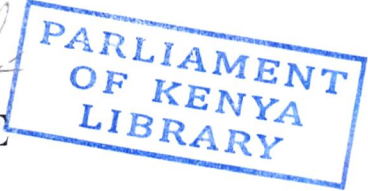


REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



Paper Laid by Chair, CPAI
P.O. Box 30084-00100
NAIROBI
30/06/15



KENYA NATIONAL AUDIT OFFICE

File No. JSN/CGS/2013/2014/18

Mr. Isaac Felix Olwero,
Clerk to the County Assembly of Siaya,
County Assembly Hall,
P.O. Box 7 - 40600,
SIAYA.



18 June 2015

*① D/Com
DLPS
Please deal
24/06/15*

Dear Mr. Olwero,

REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF SIAYA COUNTY EXECUTIVE AND ASSEMBLY FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

I transmit the reports of the Auditor-General on the examination of the financial operations of the Siaya County Executive and Assembly for the year ended 30 June 2014.

The reports are submitted in accordance with the provisions of Article 229(7) of the Constitution for the necessary action as required by Article 229(8) of the Constitution.

Yours sincerely,

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

*② Clerk Assist I - CPAIC
Please have been Tabbed and referred to CPAIC
for consideration
and deal appropriately
24/06/15*

Copy to: Mr. Jeremiah Nyegenye,
Clerk to the Senate,
P.O. Box 41842,
NAIROBI.(2)

blh

Mr. Cornel Rasanga Amoth,
Governor Siaya County,
~~Former Siaya Municipal Offices,~~
Siaya Kisumu Road,
P.O. Box 803 - 40600,
SIAYA.(2)

Contents

EXECUTIVE SUMMARY.....	1
Background Information.....	1
Introduction.....	1
Terms of Reference.....	1
Methodology.....	2
Scope and Determination of Responsibilities.....	2
KEY AUDIT FINDINGS.....	2
1.0 CURRENT ASSETS.....	2
1.1 Cash Management.....	2
1.2 County Executive Imprest Account.....	3
1.3 County Government IFMIS/G-Pay Account with Central Bank.....	3
1.4 Fraudulent Transactions Through IFMIS/G-Pay Account.....	4
2.0 NON-CURRENT ASSETS.....	4
2.1 Constructions of Various Early Childhood Dev. (ECD) Classrooms.....	4
2.2 Construction of ECD Classrooms at Awelo and Sihayi Primary Schools.....	4
2.3 Payment to Contractors.....	4
2.4 Refurbishment of Alego-Usonga Offices.....	5
2.5 Construction of Ndere Karuoth and Uhembo Dispensaries.....	5
2.6 Fabrication, Delivery and installation of solar lighting masts.....	5
2.7 Over- Expenditure of Motor vehicles and Ambulances.....	5
2.8 Purchase of Motor Vehicles.....	6
2.9 Unaccounted For Laptops and Phones.....	6
2.10 Stalled Dispensary Block at Obuogore.....	6
2.11 Construction of Gate, Fencing, Sentry Box and Ablution Block.....	6
2.12 Failure to Record items in Inventory Register.....	7
3.0 EXPENDITURE REVIEW.....	7
3.1 Procurement of Sanitary and Cleaning Materials.....	7
3.2 Purchase and Distribution of Certified Seeds.....	7
3.3 Missing and Un-supported Payment Vouchers.....	7
3.4 Failure to Maintain Fuel registers.....	8
3.5 Payments of Travelling and Subsistence Allowance.....	8

3.6 Domestic and Foreign Travel	9
3.7 Payment of Meals and Honoraria Allowance	9
3.8 Bursary to Needy Students	9
3.9 Preparation of Financial statements for Six Defunct Local Authorities	9
3.10 Procurement of Insurance Services	10
3.11 Procurement of Catering Services	10
3.12 Motor Vehicles Repairs	10
3.13 Payment to Council of Governors	11
3.14 Refurbishment of IFAD Hall and Offices	11
3.15 Procurement of Legal Services	11
4.0 REVENUE RECORDS	12
4.1 Revenue Collection and Banking	12
4.2 Hire of Tractors and Machinery for Agri- Business Initiative Project	12
4.3 Non-Disclosure of Other Revenue Items	12
DETAILED FINDINGS	13
1.0 CURRENT ASSETS	13
1.1 Cash Management	13
I. Education Sector	13
II. County Health Sector	13
III. Cash Shortages and Imprest at the County Water Sector	13
1.2 County Executive Imprest Account	14
1.3 Cash Shortage at Bondo Sub-District Hospital	14
1.4 Cash Shortage at Siaya County Referral Hospital	15
1.5 County Government IFMIS/G-Pay Account with Central Bank	15
1.6 Fraudulent Transactions through IFMIS/G-Pay Accounts	16
2.0 NON-CURRENT ASSETS	17
2.1 Construction of Various Early Childhood Development (ECD) class Rooms	17
2.2 Construction of ECD Classrooms at Awelo and Sihayi primary Schools	18
2.3 Payments to Contractors	18
2. Refurbishment of Alego Usonga Sub-County Offices	19
2.5 Construction of Ndere Karuoth and Uhembo Dispensaries	19
2.6 Fabrication, Delivery and Installation of Solar Street Lighting Masts	20
2.7 Over Expenditure on Purchase of Motor Vehicles and Ambulances	21
2.8 Purchase of Motor Vehicles	21

2.9 Unaccounted for Laptops and Phones	22
2.10 Stalled Dispensary Block at Obuogore	22
2.11 Construction of Gate, Fencing, Sentry Box and Ablution Block	23
2.12 Failure to Record Items in the Inventory Register	23
3.0 EXPENDITURE REVIEW	24
3.1 Procurement of Sanitary and Cleaning Materials	24
3.2 Purchase and Distribution of Certified Seeds	25
3.3 Missing Payment Vouchers and Unsupported Payments	26
3.4 Failure to Maintain Fuel Registers	26
3.5 Payments of Travelling and Subsistence Allowance	27
3.6 Domestic and Foreign Travel	27
3.7 Payment of Meals and Honoraria Allowance	28
3.8 Disbursement of Bursary to Needy Students	29
3.9 Preparation of Financial Statements for Six Defunct Local Authorities	29
3.10 Procurement of Insurance Services	30
ii. The county should institute recovery of the over payments of Kshs.58,697	30
3.11 Procurement of Catering Services	30
3.12 Motor Vehicles Repairs	31
3.13 Payment to Council of Governors	31
3.14 Refurbishment of IFAD Hall and Offices	32
3.15 Procurement of Legal Services	32
4.0 REVENUE RECORDS	33
4.1 Revenue Collection and Banking	33
4.2 Hire of Tractors and Machinery for Agri-Business Initiative Project	33
4.3 Non-Disclosure of Other Revenue Items	34

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF SIAYA COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

Background Information

Siaya County is one of the forty seven counties in Kenya which was created as per the Constitution of Kenya 2010 in line with the spelt out functions. The domicile is Siaya town. It is bordered by Busia County to the north, Kakamega County and Vihiga County to the northeast and Kisumu County to the southeast. It shares a water border with Homa Bay County which is located south of Siaya County. The County has an area of 2530.4 sq Km and is made up of six sub-Counties namely : Alego Usonga, Bondo, Gem, Rarieda, Ugenya, and Ugunja.

