furniture and Other General Equipment

The audit of expenditure records of the County Assembly revealed that Kshs.8,496,750 was spent on purchase of furniture from a supplier against a budget of Kshs.3,300,000, resulting to over-expenditure of Kshs.5,196,750(157%). Documentary evidence of approval of the over-expenditure in accordance with Public Finance Management Act, 2012 was not availed for audit review. Further, Counter Receipt and Issue Vouchers (S.13), stores ledger cards and Counter Requisition and Issue Vouchers (S.11) were not availed for audit verification. Although the furniture was entered in the assets register, the dates when the items were procured and recorded in the register, Local Purchase Order numbers and asset codes were not indicated in the fixed assets register.

In the circumstances, it has not been possible to ascertain the propriety of the expenditure of Kshs.8,496,750.

The management should adhere to the approved budgetary allocations and that the procurement records are availed for audit review failure to which the responsible officer is surcharged for the excess expenditure. Further, management should always ensure that all details necessary to identify each asset are entered in the assets register for accountability purposes failure to which the responsible officer is held liable.

5.3 Hospitality Supplies and Services

Examination of expenditure records relating to hospitality supplies and services revealed that the County Assembly spent a total of Kshs.8,129,005 during the year under review on hotel and outside catering services without use of quotations and Local Service Orders contrary to Section 88 of the Public Procurement and Disposal Act, 2005. Further, the lists of those served/accommodated in the hotels and the number of days the seminars and conferences took were not provided for audit verification. There was also no evidence that the participants travelled to the venues of the seminars since no travel documents as bus tickets or work tickets were also not provided for audit review.

As a result, the propriety of expenditure totaling Kshs.8,129,005 on board, conferences and seminars for the year ended 30 June 2015 could not be confirmed.

5.4 Printing, Advertisement and Publicity Awareness Campaign Expenses

During the year under review, the County Assembly spent a total of Kshs.11,513,691 on printing, advertisement and publicity awareness campaigns. However, quotations, lists of participants and contract agreements were not availed for verification.

It was further noted that out of that amount, Kshs.5,254,800 was paid to two consultancy firms for research drafting and printing of Bills. However, contract agreements and reports by the firms were not availed for audit verification. Also, included in the expenditure of Kshs.11,513,691 is Kshs.2,889,500 paid to another firm to supply Laptops and Samsung Tablets. However, the laptops and tablets were not availed for physical verification.

Consequently, it could not be ascertained whether the service were provided, goods delivered and issued for official use and that expenditure totaling Kshs.11,513,691 on printing, advertisement and publicity awareness campaigns is a proper charge to public funds.

6.0 Revolving Car Loans Scheme Fund

The County Assembly of Taita-Taveta established a Revolving Car Loan Scheme Fund on 5th March 2014 to provide car loans to Members of County Assembly (MCAs) and staff with initial capital of Kshs.60,000,000 in Cooperative Bank of Kenya Limited Account No.01141221930000 maintained at Voi Branch. However,

no financial statements were availed for audit review on the Fund, contrary to Paragraph 15 (1) (c) of the County Assembly of Taita Taveta Car Loan Scheme Fund Regulations, 2014. Also, the revised budget indicated an additional funding of Kshs.12,281,884.15 but no records have been availed to confirm whether the funds were released to and received by the Fund. It was further observed that logbooks for motor vehicle registration numbers KBZ 514X, KUN 205R,KAT 580W and KAY 373A whose loans balance totalled Kshs.11,980,440 as at 30 June 2015 were not registered in the joint name of the County Assembly Service Board of Taita Taveta and individual members/borrowers of the scheme nor the logbooks kept in the custody of the Officer Administering the Fund, contrary to the Assembly Regulations.

As a result, details and financial status of balances of the assets and liabilities of the Fund as at 30 June 2015 could not be confirmed.

7.0 Training Expenses

7.1 Supporting Documents

During the year under review, the County Assembly of Taita Taveta paid a total of Kshs.69,884,099.70 as per **appendix V** on training, out of which Kshs.46,264,703.70 related to services of which quotations, Contract Agreements and lists of participants were not provided for audit verification while Kshs.13,929,396 is in respect of expenditure whose payment vouchers were not provided for audit verification. Further, included in Kshs.69,884,099.70 is expenditure amounting to Kshs.9,690,000.00 of which supporting payment vouchers were not recorded in the cash book.

In the circumstances, the propriety and completeness of training expenses totaling Kshs.69,884,099.70 for the year ended 30 June 2015 could not be confirmed.