Introduction

The audit covering the period 1 July 2013 to 30 June 2014 was undertaken to assess the adequacy and reliability of the systems of management and financial controls put in place by the management of the County Government, in running its affairs with emphasis on the effective 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 an audit of the systems of management and financial controls of the County Government of Siaya for the period 1 July 2013 to 30 June 2014 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 Government.
- Assessment of compliance with the public procurement laws in process of acquisition of goods or services
- Assessment of compliance with Public Financial Management Act 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 Government offices.
- Review of applicable legislation and regulations.
- Examination of payment vouchers, cashbooks, vote books, bank statements, and bank slips, miscellaneous receipt books, procurement documents, stores records, asset registers and other related records.
- Review of minutes of various meetings where there were resolutions regarding utilization of public funds.
- Physical inspection and verifications
- Observation of processes and activities.
- Review of documents used by management to monitor use of funds.

Scope and Determination of Responsibilities

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

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

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

KEY AUDIT FINDINGS

1.0 CURRENT ASSETS

1.1 Cash Management

Cash survey carried out at Bondo Sub County Hospital on 23 June 2014 and Siaya County referral Hospital on 24 June 2014 revealed the following anomalies:

- i. The cashiers at Siaya and Bondo Hospitals had cash shortages of Kshs 11,971,312 and Kshs.711,699 respectively.
- ii. At Bondo Hospital the management had spent revenue at source amounting to Kshs.498,655 without authority.
- iii. At Siaya Hospital there were long outstanding imprests totalling Kshs.1,200,000 taken from revenue where some officers were holding more than one imprest.

1.2 County Executive Imprest Account.

- i. The County Executive bank reconciliation statement for the Imprest Account for the month ended 30 April 2014 reflects payments in the cashbook not yet recorded in the bank of Kshs.3,985,679. These payments includes stale cheques totalling Kshs.438,346 some dating back to 31 May, 2013.
- ii. The Statement also reflects receipts in the bank not recorded in the cashbook totalling Kshs.2,038,719, which includes amounts totalling Kshs.559,621 some dating back to 16 May, 2013.
- iii. The Statement reflects receipts in the bank not recorded in the cashbook of Kshs.2,023,505 which includes Kshs.100,000 being overcast amount on cheque number 1346 on the 05 March, 2014.
- iv. The bank reconciliation statement reflects receipts in the cashbook of Kshs.200,002 but not recorded in the bank statement out of which an amount of Kshs.200,000 relates to a cashbook overcast on 30 September, 2013.

1.3 County Government IFMIS/G-Pay Account with Central Bank

- i. The bank reconciliation statement for the County Government IFMIS/G-Pay Account as at 30 June 2014 reflects payments in the cashbook not yet recorded in the bank statement of Kshs.75,978,430. This balance includes stale cheques of Kshs.62,251,354 some dating back to 29 October 2013. There was no explanation as to why for a period of more than a year, no reverse entries had been passed in the cash book.
- ii. The Statement also reflects receipts in the bank statement not recorded in the cashbook totalling Kshs.35,775,234 which include amounts totalling Kshs.35,348,200 being a returned RTGS on the 27 March 2014 which was part of the Kshs.39,450,550 that was recalled after being paid fraudulently on the 14 March 2014.
- iii. The Statement further reflects payments in the bank statement not recorded in the cashbook totalling Kshs.82,260,174 which includes amounts totalling Kshs.39,450,550 that was fraudulently paid to a supplier

on the 14 March 2014 and Kshs.1,450,000 being payment to the Members of the County Assembly of Kshs.50,000 each without any payment voucher and supporting documents.

- iv. The bank reconciliation statement in addition reflects receipts in the cashbook not recorded in the bank statement of Kshs.8,526,459 which is a wrong reversal of AIEs that were issued to the Agriculture Sector.

1.4 Fraudulent Transactions Through IFMIS/G-Pay Account

In the year under review, three (3) payments totalling Kshs.84,591,775 were processed through the County's IFMIS/G-Pay operations accounts for recurrent and development accounts to pay three (3) firms for fictitious supplies. Although the County Government recovered Kshs.80,354,304 and credited back to the County's respective accounts, it lost Kshs.4,237,471 which was part of the fictitious payments. Some of the suspects, who had been transferred back to Transition Authority Nairobi, were still serving in the County without any clarification as to why they cannot report to their new station.

2.0 NON-CURRENT ASSETS

2.1 Constructions of Various Early Childhood Dev. (ECD) Classrooms

- i. During the implementation of the ECD classrooms project that cost the County Kshs.167,878,693, the management did not carry out tenders advertisement, constitute a technical and financial evaluation and an inspection and acceptance committee. The County Government had no Bank Account to separately deposit the 10% Retention Fees of Kshs.9,980,231, that had been retained from the contractors.
- ii. A contractor who constructed an ECD Block at Nguya Primary School in Ugunja Ward at a contract sum of Kshs.2,959,000 did not appear as a bidder in the tender opening minutes. It was therefore not clear how the contractor was evaluated and awarded the contract.

2.2 Construction of ECD Classrooms at Awelo and Sihayi Primary Schools

Advance payments totalling to Kshs.2,950,496 were made to some contractors during the project implementation, however it was not explained why the contractors were given advance payments yet the same was not included in the contract agreement.

2.3 Payment to Contractors

The County Government paid several contractors a total of Kshs.9,389,389 in the year under review for various construction works. However interim payment certificates, invoices and local service orders were all dated 27 June 2014 but without inspection and acceptance committee reports to confirm that what was paid for met the specifications required.

2.4 Refurbishment of Alego-Usonga Offices

In the year under review, the County refurbished Alego Usonga sub County offices at a cost of Kshs.4,523,500. However a letter of notification of award, letter of acceptance from the contractor, inspection & acceptance committee reports, and contract agreement were not made available for audit verification.

Further, the Bill of Quantities (BOQ) had a provisional allocation of Kshs.1,090,000. The amount was paid to the contractor without further instructions of any extra work.

2.5 Construction of Ndere Karuoth and Uhembo Dispensaries

During the year, the County appointed two (2) contractors to construct Ndere Karuoth Dispensary and Uhembo dispensary at a contract sum of Kshs.3,987,824 each.

Even though the tenders for the projects were floated differently, the firms quoted exactly the same amount of Kshs.3,987,824. It was not clear how different firms would quote exactly the same figure for different contracts.

Further, a single business permit attached to the payment voucher shows that one contractor deals in M-pesa services and not construction works. It was therefore not clear how it was awarded the construction works.

2.6 Fabrication, Delivery and installation of solar lighting masts

In the year under review, the County Government entered into a contract with a firm for fabrication, delivery and installation of 42 solar street lighting masts in various market centres at a cost of Kshs.13,431,744. There was no Inspection and Acceptance Committee for this work. Consequently payments were made without confirmation that the masts conform to the specifications. Physical verification of the masts on 22 July 2014, revealed that only 8 out of the 42 masts had been supplied, though full payment of Kshs.13,43,744 had been made.

Further, the County Government also failed to retain Kshs.1,343,174.40 being 10 % of the total expenditure of Kshs.13, 431,744. It was therefore not possible to ascertain how the contractor will make good any defects noted during the defects and liability period.

2.7 Over- Expenditure of Motor vehicles and Ambulances

In the year under review, the County procured motor vehicles and ambulances worth Kshs159,271,530 against a budget allocation of Kshs.89,820,500 translating to an over expenditure of Kshs.69,451,030 (77% of the approved budget). However, the over expenditure was not approved by the Assembly through a supplementary budget.

2.8 Purchase of Motor Vehicles

The County Government purchased three (3) motor vehicles from a supplier at a cost of Kshs.27,089,032. The firm was not among the prequalified list of suppliers by Public Works department. The tender was not advertised and there was no inspection and acceptance committee report to confirm the quality of the vehicles delivered.

Further, the County Government ordered for supply of three (3) Toyota Double Cabin pickups for a total cost of Kshs.13,240,545 from one supplier on 16 June 2014 without due tendering processes. The management explained that they used Ministry of Public Works, Supplies Branch which negotiated for Supply of motor vehicles vide circular No R04/2011-2012. The circular was to operate for two years up to 31 November 2013 and it had expired at the time the vehicles were purchased.

2.9 Unaccounted For Laptops and Phones

The County Government purchased five (5) Laptops and three(3) Phones(Samsung Galaxy) at a total cost of Kshs.531,997 and issued the same to the Transitional Authority officers who upon return to TA headquarters, never surrendered them back to the County Government.

2.10 Stalled Dispensary Block at Obuogore

The County Government appointed a contractor to construct a dispensary block at Obuogore in north Ugenya ward at a contract sum of Kshs 3,683,858 and the contractor has so far been paid Kshs.1, 266,079. The following were noted:

- i. No evidence was produced to confirm that an inspection and acceptance committee was appointed for the project.
- ii. The contract period had long expired (Commencement Date: 17 April 2013 and Completion Date: 30 June 2014) and no evidence was availed as to the extension of the contract period.
- iii. Physical verification of the project on 5 February 2015 revealed that the contractor had done up to roofing level with no windows and/or doors fixed and the contractor was not on site at all and no evidence was seen to show any ongoing works being carried out. The risk of the above is that the residents of Siaya County have been denied benefits which could have been derived were the Dispensary operational.

2.11 Construction of Gate, Fencing, Sentry Box and Ablution Block

The County Government appointed a contractor to construct a gate, fencing, sentry box and ablution block at a contract sum of Kshs1,853,344. The following were noted:

- i. A contract agreement which was unreferenced, undated and unsigned by the County Government of Siaya was purportedly entered into on 24 January 2014.
- ii. No evidence was availed for our audit examination to confirm as to how the contractor was appointed for the work. No tender documents were made available for verification.
- iii. A retention fee of Kshs.185,334 (that is ten percent of Kshs.1,853,344) was not deducted from the payment that was made to the contractor hence it was not possible to establish as to how the County Government could have managed to take care of any defects and liability period.
- iv. A physical verification of the project on 5th February 2015 revealed that works totalling Kshs.107,750 as detailed in the bill of quantities were not carried out even though paid for.

2.12 Failure to Record items in Inventory Register

The County Government procured various assets totalling Kshs.16,855,076, however the same were not recorded in the Assets (inventory) register.

3.0 EXPENDITURE REVIEW

3.1 Procurement of Sanitary and Cleaning Materials

Procurement of sanitary and cleaning materials was split into six (6) procurements of Kshs.496,000 each totalling to Kshs.2,976,000 by the County Health Sector, in disregard to the Public Procurement and Disposal Act, 2005 section 30(1) which prohibits splitting of procurement as two or more procurements for the purpose of avoiding a procurement procedure.

3.2 Purchase and Distribution of Certified Seeds

The County Government under the AgriBusiness initiative project bought seeds to sell to farmers at subsidized price, but failed to sell off 40,652Kgs costing Kshs.6,392,595. The quality of the unsold stocks had been compromised due to inappropriate storage resulting to a loss of Kshs.6,392,595.

3.3 Missing and Un-supported Payment Vouchers

Payment vouchers for expenditures totalling Kshs.8, 158,143 for the refurbishment of Non- residential buildings and purchase of furniture and fittings were not availed for audit verification. Further, Members of the County Assembly and staff were paid Kshs.1,900,000 but no supporting payment vouchers were produced for audit review. In addition, expenditure for County executive (including the Governor tours to meet the people) totalling Kshs.2,863,000 was not supported by relevant supporting documents e.g. cash sale receipts, invoices etc.

3.4 Failure to Maintain Fuel registers

The County Executive and County Agricultural Sector procured fuel worth Kshs.26,764,035 and Kshs.933,520 respectively in the year under review.

However, a fuel register was not maintained and work tickets for various vehicles, were not reconciled with fuel drawn against recorded official travel and consumption of fuel. Consequently, we could not confirm whether all the fuel purchased was used for the intended purpose.

3.5 Payments of Travelling and Subsistence Allowance

- i. Expenditures on travelling and subsistence totalling to Kshs.12,807,076, Kshs.2,619,300, Kshs.623,400 by the Executive, the Public Service Board and Ministry of Health respectively were not adequately supported with relevant documentary evidence to show that the journeys were official e.g. work tickets, bus tickets or letters of invitation.
- ii. The County Government paid a total of Kshs.2,543,500 to cater for accommodation and transport to twenty six (26) officers to undertake an IFMIS training at the Kenya School of Government, Nairobi, between 9 and 23 July, 2014. The list of the officers that was attached to the payment voucher did not have the signatures and identification numbers of the beneficiaries who were paid the per diem and the transport. The training never took place and the officers should refund the money.
- iii. Kshs.422,000 was paid in June 2014 to six (6) county officers as transport and per diem to enable them to attend IFMIS training at the Kenya School of Government course as from the 28 July to 1 August, 2014 an indication of advance payments. However, we could not confirm whether the course took place.
- iv. The County paid Kshs.990,00 on 27/6/2014 as transport and per diem to six (6) county officers to enable them to attend an IFMIS training on procure to pay (P2P) at the Kenya School of Government and the Treasury between the 24 July and to 8 August, 2014. We could not confirm whether the training took place.
- v. An officer was paid of Kshs.140,000 to attend IFMIS training on procure to pay (P2P) at the Kenya School of Government, Nairobi and at the Treasury between 24 July and 8 August, 2014 vide payment voucher SCG/3621 Cash Book Voucher No. 2650 dated 27 July 2014 . The same officer was paid Kshs.92,000 attending a training at the Kenya School of Government, Mombasa for five (5) days between 28 July to 1 August, 2014. The dates are overlapping, giving rise to double payment between 28 July and 1 August 2014.

The amounts of money being held in imprest represent services denied to the public and there is a high risk that the funds were not utilized for the intended official purposes. Propriety of the expenditure could not therefore be confirmed.

3.6 Domestic and Foreign Travel

County executive spent Kshs.3,348,438 and Kshs.6,486,131 on Domestic and Foreign travels respectively. The payment vouchers were not adequately supported with bus tickets or vehicle work tickets as evidence of having travelled, the invitation letters, copies of stamped pass ports or any relevant documents to show that the journeys were official.

In the absence of such supporting documents, the authenticity and accuracy of the night outs granted and subsistence allowances could not be confirmed.

3.7 Payment of Meals and Honoraria Allowance

- i. The executive incurred expenditures totalling Kshs.5,515,055 on meals and other allowances to staff working within their normal job requirements. The payments were not adequately supported with advance authority of the chief officer (the Accounting Officer) and verifiable documents such as urgency of work, timetable/program of events, and back to office reports. The officers were working during normal hours at their work station; and consequently are not proper charge to the Public funds.
- ii. Some of the payment vouchers were charged to wrong expenditure items codes without express authority of re-allocation.
- iii. Some payment, although made in June 2014, were for works which would be carried out in July and August 2014. It was not possible to confirm whether the works were ultimately done.
- iv. An officer was paid Kshs.926,000 for the staffs of the engineering department to cater for carrying out wards project survey for the purpose of design costing and supervision of on-going projects within the County from 2 December 2013 to 18 June 2014. It could not be confirmed whether the money was put to the intended purpose.

3.8 Bursary to Needy Students

In the year under review, the County Government disbursed Bursaries totalling to Kshs.21,680,000 to needy students in various Schools. However, records showed that some girls' beneficiaries were shown to be in boys' schools and vice-versa. We could therefore, not confirm how bursaries for girls were remitted to boy's schools and vice versa.