7.2 Expenditure on Global Centre for Capacity Development (GCCD) Training in Kisumu

The County Assembly paid sitting and transport allowances amounting to Kshs.1,896,000 to Members of County Assembly(MCAs) and staff attending Global Centre for Capacity Development (GCCD) training at the Sovereign Hotel, Kisumu through payment voucher number 146/15A dated 5th September 2014. It was however noted that although the target group as per the letter Ref: GCCD/P&P HBC 09/14 was members of the House Business Committees, Speakers' Panel and the Liaison Committees, all the members were paid. Further, out of Kshs.1,896,000 paid, an amount of Kshs.350,000 was in respect of transport allowance to MCAs and staff despite the fact that the County Assembly having motor vehicles which could be used during such official functions. In addition, an amount of Kshs.410,000 was paid to members who did not sign the attendance register or provide bus tickets and other documentary evidence of travel.

Consequently, the propriety of expenditure amounting to Kshs.1,896,000 on Global Centre for Capacity Development could not be confirmed.

8.0 Payments of Legal Fees

During the year under review, the County Assembly paid a total of Kshs.12,045,200 to three (3) law firms and SOCATT (K) Limited as legal fees for handling legal matters on the Assembly's behalf and registration and subscription fee paid to the Society. However, no quotations were availed for audit verification.

As a result, it could be ascertained how the firms were picked to provide the service, whether the legal services were actually rendered at the most economical cost and that expenditure totaling Kshs.12,045,200 spent on legal dues/fees and registration and subscription fees is regular.

9.0 Members of County Assembly Travel & Sitting Allowances

9.1 Foreign Travel Expenses

During the year under review, the County Assembly of Taita Taveta spent a total of Kshs.92,137,589 on foreign travels to the USA, India, Israel, Rwanda, Tanzania, Uganda and Dubai. However, quotations for air tickets, and hire of training venues and consultants, signed expenditure schedules for sitting allowances paid to Members of County Assembly and staff, reports on the benefits derived from the trainings, minutes of meetings held by the Members of County Assembly while on these journeys and signed meetings attendance registers were not availed in support of the expenditure.

In the circumstances, the propriety of expenditure of Kshs.92,137,589 on foreign travels for the year ended 30 June 2015 could not be confirmed.

9.2 Unsupported Domestic Travel and Subsistence Allowances

Domestic travel and subsistence allowances totalling Kshs.12,411,369 were paid to Members of County Assembly and staff. However, no supporting work tickets, bus tickets, attendance registers, minutes of meetings attended, work plan or work programs were availed for audit verification. Further, no reports were availed as evidence that the purported activities actually took place and that value for money was obtained.

Further, out of the payments of Kshs.12,411,369, an amount of Kshs.1,358,000 as indicated in **appendix IX** was paid as transport allowances to Members of County Assembly and staff while attending workshops, training, visits to wards, committee meetings and report writing retreats within and outside the County. This is despite the fact that the County Assembly has a fleet of motor vehicles including a mini bus available for such assignments.

As a result, the propriety of expenditure totaling Kshs.12,411,369 on domestic travel and subsistence allowances could not be confirmed.

9.3 Expenditure on Jumia Ya Kaunti Za Pwani

Examination of payment vouchers availed for audit review indicated that a total of Kshs.607,200 was spent on facilitation and allowances for Members of County Assembly and staff during preparation for and launch of Jumuiya ya Kaunti za Pwani. However, no documentary evidence to support actual attendance and participation in the event were availed for audit verification. The economic, social and or financial benefits the County would have derived from the Jumuiya ya Kaunti za Pwani was not documented to justify the expenditure. In addition, the expenditure was not in the approved budget of the County Assembly.

As a result, the propriety of expenditure of Kshs.607,200 on Jumuia ya Kaunti Za Pwani could not be confirmed.

9.4 Irregular Payment of Responsibility Allowances

Audit review of Integrated Payroll and Personnel Database (IPPD) system for the financial year 2014/2015 revealed that some Members of the County Assembly (MCAs) were paid responsibility allowances totaling Kshs.4,135,000 using higher rates than provided in Salaries and Remuneration Commission Circular Ref. No. SRC/TS/CGOVT/3/16 of 27th November, 2013.

Consequently, expenditure totaling Kshs.4,135,000 on responsibility allowances paid to the MCAs is irregular. No satisfactory reason has been given for non-recovery of this irregular payment from the respective beneficiaries.