3.9 Preparation of Financial statements for Six Defunct Local Authorities

- i. In the year under review the County Government paid a firm Kshs.4,150,000 for the preparation of financial statements for six (6) defunct local authorities. Management did not explain how the firm was identified and the amount paid determined. Further, it could not be explained why staff of the defunct Local Authorities who were absorbed by

the County Government, could not prepare the financial statements as they used to do before.

- ii. The consultant prepared the financial statements for nine (9) months period ending 30 March 2013 as opposed to eight (8) months period ending 28 February 2013 as required by Ministry of Local Government Circular Ref. MLG/1333/TY/52 dated 18 February 2013 which dissolved all Local Authorities with effect from 28 February 2013 and transferred their services to the devolved Governments with effect from 4 March 2013

3.10 Procurement of Insurance Services

- i. Siaya County Government procured provision of insurance services at contract price of Kshs.9,147,938 for motor vehicles from an Insurance Company without competitive bidding. The firm was single sourcing as it was not explained how it was identified.
- ii. Another Insurance Company was paid Kshs.8,052,990 towards the insurance services that were rendered to the defunct local authorities. The payment was based on an internal audit unit of the County Government verification report, which recommended that the amount payable was Kshs.7,994,293.00 thereby over paying the insurance services by Kshs.58,697.

3.11 Procurement of Catering Services

The county government procured catering services namely tea, lunches and related services from different providers without competitive process and Kshs7,347,224 was spent in this regard. However, the meals on various occasions were not adequately explained and/or supported as regards participants details .The provision of the meals is subject to abuse hence unnecessary and unbudgeted for expenditure due to weaknesses in the controls.

3.12 Motor Vehicles Repairs

The County incurred expenditures totalling Kshs.462,832 in repair of two motor vehicle, Mercedes Benz GKA 533M and Volvo GKA 502K that belong to Transition Authority. Management did not explain why they were repairing the vehicles of another institution.

Further, an officer took an imprest of Kshs.100,000 to repair vehicle registration GKA 323U-Land Rover Caravan. However the following were noted:

- i. The said vehicle Inspection was done on 5 May, 2013 while the repairs were done on 13 March, 2014 almost one year later and no explanation was given for the time difference.
- ii. There was no pre and post inspection report from the Mechanical and Transport Department of the Ministry of Transport and Infrastructure which

could have shown the defects in the vehicles, the Engineers estimate of the repairs and whether the defects were all addressed after repairs.

- iii. There is no evidence of competitive bidding as no quotations were floated to prequalified suppliers to undertake the repairs or supply parts.

3.13 Payment to Council of Governors

Examination of payment vouchers has revealed that payments totalling to Ksh.7, 500,890 were made as contribution to the Council of Governors .The Council of Governors was created under the Inter- Governmental Relations Act, 2012 Section 19. However, its expenditures is provided for in the annual estimates of the Revenue and Expenditure of the National Government as per Section 37. Consequently, the propriety of the transfers to the council of Governor could not be determined.

3.14 Refurbishment of IFAD Hall and Offices

The County management without competitive procurement process entered into contract agreement which a contractor vide unreferenced and undated letter for the repairs of IFAD hall and offices at a sum of Kshs.3,933,560.00.

Although the work had been completed due process was not followed because the contract was not valid. We could therefore not confirm whether the County got value for money in the transaction.

3.15 Procurement of Legal Services

- i. The County Government lawyer was handling fifty three (53) legal cases at the time of the audit. The quantified subject matter and values of twenty nine (29) cases out of the fifty three (53) is Kshs. 75,870,812,707, the remaining twenty four (24) had not been quantified with subject matter and values.
- ii. As per the Advocates and Remuneration Schedule for 2012 matters (alone), the fees chargeable are calculated at 1.25% of the subject matter and value plus attendance charges. This therefore, means that the County Government is likely to pay the said company of advocates Kshs. 948,385,158 upon the determination and conclusion of the cases or as soon as the company of advocates would present an invoice and a fees note demanding for the payments which may be costly and expensive to the County Government.
- iii. Review of the status report on matters that were/are being undertaken on behalf of the defunct County Councils/County Government of Siaya by the above company of advocate indicate that some of the matters in dispute involved the defunct local authorities against each other. By virtue of the County Government inheriting the defunct Local Authorities, there are cases where now it's both the complainant and defendant.

4.0 REVENUE RECORDS

4.1 Revenue Collection and Banking

- i. Examination of KCB Revenue bank account statements , CBK County revenue Account and other revenue records availed revealed that the County collected Kshs.72,628,538 during the financial year under review against a budgeted figure of Kshs.153,000,000 thus an under collection of Kshs.80,371,462 (52 % under collection).
- ii. Scrutiny of counterfoil receipt book registers for the accountable documents revealed that revenue books were issued before the previous ones were surrendered and cleared from the register.
- iii. Plot and kiosk rents are not invoiced and demanded in the year they are due.

4.2 Hire of Tractors and Machinery for Agri- Business Initiative Project

The County Government allocated Kshs.13,000,000 for the hire of agricultural equipment, plant and machinery under the Agri-Business Initiative Plan for the financial year 2013/2014. In this initiative, the County government spent Kshs.6,179,850 on fuel and maintenance of the tractors for ploughing services where farmers were to pay a subsidized fee of Kshs.1,200 per acre. There was however, no evidence of reconciliation of revenue receipts from the hire of tractor services.

4.3 Non-Disclosure of Other Revenue Items

Revenue collected from devolved functions i.e cost sharing revenue and Facility Improvement Fund (FIF) collected by County Hospitals and sale of vaccines by the Ministry of Agriculture are not reported and banked into the County Revenue Fund Account contrary to the Section 109(2) of Public Finance Management Act, 2012.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

25 May 2015

DETAILED REPORT OF THE AUDITOR- GENERAL ON THE FINANCIAL OPERATIONS OF SIA YA COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

DETAILED FINDINGS

1.0 CURRENT ASSETS

1.1 Cash Management

I. Education Sector

The County Government allocated Kshs.4,037,765 to the Education, Youth Affairs, Gender and Social Development sector during 2013/2014 financial year. Records at the sector cash office revealed that the sector had no cash book and there were no bank statements and bank reconciliations were never done. The sector had made payments of Kshs.729,939 but without a cash book. It was therefore not clear how payments were made without passing a transaction entry in the cash book.

Recommendation

The management should adhere to the requirements of the Public Finance Management Act, 2012 for proper cash management.

II. County Health Sector

A cash survey at the County Health Sector revealed that the Sector had un-surrendered imprest of Kshs.12,649,910 out of which seven (7) officers held more than one imprest totalling Kshs.9,442,710.

Recommendation

The County Government should ensure that no officers should hold more than one (1) imprest at a time and the imprest issued should be surrendered and/or recovered from the officers' salaries if not surrendered 24 hours after the expiry of the purpose for which it was issued.

III. Cash Shortages and Imprest at the County Water Sector

A cash survey carried out at the Water, Irrigation and Natural Resources Sector revealed that the accountant had a cash shortage of Kshs.35,100 which could not be explained. Further the Sector had outstanding imprests of Kshs.732,453 out of which two (2) officers held more than one un-surrendered imprest totalling Kshs.452,550.

Recommendations

- i. The County Government should ensure that the cash shortage is fully accounted for and the un-surrendered imprest is recovered from the affected officers.
- ii. The officers should not hold more than one (1) imprest at a time and the imprest issued should be surrendered within 24 hours after the completion of the purpose for which it was issued, failure to which the amount should be recovered from the officer.

1.2 County Executive Imprest Account.

- i. The County Executive bank reconciliation statement for the Imprest Account for the month ended 30 April 2014 reflects payments in the cashbook not yet recorded in the bank of Kshs.3,985,679. These payments includes stale cheques totalling Kshs.438,346 some dating back to 31 May, 2013. It was not clear why these had not been reversed in the Cash book.
- ii. The Statement also reflects receipts in the bank not recorded in the cashbook totalling Kshs.2,038,719, which includes amounts totalling Kshs.559,621 some dating back to 16 May, 2013. There was no explanation why these receipts had not been posted in the cash book.
- iii. The Statement reflects payments in the bank not recorded in the cashbook of Kshs.2,023,505 which includes Kshs.100,000 being overcast amount on cheque number 1346 on the 05 March, 2014.
- iv. The bank reconciliation statement reflects receipts in the cashbook Kshs.200,002 but not recorded in the bank statement of out of which an amount of Kshs.200,000 relates to a cashbook over cast the 30 September, 2013.

Recommendation

The management should take action on the bank reconciliation statements by updating the cash books appropriately.

1.3 Cash Shortage at Bondo Sub-District Hospital

A cash survey on the cost sharing revenue at Bondo Sub-District Hospital revealed that between December 2013 to 23 June 2014, the hospital cashier had a cash shortage of Kshs.711,699 which he could not account for. Further, the hospital management had spent revenue of Kshs.498,655 at source without authority from the accounting officer.

In the circumstances, it was apparent that there was financial mismanagement at the hospital.

Recommendation

The County Government should take appropriate disciplinary measures and also ensure that cash shortages are recovered from respective officers.

1.4 Cash Shortage at Siaya County Referral Hospital

A cash survey of the Hospital cost sharing revenue as at 24 June 2014 for the twelve months period of the 2013/2014 financial year revealed, that the hospital had collected revenue of Kshs.37,500,347. However, the cashier had a cash shortage of Kshs.11,971,312 which could not be accounted for.

It was also noted that the Hospital had un-surrendered imprest of Kshs.1,200,000 and that some officers had more than one un-surrendered imprest.

Recommendation

The County Government should take appropriate disciplinary measures and also ensure that cash shortages and un-surrendered imprest are recovered from the officers concerned.

1.5 County Government IFMIS/G-Pay Account with Central Bank

- i. The bank reconciliation statement for the County Government IFMIS/G-Pay Account as at 30 June 2014 reflects payments in the cashbook not yet recorded in the bank statement of Kshs.75,978,430. This balance includes stale cheques of Kshs.62,251,354 some dating back to 29 October 2013. There was no explanation as to why for a period of more than a year, no reverse entries had been passed in the cash book.
- ii. The Statement also reflects receipts in the bank statement not recorded in the cashbook totalling Kshs.35,775,234 which include amounts totalling Kshs.35,348,200 being a returned RTGS on the 27 March 2014 this being part of the Kshs.39,450,550 that was recalled after being paid fraudulently on the 14 March 2014.
- iii. The Statement further reflects payments in the bank statement not recorded in the cashbook totalling Kshs.82,260,174 which includes amounts totalling Kshs.39,450,550 that was fraudulently paid to a supplier on the 14 March 2014 and Kshs.1,450,000 being payment to the Members of the County Assembly of Kshs.50,000 each without any payment voucher and the supporting documents.

- iv. The bank reconciliation statement in addition reflects receipts in the cashbook not recorded in the bank statement of Kshs.8,526,459 which is a wrong reversal of AIEs that were issued to the Agriculture Sector.

Recommendations

- i. The management should update the cash book after every reconciliation.
- ii. All the payments in the bank statement should be recorded in the cashbook and receipts in the cashbook not banked should be banked immediately or a follow up should be made from the bank to establish why the same are not yet recorded in the bank statement.

1.6 Fraudulent Transactions through IFMIS/G-Pay Accounts

In the year under review, three(3) payments namely; Bobstone stores Kshs.20,001,225, Bridgeling International Company Kshs.39,450,550 and Faram East African Limited Kshs.25,140,000 all totalling Kshs.84,591,775 were processed through the County's IFMIS/G-Pay operations accounts for recurrent and development accounts to pay three (3) firms for fictitious supplies. Although the County Government recovered Kshs.80,354,304 and credited back to the County's respective accounts, it lost Kshs.4,237,471 which was part of the fictitious payments.

The County government investigation team revealed that two (2) County government officers were involved in the scam. The audit, however, noted that the two officers mentioned in the fictitious payments were still servicing in the County without any clarification as to why they cannot report to their new station. According to the County Service Board, the two (2) officers were at the County illegally because they had been released to go back to the Transitional Authority, even before this fraudulent payment were made.

As at the time of this audit in June/July 2014, no arrest had been made and the progress of the investigations could also not be ascertained as the investigators had not submitted any findings to the County Government.

Recommendations

- i. The County Government IFMIS and G-Pay platform Systems of internal controls and data entry be strengthened and be managed by persons of integrity. The fraudulent transactions also need to be investigated to fruitful conclusion and culpable officers prosecuted.
- ii. The County Government should enhance its internal controls to prevent future fraudulent cases and any frauds or attempted frauds discovered should be taken seriously and appropriate action taken on the perpetrators

2.0 NON-CURRENT ASSETS

2.1 Construction of Various Early Childhood Development (ECD) class Rooms

- i. During the period under review, the County Government incurred expenditure of Kshs.99,802,311.34 out of the total contract sum of Kshs.167,878,693 on the Early Childhood Development (ECD) class Rooms Projects. The contract period was between 14 March and 30 June 2014. As at the time of this audit the contract period had expired however, the projects were not complete and the contractors had not requested for the extension of the contract period.
- ii. The County Government did not advertise in a newspaper of national circulation, inviting contractors to bid for the contracts. The government failed to produce financial and technical evaluation reports, and inspection and acceptance committee report, for audit verification to confirm that the payments were made after the work met the specifications.
- iii. The County Government had no Bank Account to deposit the 10% Retention Fees of Kshs.9,980,231.10, i.e., 10% of 99,802,311 that had been retained from the contractors. The County Government has not disclosed records of where the retention money is held.
- iv. Migwel Enterprises constructed an Early Childhood Block at Nguya Primary School in Ugunja Ward at a contract sum of Kshs.2,959,000 as per the contract agreement number CGS/CECD/2014 of March 2014, however, this contractor did not appear as a bidder in the tender opening minutes. It was therefore not clear how the firm was evaluated and awarded the contract when it did not show interest to bid for the job.
- v. Examination of payment vouchers for the payments of Kshs. 1,666,193 and Kshs. 1,666,193 made in favour of M/s. Rapola Contractors and M/s. Ojande enterprises respectively for the construction of Early Childhood Blocks at Humwed Primary School in west Ugenya and Got Omalo Primary School in Ukwala wards, revealed that the contractors' performance bonds between them and the County Government of Siaya were dated 3 February 2014, a date which was earlier than the tender opening register date of 14 February, 2014.
- vi. Physical verification at Ngula Primary School of the early childhood classroom project revealed, that the engineer certified that the contractor had done 62% of the work. However, our analysis of the completed works, from the bills of quantities, revealed that only 30% of the works was complete. It was therefore clear that the contractor was overpaid Kshs.742,448 for works not carried out, i.e., the difference of work done of Kshs.897,050 and the amount paid of Kshs.1,639,498.

vii. In view of the above anomalies the County management did not adhere to section 54 (1) of the Public Procurement and Disposal Act, 2005 which requires advertisement of tenders, section 37 (2) and (3) which specifies the kind of communication to be used and section 66 (1) which requires the input of a financial and technical evaluation committee in a procurement process. Sections 6(a) to (d), 16 (1) and section 17 (1) to (3) of the Public Procurement and Disposal Regulations 2006 which establishes inspection and acceptance committee and states its roles were also flouted.