9.5 Membership of Sectoral Committees

Records made available for audit review revealed that the County Assembly of Taita Taveta has a total of twenty (20) elected Members of County Assembly, fifteen (15) nominated and one (1) Speaker who is an ex-officio member, all of whom are constituted into nineteen (19) committees.

Review of the composition of the Sectoral Committee membership however revealed that sixteen (16) Members of the County Assembly serve in more than five (5) Sectoral Committees which is against the Interim Standing Orders Section 157 of the County Assembly. Further, it could not be established how a member serving in more than five committees could effectively discharge their duties in cases where two or more committee meetings are held on the same day or concurrently.

9.6 Irregular Payment of Sitting Allowances to Members of County Assembly

Analysis of the plenary daily attendance summary for the months of January 2015 to April 2015 revealed that Members of County Assembly were paid sitting allowances totaling Kshs.2,796,300 for plenary and sectoral committees meetings not attended. The payments were contrary to Salaries and Remuneration

Commission Circular Ref. No. SRC/TS/CGOVT/3/16 of 15th November 2013 on Remuneration and Benefits for Members of County Assembly (MCAs) which stipulates that MCAs will be paid allowances per sitting up to a maximum of eight sittings (four plenary and four committee sessions) per week. Further, records of allowances paid between July 2014 and December 2014 were not availed for audit verification. Also, analysis of the sectoral committee daily attendance summary for the months of January 2015 to April 2015 also revealed that Members of County Assembly were paid sitting allowances of Kshs.6,002,100 for sessions not attended.

Consequently, sitting allowances totaling Kshs.8,798,400 paid to Members of County Assembly are irregular.

10.0 Outstanding Imprests

An audit review of imprest records availed revealed that as at 30 June 2015 imprests totaling Kshs.3,156,429 were issued to staff and Members of County Assembly as facilitation for various official duties. However, out of this amount, Kshs.1,636,689 which ought to have been surrendered by 30 June 2015 was still outstanding as at that date. It was also noted that six (6) officers were holding more than one imprest totaling Kshs.2,931,249 contrary to Section 5.6.4 of the Government Financial Regulations and Procedures.

11.0 IT Control

During the audit review, it was noted that the County Assembly is implementing Integrated Financial Management and Information Systems (IFMIS) in its operations but the roles of approver, un-sealer, scorer and user which should be assigned to different persons in IFMIS system are performed by two officers. Further, the County Assembly's IT Strategic Plan, IT Steering Committee, a disaster recovery plan and a training program to build IT capacity were not availed for audit review. Also, the following weaknesses were noted in IT control:

- Physical access to sensitive areas like the server, operations, storage and network rooms is not controlled;
- There are no fire suppression, air conditioning, humidity and temperature control systems;
- There is no backup and retention strategy in place.

Due to the weaknesses in IT controls, there is risk of loss of sensitive data and tampering with information.

Conclusion

The Taita Taveta County Assembly should address the anomalies noted in order to ensure effective delivery of services to the people of Taita Taveta County. Laid down Government procedures and regulations should be followed to ensure public resources are only used for purposes for which they were intended.

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

Nairobi

29 August 2016

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

DETAILED FINDINGS

1.0 Budgetary Performance Analysis

During the year under review, Taita Taveta County Assembly allocated a total of Kshs.80,450,000 for development expenditure and spent Kshs.69,850,000 of this budget, resulting in under-expenditure of Kshs.10,600,000 or about 13% of the budget. Further, the recurrent expenditure budget for the year under review was Kshs.414,735,350 against expenditure of Kshs.418,155,410, resulting in actual over-expenditure of Kshs.3,420,060. The details are as given below:

1.1 Development Budget

During the year under review, Taita Taveta County Assembly allocated Kshs.80,450,000 for development projects but managed to spend Kshs.69,850,000, resulting to under expenditure of Kshs.10,600,000 or about 13% of budget as detailed below:

Description	Budget 2014-2015	Actual 2014-2015	
Development Expenditure	**Kshs**	**Kshs.**	**Under (Kshs)**
Construction of Buildings	64,000,000	54,000,000	10,000,000
Refurbishment of Buildings	15,950,000	15,850,000	100,000
Research, Feasibility Studies, Project Preparation and Design, Project Supervision	500,000	-	500,000
Total	**80,450,000**	**69,850,000**	**10,600,000**

Management has not explained the failure to utilize all the funds budgeted for construction and refurbishment of buildings for the year ended 30 June 2015. The under expenditure is an indication of over-budgeting for development projects.