Recommendation

The requirement of the Public Procurement and Disposal Act, 2005 and regulations 2006 should be adhered to when procuring works and contractors should only be paid upon certification of the inspection and acceptance committee and issue of certificates for work done.

2.2 Construction of ECD Classrooms at Awelo and Sihayi primary Schools

Payment records for the construction of Early Childhood Development Classroom Blocks revealed, that two contractors were paid Kshs.2,950,496, however, the payments were made before the works started. M/s. Sinaga Construction Co. constructed an ECD classroom at Awelo primary and was paid Kshs. 1,263,747 while M/s. Petnor Contractors Company constructed a classroom at Sihayi primary school and was paid Kshs.1,686,749. Although the work was done, there was no inspection and acceptance committee report to confirm that what was paid for met the specifications. It was not explained why advance payment was made.

Recommendation

The Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal Regulations 2006 should be adhered to when procuring works and contractors should only be paid upon satisfaction of the inspection and acceptance committee and issue of certificates for work done.

2.3 Payments to Contractors

During the year under review, examination of payment vouchers under the development vote revealed that the County Government paid several contractors a total of Kshs.9,389,389 for various construction works. However, it was observed that interim payment certificates, invoices and local service orders and the internal audit approval, were all dated 27 June 2014. In addition no inspection and acceptance committee report to confirm that what was paid for met the specifications required was produced for audit review.

In the circumstances, it was not possible to confirm the effectiveness and efficiency of the construction works or that the County Government obtained value for money.

Recommendation

The Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal Regulations 2006 should be adhered to when procuring works and contractors should only be paid upon satisfaction of the inspection and acceptance committee and issue of certificates for work done.

2.4 Refurbishment of Alego Usonga Sub-County Offices

During the financial year 2013/2014 the County Government spent Kshs.4,523,500 on the refurbishment of the Alego Usonga Sub County Offices, which were verified and confirmed complete, during the audit, however, the project file, letter of notification of award, inspection and acceptance committee report, contract agreement and letter of acceptance from the contractor were not made available for audit verification.

In addition, included in the bills of quantities was a provisional sum of Kshs.1,090,000, an amount which lacked details on how it was spent.

In the circumstances, the procurement requirements were not fully complied with in accordance with the procurement law and the propriety of the expenditure of the provisional amount of Kshs.1,090,000 could not be confirmed.

Recommendation

The County Government should maintain all tender documents and adhere to the Public Procurement and Disposal Act, 2005 and Public Procurement and Disposal Regulations 2006.

2.5 Construction of Ndere Karuoth and Uhembo Dispensaries

- i. M/s. Accurate Communications Limited and M/s. Mahola logistics were appointed to construct Ndere Karuoth Dispensary and Uhembo dispensary at a contract sum of Kshs.3,987,824 each.
- ii. Although the tenders for the projects were floated differently, the contracted firms quoted exactly the same amount of Kshs.3,987,824. It was not clear how different firms would quote exactly the same figure for different contracts. There was no evidence that the tender was advertised or contract and tender opening minutes existed.
- iii. A single business permit attached to the payment voucher shows that M/s. Accurate Communications Limited deals in M-pesa services and not construction works, it was therefore not clear how it was awarded construction works.
- iv. The contract was to commence on 17 April 2014 and be completed on 19 July 2014 hence the contract period had already elapsed at the time of

audit; however, the contractor had only done four courses of stones from the slab level.

- v. Kshs.20,000 was given as a provision in the Bills of Quantities for erecting a bill board, however, on verification it was found no bill board was erected.
- vi. In the circumstances, it is clearly evident that there was no transparency and proper accountability in the awarding of the contract to apparently a non-qualified contractor.

Recommendation

The County Government should adhere to the Public Procurement and Disposal Act, 2005 and Public Procurement and Disposal Regulations 2006.

2.6 Fabrication, Delivery and Installation of Solar Street Lighting Masts.

- i. During the financial year 2013/2014 a total of Kshs.13,431,744 was paid to M/s. Triple investments Ltd for the fabrication, delivery and installation of forty two (42) units of solar street lighting masts at various Agricultural Market Centres within the County.
- ii. Although all the payments were done between the 28 June 2014 and 30 June 2014, physical verification of the projects on the 22/07/2014, revealed that only eight (8) units had been installed. There was no explanation why thirty eight (38) units had not been installed though payment had been made.
- iii. The County Government failed to deduct retention money at the point of payment. It was therefore not possible to ascertain whether the contractor is under any obligation to make good any defects during the defects and liability period.
- iv. An Inspection and Acceptance Committee was not constituted for the project though there was a County payment control clause that payment vouchers were to be approved by the County Executive Committee Member of finance and authorised by the Governor before payment. This process was however, not followed.
- v. The payment vouchers were not entered in the Vote book or examined by either the examination section or the internal audit unit of the County government.

Recommendation

An inspection and acceptance committee has its roles and functions in a procurement process which should always be constituted in the procurement of goods.

2.7 Over Expenditure on Purchase of Motor Vehicles and Ambulances

During the financial year 2013/2014 analysis of the Vote book revealed that an amount of Kshs.46,220,500 and Kshs.43,600,000 was received for Purchase of motor vehicles and ambulances as required by the Department of Health respectively totalling to Kshs.89,820,500.

The County spent Kshs.159,271,530 on motor vehicles and ambulances as show below, translating to an over expenditure of Kshs.69,451030 (77% of the approved budget). However, the over expenditure was not approved by the Assembly through a supplementary budget.

Transaction	Date	LPO	Payee	Kshs
1 dark blue Toyota prado KBJ 150RTx-L GKAEY 3.0L manual	9/12/2013	2007375	Bhogal'sAutoworld	8,630,520
2 toyota hilux 4*4 pickup double cabinKUN25K Delux	13/11/13	2007374	Bhogal'sAutoworld	9,750,160
6 ambulances Toyota Land Cruiser	3/3/2014	2092603	Toyota Kenya	45,970,158
2 toyota hilux 4*4 pickup double cabinKUN25K Delux	13/11/13	2007373	Bhogal'sAutoworld	8,708,352
5pcs Toyota Fortuner 3.0 ltrs 1KD 5speed manual/4wd	24/12/13	2092605	Toyota Kenya	30,825,144
5pcs Toyota Fortuner 3.0 ltrs 1KD 4speed automatic/4wd	13/3/14	2092601	Toyota Kenya	31,275,000
2 Toyota prado VXL 3.0 Ltrs automatic/4wd	17/1/14	2092604	Toyota Kenya	24,112,196
Total				159,271,530

Recommendations

Approved budgetary allocations should be to adhered and in case of emergencies, supplementary budgets should be presented to County Assembly for approval.

2.8 Purchase of Motor Vehicles

The County Government procured Motor vehicles at total cost of Kshs.27,089,032 from M/s. Bhogals Auto-world. However, Bhogals Auto-world was not among the recommended suppliers by the Department of Public Works. The tender was not advertised in a newspaper of national circulation as required by Public Procurement and Disposal Act 2005 and there was no inspection and acceptance committee in place to confirm the quality of the vehicles delivered.

Further, the County Government ordered for supply of three (3) Toyota Double Cabin pickups for a total cost of Kshs.13,240,545 from Toyota Kericho on 16 June 2014 without due tendering processes. The management explained that they used Ministry of Public Works, Supplies Branch which negotiated for Supply of motor vehicles vide circular No R04/2011-2012. The circular was to operate for

two years up to 31 November 2013 and it had expired at the time the vehicles were purchased.

Recommendation

The Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal Regulations 2006 should be adhered to when procuring motor vehicles.

2.9 Unaccounted for Laptops and Phones

During the 2013/2014 financial year the County government bought laptops and Samsung phones at a total cost of Kshs.531,997 and issued the same to various officers. Management explained that the items were issued to Transitional Authority officers who had been recalled back to their duty stations without accounting for these items. Some officers were on compulsory leave due to alleged fraud cases. The laptops and phones were not recorded in the assets register.

In the circumstances, there is apparent loss and non-accountability of the County inventory.

Recommendation

The management should ensure that the items given to the TA officers are returned to the County government including those that were given to the officers on compulsory leave.

2.10 Stalled Dispensary Block at Obuogore

The County Government appointed a contractor to construct a dispensary block at Obuogore in north Ugenya ward at a contract sum of Kshs 3,683,858 and the contractor has so far been paid Ksh.1, 266,079. The following were noted:

- i. No evidence was produced to confirm that an inspection and acceptance committee was appointed for the project.
- ii. The contract period had long expired (Commencement Date: 17 April 2013 and Completion Date: 30 June 2014) and no evidence was availed as to the extension of the contract period.
- iii. Physical verification of the project on 5th February 2015 revealed that the contractor had done up to roofing level with no windows and/or doors fixed and contractor was not on site at all and no evidence was seen to show any ongoing works being carried out.

The risk of the above is that the residents of Siaya County have been denied benefits which could have been derived were the Dispensary operational.

Recommendations

- i. The County Government of Siaya constitutes inspection and acceptance committees for all construction works.
- ii. The Contractor finished his part of the works as included in the contract agreement.

2.11 Construction of Gate, Fencing, Sentry Box and Ablution Block

The County Government appointed a contractor at a contract sum of Kshs1,853,343.60 to construct a gate, fencing, sentry box and ablution block .The following were noted:

- i. A contract agreement which was unreferenced, undated and unsigned by the County Government of Siaya was purportedly entered into on 24 January 2014.
- ii. No evidence was availed for our audit examination to confirm as to how the contractor was appointed for the work. No tender documents were made available for verification
- iii. A retention fee of Kshs 185,334 (that is ten percent of Kshs 1,853,344) was not deducted from the payment that was made to the contractor hence it was not possible to establish as to how the County Government could have managed to take care of any defects and liability period.
- iv. A physical verification of the project on 5 February 2015 revealed that works totalling Kshs.107,750 as detailed in the bill of quantities were not carried out even though paid for.

Recommendations

- i. In future a retention fee of ten percent (10%) should be deducted from any progress payment made to the contractor. A detailed inspection and acceptance committee report must be done before any payment is done.
- ii. All tendering procedures must be adhered to from initiation to completion of a transaction.
- iii. All works, goods and/or services must be included in the annual procurement plan of the county Government of Siaya.

2.12 Failure to Record Items in the Inventory Register

Examination of payment vouchers and other related documents under the recurrent vote revealed that the County Government for Ministry of Health procured items worth Kshs.12,586,684 and Kshs.481,174 respectively. However the following anomalies were noted:

- i. No assets register was kept by the County government. In some cases the items were not inspected by the inspection and acceptance committee to confirm that the items meet the specifications prescribed. The assets acquired were not serially labelled for ease of identification.
- ii. The County Government paid M/s. Seal Honey Ltd vide payment voucher no. 720 of 02/12/13 for Kshs.501,577 for the supply of assorted furniture. The said furniture were not taken on charge in the stores ledger or recorded in the assets register. There was therefore no evidence that they were delivered.

Recommendation

The County Government should ensure that proper assets register and inventory records are kept and maintained.

3.0 EXPENDITURE REVIEW

3.1 Procurement of Sanitary and Cleaning Materials

Quotations were not floated to suppliers for supply of Sanitary and Cleaning materials. Instead LPOs were given to each of the six firms indicating what is to be supplied, their quantity and the price. This was done in contravention of Section 30 (1) of the Public Procurement and Disposal Act, 2005 which states that "No procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure as shown below.

Date	PV No	LPO No	Invoice No	Payee	Amount
27/5/2014	105	1713	25/26/27	First Solutions Company Ltd	496,000
27/5/2014	106	1711	2225/2226	Martinjany Enterprises	496,000
27/5/2014	107	1715	250/255	Durie Agencies	496,000
27/5/2014	108	1712	568/568/570	Ahono Green investments	496,000
28/5/2014	125	1716	166/177	Fair Pride Investment	496,000
28/05/2014	122	1714	315/335/336	Jogan General stores	496,000
Total					2,976,000

However physical verification at Gem, Bondo and Siaya-sub County hospitals revealed that the items were actually delivered.

Recommendation

Splitting of procurement to two or more procurements for the purpose of avoiding a procurement procedure should not be allowed by the management

3.2 Purchase and Distribution of Certified Seeds

The certified seeds were procured directly from three (3) seed companies at a total sum of Kshs.10,154,300. The seeds were distributed to the six (6) sub counties and wards on the ratio of 60% equal share and 40% respectively by the County agriculture committee.

At the Sub-Counties, the seeds were sold to the farmers at subsidized rates through the National Cereals and Produce Board (NCPB) and satellite depots. The total sales made upto the time of the audit was Kshs.3,754,470 and the value of the unsold quantity laying at various NCPB depots and satellite depots in the sub counties was Kshs.6,392,595.

An audit review of the distribution, sales and the storage process revealed the following weakness:

- i. M/s. Kenya Seeds Company Limited was issued with an order to deliver 541,080 kgs, but only delivered 534,600 kgs. However, vide voucher number 0167, cheque no. 061 of 19 March 2014, the company was paid Kshs.3,309,360 for what was ordered instead of Kshs.3,295,080 for the cost of seed delivered. The company was therefore overpaid by Kshs.14,280,
- ii. The sub counties and wards had no storage facilities for the procured seeds hence subjecting the certified seeds to losses through pilferaging and also compromise the germination rates,
- iii. Late procurement of the seeds and long distribution procedures that the farmers had to undergo e.g. the vetting of farmers before being allowed to purchase the seeds and long queues in the bank to deposit the money with the Kenya Commercial Bank.
- iv. Mishandling of the cash/deposit slips by the extension officers compromised the accountability of the sale proceeds e.g. revenue of Kshs.3,754,470 could not be fully accounted for in the Agribusiness Initiative Bank Account,
- v. The safety and security of the unsold balance of 40,652 kgs, valued at Kshs.6,392,595 could not be ascertained since there was no stock reconciliation.

Recommendations

The management should recover the overpayment of Kshs.14,280 and ensure the security of the unsold balance of seeds valued at Kshs.6,392,595.

The County government should ensure that resources are used in a way that is effective, efficient, transparent and economical as required by Section 149 (1) of the public finance management act 2012.

3.3 Missing Payment Vouchers and Unsupported Payments

- i. An examination of the County Government vote book revealed that payment vouchers for the expenditure of Kshs.8,158,143 for the refurbishment of Non- residential buildings and purchase of furniture and fittings were not produced for audit verification. It was also not clear how M/s. Royal Media Services who are in the mass communication sector could be paid a sum of Kshs.2,320,000 vide payment voucher number 1310 of 18/02/014 to supply furniture. In the circumstances the propriety and occurrence of this expenditure could not be ascertained.
- ii. Scrutiny of bank statements for the County Government in respect of recurrent Account No. 1000170883 held at the Central Bank of Kenya revealed, that the County government paid Kshs.50,000 to each of the 36 Members of County Assembly and two staff members totalling to Kshs.1,900,000. However, the respective payment vouchers were not produced for audit. The purpose of the payment was therefore not clear.
- iii. Examination of payment vouchers under recurrent account for the County Government made payments amounting to Kshs.2,863,000.00 without the relevant supporting documents. Most of the expenditure relates to Governor inspecting development projects and tours within Siaya County.