Recommendation

Management should ensure that all approved budgetary provisions are utilized during the year by preparing realistic and achievable budget levels every year in line with the Public Finance Management Act, 2012.

1.2 Recurrent Budget

During the year under review, Taita Taveta County Assembly allocated Kshs.414,735,350 for recurrent expenditure but spent a total of Kshs.418,155,410, resulting in overall over expenditure of Kshs.3,420,060 as detailed below:

Recurrent Expenditure	Budget (Kshs)	Actual (Kshs)	Under (Kshs)	Over (Kshs)	%
Basic Salaries	47,969,896	96,615,328		48,645,432	101.4
Casual Labour-Others	29,362,899	32,925,136		3,562,237	12.1
Personal Allowance Paid as Part of Salary	72,578,482	75,023,468		2,444,986	0.3
Communication, Supplies and Services	3,030,000	2,390,000	640,000		21.1
Domestic Travel and Subsistence, and Other Transportation Costs	58,752,961	62,231,242		3,478,281	5.9
Foreign travel and Subsistence Allowance	46,571,601	38,304,955	8,266,646		17.8
Printing , Advertising and Information Supplies and Services	12,404,000	11,155,070	1,248,930		10.1
Training Expense (including capacity building)	12,165,070	8,362,999	3,802,071		31.3
Hospitality Supplies and Services	28,500,000	17,700,000	10,800,000		37.9
Insurance Costs	14,600,000	11,075,136	3,524,864		24.1
Specialized Materials and Supplies	850,000	3,762,000		2,912,000	342.6
Other Operating Expenses	16,873,542	8,720,000	8,153,542		48.3
Office and General Supplies and Services	5,212,000	2,000,000	3,212,000		61,6%

Routine Maintenance - Vehicles and Other Transport Equipment	6,800,000	4,300,000	2,500,000		36.8
Purchase of Motor Vehicles and Other Transport Equipment	29,800,000	17,724,864	12,075,136		40.5
Refined Fuel & Lubricants	2,900,000	5,803,572		2,903,572	100
Purchase of Office Furniture and Other General Equipment	3,300,000	8,496,750		5,196,750	157
Funds	23,064,899	11,564,890	11,500,009		49.9
Total	**414,735,350**	**418,155,410**	**65,723,198.00**	**69,143,258**	**0.8**

Recommendation

Management should ensure that all approved budgetary provisions are utilized during the year of budget by preparing realistic and achievable budget levels in line with the Public Finance Management Act, 2012.

2.0 Human Resources Management

2.1 Irregularities in Staff Establishment

Review of the staff establishment records revealed that the County Assembly has fifty (50) employees, out of which forty-four (44) employees, representing eighty-eight per cent (88%) of the total, are from the dominant Taita ethnic community. However, this is contrary to the provisions of Section 65(e) of the County Governments Act, 2012 which provides that at least thirty per cent(30%) of vacant posts at entry level are filled by candidates who are not from the dominant community in the County.

Consequently, the employment of staff in excess of statutory limit is irregular.

Recommendation

The management should ensure compliance with the provisions of the County Government Act, 2012 in employment of staff.

2.2 Irregular Retention of Staff

Records availed for audit indicated that the County Assembly Service Board appointed a Senior Procurement Officer II on 3/06/2014 on permanent and pensionable terms when he was fifty-nine(59) years old. The records further indicate that upon retaining the mandatory retirement age of sixty(60) years, the Board did not release the officer but instead revised his terms of service to a five-year contract beginning 19 February 2015 under unclear circumstances and was immediately promoted to the position of Senior Procurement Officer I. However, evidence that the new post was advertised in line with Government regulations was not provided for audit verification and as such it could not be confirmed if it was competitively filled. In addition, no explanation has been given as to why the Board engaged the services of an officer who was past the mandatory retirement age of sixty(60) years.

Under the circumstances, the County Assembly Service Board did not comply with Section 66 of the County Governments Act, 2012 which requires advertisement of vacant positions before being filled and other laws and regulations on appointment and retirement of County Government staff.

Recommendation

Management should comply with the laws and regulations governing appointment, promotion and retirement of staff.

2.3 Payments to Ward Casual Employees

Human Resources records maintained by the County Assembly revealed that a total of one hundred (100) casuals were engaged during the year under review with each of the twenty (20) wards getting an allocation of five(5) casuals. The records further, indicates that a total of Kshs.14,280,000 was spent on casual wages during the year under review. However, evidence of advertisement of the posts and how the wages were determined was not provided for audit verification. Further, the expenditure was not supported with signed master roll. Under the circumstances, it was not known how the casuals were identified for employment and whether the amount spent on casual wages of Kshs.14,280,000 is a proper charge to public funds.

Recommendation

The management should ensure that all vacant posts are filled competitively and the expenditure is duly supported failure to which the accounting officer is held liable and accountable for the expenditure.

3.0 Purchase of Motor Vehicles

Information availed for audit review indicated that the County Assembly paid a total of Kshs.17,724,864 as per the **Appendix I** in favour of M/s Toyota Kenya Ltd of P. O. Box 82048-80100, Mombasa for the supply and delivery of three (3) motor vehicles to the County Assembly. However, the quotations and contract agreement between the County Assembly and the supplier were not availed for audit verification. Therefore, it was not possible to establish how the supplier was identified, price and the terms of the contract determined as at the time of this audit.

Recommendation

The management should avail for audit review the quotations raised and the contract documents signed with the motor vehicle supplier failure to which the Accounting Officer is held liable for the expenditure.

4.0 Fixed Assets Register

Audit review of the County Assembly's Fixed Assets Register revealed that details on the values, unit prices, dates of purchase, type of asset and asset code/number are not recorded. Therefore the particulars of fixed assets for which Taita Taveta County Assembly had in its possession as at 30 June 2015 could not be confirmed.

Recommendation

The Accounting Officer should ensure that a comprehensive fixed assets register with all the necessary details are maintained or be held liable for any losses the omission may occasion.

5.0 Procurement of Goods and Services

5.1 Unaccounted for Expenditure on Fuel

Review of Integrated Financial Management and Information Systems (IFMIS) expenditure summary for the County Executive of Taita Taveta revealed that a total of Kshs.3,600,000.00 as per the **Appendix II** was disbursed to the County Assembly for purchase of fuel during the year under review. However, no records were availed by the County Assembly to confirm that the funds were received and spent on fuel. Consequently, it has not been possible to confirm the propriety of expenditure of Kshs.3,600,000 disbursed to the County Assembly for purchase of fuel during the year ended 30 June 2015.

Recommendation

Management should avail for audit review the documents in support receipt and expenditure of Ksh.3,600,000 failure to which the officers responsible be held accountable for funds received and not used for intended purpose.

5.2 Purchase of Office Furniture and Other General Equipment

The audit of expenditure records of the County Assembly revealed that Kshs.8,496,750 was spent on purchase of furniture from a supplier against a budget of Kshs.3,300,000, resulting to over-expenditure of Kshs.5,196,750 or 157%. Documentary evidence of approval of the over-expenditure in accordance with Public Finance Management Act, 2012 was not availed for audit review. Further, Counter Receipt and Issue Vouchers (S.13), stores ledger cards and Counter Requisition and Issue Vouchers (S.11) were not availed for audit verification. Although the furniture was entered in the assets register, the dates when the items were procured and recorded in the register, Local Purchase Order numbers and asset codes were not indicated in the fixed assets register.
In the circumstances, it has not been possible to ascertain the propriety of the expenditure of Kshs.8,496,750.

Recommendation

The management should adhere to the approved budgetary allocations and that the procurement records are availed for audit review failure to which the responsible officer is surcharged for the excess expenditure. Further, management should always ensure that all details necessary to identify each asset are entered in the assets register for accountability purposes failure to which the responsible officer is held liable.

5.3 Hospitality Supplies and Services

Examination of expenditure records relating to hospitality supplies and services revealed that the County Assembly spent a total of Kshs.8,129,005 as per **Appendix III** during the year under review on hotel and outside catering services without use of quotations and Local Service Orders contrary to Section 88 of the Public Procurement and Disposal Act, 2005. Further, the lists of those served/accommodated in the hotels and the number of days the seminars and conferences took were not provided for audit verification. There was also no evidence that the participants travelled to the venues of the seminars since no travel documents as bus tickets or work tickets were also not provided for audit review.

As a result, the propriety of expenditure totaling Kshs.8,129,005 on board, conferences and seminars for the year ended 30 June 2015 could not be confirmed.

Recommendation

Management should ensure that all procurements are done within the laid down public procurement procedures and provide documentary evidence to support the expenditures failure to which the responsible officers are surcharged for the expenditure.

5.4 Printing, Advertisement and Publicity Awareness Campaign Expenses

During the year under review, the County Assembly spent a total of Kshs.11,513,691 on printing, advertisement and publicity awareness campaigns as reflected in **Appendix IV.** However, quotations and contract agreements in support of the procurement were not availed for audit review.

Also, included in the expenditure of Kshs.11,513,691 is Kshs.2,889,500 paid to a firm to supply laptops and Samsung Tablets. However, the laptops and tablets were not available for physical verification.

Consequently, it could not be ascertained whether the service were provided, goods delivered and issued for official use and that expenditure totaling Kshs.11,513,691 on printing, advertisement and publicity awareness campaigns is a proper charge to public funds.

Recommendation

The management should ensure the Public Procurement and Disposal Act, 2005 are always adhered to, avail the procurement records for audit review and avail the laptops and tablets for audit verification failure to which the expenditure is recovered from the Accounting Officer.

6.0 Revolving Car Loans Scheme Fund

The County Assembly of Taita-Taveta established a Revolving Car Loan Scheme Fund on 5th March 2014 to provide car loans to Members of County Assembly (MCAs) and staff with initial capital of Kshs.60,000,000 in Cooperative Bank of Kenya Limited Account No.01141221930000 maintained at Voi Branch. However, no financial statements were availed for audit review on the Fund, contrary to Paragraph 15 (1) (c) of the County Assembly of Taita Taveta Car Loan Scheme Fund Regulations, 2014. Also, the revised budget indicated an additional funding of Kshs.12,281,884.15 but no records have been availed to confirm whether the funds were released to and received by the Fund. It was further observed that logbooks for motor vehicle registration numbers KBZ 514X, KUN 205R,KAT 580W and KAY 373A whose loans balance totalled Kshs.11,980,440 as at 30 June 2015 were not registered in the joint name of the County Assembly Service Board of Taita Taveta and individual members/borrowers of the scheme nor the logbooks kept in the custody of the Officer Administering the Fund, contrary to the Assembly Regulations.

As a result, details and financial status of balances of the assets and liabilities of the Fund as at 30 June 2015 could not be confirmed.

Recommendation

The management should avail for audit review the financial statements for the Fund and ensure compliance with the regulations governing its administration

failure to which the Accounting Officer is held accountable and liable for any loss arising thereof.

7.0 Training Expenses

7.1 Supporting Documents

During the year under review, the County Assembly of Taita Taveta paid a total of Kshs.69,884,099.70 as per **Appendix V** on training, out of which Kshs.46,264,703.70 related to services of which quotations, Contract Agreements and lists of participants were not provided for audit verification while Kshs.13,929,396 is in respect of expenditure whose payment vouchers were not provided for audit verification. Further, included in Kshs.69,884,099.70 is expenditure amounting to Kshs.9,690,000.00 of which supporting payment vouchers were not recorded in the Cash Book.

In the circumstances, the propriety and completeness of training expenses totalling Kshs.69,884,099.70 for the year ended 30 June 2015 could not be confirmed.

Recommendation

The management should adhere to the Public Procurement and Disposal Act, 2005 avail the documents in support of the expenditure of Ksh.14,883,146 and all payment vouchers be recorded in the Cash Book failure to which the Accounting Officer is held liable and accountable.

7.2 Expenditure on Global Centre for Capacity Development (GCCD) Training in Kisumu

The County Assembly paid sitting and transport allowances amounting to Kshs.1,896,000 to Members of County Assembly(MCAs) and staff attending Global Centre for Capacity Development (GCCD) training at the Sovereign Hotel, Kisumu through payment voucher number 146/15A dated 5th September 2014. It was however noted that although the target group as per the letter Ref: GCCD/P&P HBC 09/14 was members of the House Business Committees, Speakers' Panel and the Liaison Committees, all the members were paid. Further, out of Kshs.1,896,000 paid, an amount of Kshs.350,000 was in respect of transport allowance to MCAs and staff despite the fact that the County Assembly having motor vehicles which could be used during such official functions. In addition, an amount of Kshs.410,000 was paid to members who did not sign the attendance register or provide bus tickets and other documentary evidence of travel.

Consequently, the propriety of expenditure amounting to Kshs.1,896,000 on Global Centre for Capacity Development could not be confirmed.

Recommendation

The management should ensure that all expenditures are in line with Public Financial Regulations and Procedures and that the expenditure of Kshs.1,896,000 on training is supported with documentary evidence failure to which the same is recovered from the beneficiaries.

8.0 Payments of Legal Fees

During the year under review, the County Assembly paid a total of Kshs.12,045,200 to three (3) law firms and SOCATT (K) Limited as legal fees for handling legal matters on the Assembly's behalf and registration and subscription fee paid to the Society. However, no quotations were availed for audit verification.

As a result, it was not possible to ascertain how the firms were identified and their fees determined. In the circumstances, it was not possible to ascertain the propriety of legal fees totaling Kshs.12,045,200 paid for the year ended 30 June 2015.

Recommendation

Management should ensure that Public Procurement and Disposal Act, 2005 is adhered at all times when procuring services failure to which the Accounting Officer is surcharged for the expenditure unlawfully procured.

9.0 Members of County Assembly Travel & Sitting Allowances

9.1 Foreign Travel Expenses

During the year under review, the County Assembly of Taita Taveta spent a total of Kshs.92,137,589 on foreign travels to the USA, India, Israel, Rwanda, Tanzania, Uganda and Dubai as indicated in **Appendices VI and VII**. However, quotations for air tickets, and hire of training venues and consultants, signed expenditure schedules for sitting allowances paid to Members of County Assembly and staff, reports on the benefits derived from the trainings, minutes of meetings held by the Members of County Assembly while on these journeys and signed meetings attendance registers were not availed in support of the expenditure.

In the circumstances, the propriety of expenditure of Kshs.92,137,589 on foreign travels for the year ended 30 June 2015 could not be confirmed.

Recommendation

The management should ensure that all expenditures are in line with Public Financial Regulations and Procedures. Further, the management should ensure that documentary evidence in support of all foreign travels including minutes and reports of the committees are availed for audit review failure to which the amount is recovered from the respective beneficiaries.

9.2 Unsupported Domestic Travel and Subsistence Allowances

Documents availed for audit review indicated that domestic travel and subsistence allowances totalling Kshs.12,411,369 as per **Appendix VIII** were paid to Members of County Assembly and staff. However, no supporting work tickets, bus tickets, attendance registers, minutes of meetings attended, work plan or work programs were availed for audit verification. Further, no reports were availed as evidence that the purported activities actually took place and that value for money was obtained.

Further, out of the payments of Kshs.12,411,369, an amount of Kshs.1,358,000 as indicated in **Appendix IX** was paid as transport allowances to Members of County Assembly and staff while attending workshops, training, visits to wards, committee meetings and report writing retreats within and outside the County. This is despite the fact that the County Assembly has a fleet of motor vehicles including a mini bus available for such assignments.

As a result, the propriety of expenditure totaling Kshs.12,411,369 on domestic travel and subsistence allowances could not be confirmed.

Recommendation

The management should ensure all payments are in line with Public Financial Regulations and Procedures and that the same is duly supported and the supporting documents are availed for audit verification failure to which the amount is recovered from the beneficiaries. Further, management should ensure that transport allowances are not paid when motor vehicles are available for official assignments.

9.3 Expenditure on Jumia Ya Kaunti Za Pwani

Examination of payment vouchers availed for audit review indicated that a total of Kshs.607,200 was spent on facilitation and allowances for Members of County Assembly and staff during preparation for and launch of Jumuiya ya Kaunti za Pwani. However, no documentary evidence to support actual attendance and participation in the event were availed for audit verification. The economic, social and or financial benefits the County would have derived from the Jumuiya ya Kaunti za Pwani was not documented to justify the expenditure. In addition, the expenditure was not in the approved budget of the County Assembly.

As a result, the propriety of expenditure of Kshs.607,200 on Jumuia ya Kaunti Za Pwani could not be confirmed.

Recommendation

The management should ensure that all expenditures are in line with the Public Financial regulations and procedures and that such expenditures are duly

supported in addition to detailing the expected economic and social benefits of the arrangement failure to which the amount is recovered from the Accounting Officer.

9.4 Irregular Payment of Responsibility Allowances

Audit review of Integrated Payroll and Personnel Database (IPPD) system for the financial year 2014/2015 revealed that some Members of the County Assembly (MCAs) were paid responsibility allowances totaling Kshs.8,330,000 using higher rates. However, had the rates prescribed by SRC/TS/CGOVT/3/16 of 27th November, 2013 used, a total of Kshs.4,195,000 would have been spent resulting to excess payment of Kshs.4,135,000 as per the **Appendix X**.

Consequently, the expenditure totalling Kshs.4,135,000 on responsibility allowances paid to the MCAs is irregular. No satisfactory explanation has been given for non-recovery of this irregular payment from the respective beneficiaries.

Recommendation

The management should adhere to the rates prescribed in the SRC Circulars when making payments for allowances. Further, the excess payment of responsibility allowances amounting to Kshs.4,135,000 should be recovered from the respective beneficiaries.

9.5 Membership of Sectoral Committees

Records made available for audit review revealed that the County Assembly of Taita Taveta has a total of twenty (20) elected Members of County Assembly, fifteen (15) nominated and one (1) Speaker who is an ex-officio member, all of whom are constituted into nineteen (19) committees.

Review of the composition of the Sectoral Committee membership however revealed that sixteen (16) Members of the County Assembly serve in more than five (5) Sectoral Committees which is against the Interim Standing Orders Section 157 of the County Assembly. Further, it could not be established how a member serving in more than five committees could effectively discharge their duties in cases where two or more committee meetings are held on the same day or concurrently.

Recommendation

The management should ensure that the standing orders are observed and explain how a member sitting on five Committees could effectively discharge their duties. It is also recommended that going forward, the number of Committees each member may serve in be reduced to enhance service delivery.

9.6 Irregular Payment of Sitting Allowances to Members of County Assembly

Analysis of the plenary daily attendance summary for the months of January 2015 to April 2015 revealed that Members of County Assembly were paid sitting allowances totaling Kshs.2,796,300 as per **Appendix XI** for plenary and sectoral committees meetings not attended. The payments were contrary to Salaries and Remuneration Commission Circular Ref. No. SRC/TS/CGOVT/3/16 of 15th November 2013 on Remuneration and Benefits for Members of County Assembly (MCAs) which stipulates that MCAs will be paid allowances per sitting up to a maximum of eight sittings (four plenary and four committee sessions) per week. Further, records of allowances paid between July 2014 and December 2014 were not availed for audit verification. Also, analysis of the sectoral committee daily attendance summary for the months of January 2015 to April 2015 also revealed that Members of County Assembly were paid sitting allowances of Kshs.6,002,100.00 as illustrated in **Appendix XII** for sessions not attended. Consequently, sitting allowances totaling Kshs.8,798,400 paid to Members of County Assembly are irregular.

Recommendation

Management should adhere to the Public Finances Regulations and Procedures when making payments on public funds. Further, the irregular sitting allowances should be recovered from the respective beneficiaries. Also, the management should avail for audit review the records in support of the allowances between July 2014 and December 2014 failure to which the authorizing officer is held liable and accountable for the expenditure of the six months on sitting allowances.

10.0 Outstanding Imprests

An audit review of imprest records availed for audit review showed that as at 30 June 2015 imprests totaling Kshs.3,156,429 as detailed in **Appendix XIII** were issued to staff and Members of County Assembly as facilitation for various official duties. However, out of this amount, Kshs.1,636,689 as detailed **in Appendix XIV** which ought to have been surrendered by 30 June 2015 was still outstanding after 30 June 2015. It was also noted that six (6) officers were holding more than one imprest totalling Kshs.2,931,249 as per **Appendix XV** contrary to Section 5.6.4 of the Government Financial Regulations and Procedures.

Recommendation

The management should ensure that issuance of imprests is in line with Government Financial Regulations and Procedures and any imprest not accounted for within 48 hours after the assignment is recovered in the respective officers' payroll in line with the provisions of Section 152 (5) of the Public Finance Management Act, 2012.

11.0 IT Control

During the audit review, it was noted that the County Assembly is implementing Integrated Financial Management and Information Systems (IFMIS) in its operations but the roles of approver, un-sealer, scorer and user which should be assigned to different persons in IFMIS system are performed by two officers. Further, the County Assembly's IT Strategic Plan, IT Steering Committee, a disaster recovery plan and a training program to build IT capacity were not availed for audit review. Also, the following weaknesses were noted in IT control:

- Physical access to sensitive areas like the server, operations, storage and network rooms is not controlled;
- There are no fire suppression, air conditioning, humidity and temperature control systems;
- There is no backup and retention strategy in place.

Due to the weaknesses in IT controls, there is risk of loss of sensitive data and tampering with information.

Recommendation

The management should segregate the roles listed above and ensure that the IT Strategic Plan, IT Steering Committee and disaster recovery plan are in place and sensitive IT data protected or backed up.

Conclusion

The Taita Taveta County Assembly should address the anomalies noted in order to ensure effective delivery of services to the people of Taita Taveta County. Further, laid down Government procedures and regulations should be followed to ensure public resources are only used for purposes for which they were intended.

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

Nairobi

29 August 2016