Recommendations

All accounting records should be kept and maintained as required by section 149 (b) of the Public Finance Management Act, 2012.

In the absence of appropriate supporting documents for the payments made, the management should recover this expenditure of Kshs.2,863,000 from the concerned officers.

3.4 Failure to Maintain Fuel Registers

The County Executive and County Agricultural Sector procured fuel worth Kshs.16,834,500 and Kshs.933,520 respectively in the year under review. The fuel procured and drawn through detail orders were not recorded in the fuel register (the County Government did not maintain one) thus reliance was put on the returns from the filling stations.

Recommendation

Fuel like any other stores should be taken on charge in the bulk fuel register, preferably at the point of receipt and detail orders, delivery notes and vehicle work tickets should be properly maintained.

3.5 Payments of Travelling and Subsistence Allowance

- i. Expenditure on travelling and subsistence totalling to Kshs.12,807,076, Kshs.2,619,300, Kshs.623,400 by the Executive, the Public Service Board and Ministry of Health respectively were not adequately supported with relevant documentary evidence to show that the journeys were official e.g. work tickets or bus tickets letters of invitation.
- ii. The County Government paid a total of Kshs.2,543,500 to cater for accommodation and transport to twenty six (26) officers to undertake IFMIS training at the Kenya School of Government, Nairobi, between 9 and 23 July, 2014. The list of the officers that was attached to the payment voucher did not have the signatures and identification numbers of the beneficiaries who were paid the per diem and the transport. The training never took place and the officers should refund the money.
- iii. Kshs.422,000 was paid in June 2014 to six (6) county officers as transport and per diem to enable them to attend a course as from the 28 July to 1 August, 2014 an indication of advance payments. However, we could not confirm whether the course took place.
- iv. The County paid Kshs.990,00 on 27 June 14 as transport and per diem to six (6) county officers to enable them to attend an IFMIS training on procure to pay (P2P) at the Kenya School of Government and the Treasury between 24 July and 8 August, 2014. We could not confirm whether the training took place.
- v. An officer was paid Kshs.140,000 to attend IFMIS training on procure to pay (P2P) at the Kenya School of Government, Nairobi and at the Treasury between 24 July and 08 August, 2014 vide payment voucher SCG/3621 Cash Book Voucher No. 2650 dated 27 July 2014. The same officer was paid Kshs.92,000 for attending a training at the Kenya School of Government, Mombasa for five (5) days between 28 July and 1 August, 2014. The dates are overlapping, giving rise to double payment between 28th July and 1 August 2014.

The amounts of money being held in imprest represent services denied to the public and there is a high risk that the funds were not utilized for the intended official purposes. Propriety of the expenditure could not therefore be confirmed.

Recommendation

All payment vouchers should be adequately supported by relevant documents and recovery measures be instituted for un-surrendered imprest and double payments.

3.6 Domestic and Foreign Travel

County executive spent Kshs.3,348,438 and Kshs.6,486,131 on Domestic and Foreign travel respectively. The foreign travel is shown below:

Date	PV	Payee	Amount	Destination
12/5/2014	1564	Dr Omamo Ndai	1,766,643.00	Israel
26/5/2014	3050	37 County Staff	1,806,120.00	Travel to Entebbe
26/5/2014	1143	Several County Staff	2,911,368.00	Travel to Entebbe
		Total	6,486,131.00	

The County officials did not adequately support the payment vouchers with, bus tickets or county vehicle work tickets as evidence of having travelled, the invitation letters, copies of stamped pass ports or any relevant documents to show that the journey was official hence its occurrence.

In the absence of such supporting documents, the authenticity of the night outs granted and subsistence allowances could not be confirmed and the county could be losing funds on night out allowances that are not beneficial to the county.

Recommendations

- i. The county should maintain an imprest register to record and control the issuance of imprest.
- ii. The purported travels should be adequately supported or be recovered from the respective officers.

3.7 Payment of Meals and Honoraria Allowance

- i. The executive incurred expenditure totalling Kshs.5,515,055 on meals and other allowances to staff working within their normal job requirements in the executive. The payments were not adequately supported with advance authority of the Chief Officer (the Accounting Officer) and verifiable documents such as urgency of work, timetable/program of events, and back to office reports. The officers were working during normal hours at their work station; and consequently are not proper charge to the Public Funds.
- ii. Some of the payment vouchers were charged to wrong expenditure items codes without express authority of re-allocation.
- iii. Some payment although made in June 2014, were for works which would be carried out in July and August 2014. It was not possible to confirm whether the works were ultimately done.
- iv. An officer was paid Kshs.926,000 to cater for the staffs of the engineering department for carrying out wards project survey for the purpose of design costing and supervision of on-going projects within the County from 2 December 2013 to 18 June 2014. It could not be confirmed whether the money was put to the intended purpose.

Recommendations

- i. The management should recover the payments from the affected officers and should in future adhere to the provisions of the County Public Service Human Resource Manual.
- ii. These payments of honoraria and meals allowances to the county officers for having worked extra hours and during the weekends should cease as it is contrary to County Public Service Human Resource Manual.
- iii. The County should start the imprest system rather than advance payments whose authenticity cannot be confirmed.

3.8 Disbursement of Bursary to Needy Students

In the year under review the County Government disbursed Kshs.21,680,000 to the Education Sector for School fees bursary to benefit students in various schools. An audit review of the payment vouchers and the lists of the beneficiary students revealed that funds were sent to some boys' boarding schools but paying for girls in those schools. In some cases, bursaries were sent to some schools but the admission numbers and the classes of the students were not disclosed. There were no acknowledgement letters of the receipt of money from the Principals of the various schools.

In the circumstances, the actual beneficiary and the propriety of the expenditure could not be ascertained.

Recommendation

Resources of the County should be properly accounted for and used in a transparent manner as required by section 149 (1) of the Public Finance Management Act, 2012.

3.9 Preparation of Financial Statements for Six Defunct Local Authorities

- i. In the year under review, the County Government paid Woodvale Associates Kshs.4, 150,000 for the preparation of financial statements for six (6) defunct local authorities. Management did not explain how the firm was identified and the amount paid determined. Further, it could not be explained why staff of the defunct Local authorities who were absorbed by the County Government could not prepare the financial statements as they used to do before.
- ii. Woodvale Associates prepared the financial statements for nine (9) months period ending 30 March 2013 as opposed to eight (8) months period ending 28 February 2013 as required by Ministry of Local Government Circular Ref. MLG/1333/TY/52 dated 18 February 2013 which dissolved all Local Authorities with effect from 28 February 2013 and transferred their services to the devolved Governments with effect from 4 March 2013

Recommendations

- i. The Public Procurement and Disposal Act, 2005 should be adhered to when procuring consultancy services.
- ii. The consultant should amend the accounts for Audit purposes.

3.10 Procurement of Insurance Services

- i. Siaya County Government procured provision of insurance services at contract price of Kshs 9,147,938 for motor vehicles from an Insurance Company without competitive bidding. The firm was single sourced as it was not explained how it was identified.
- ii. Another Insurance Company was paid Kshs.8,052,990 towards the insurance services that were rendered to the defunct local authorities. The payment was based on an internal audit unit of the County Government verification report, which recommended that the amount payable was Kshs.7,994,293 thereby over paying the insurance services by Kshs.58,697.

Recommendations

- i. The County Government should adhere to Public Procurement and Disposal Act 2005 and the procurement and disposal regulation 2006 when procuring Goods and services in order to achieve value for money.
- ii. The county should institute recovery of the over payments of Kshs.58,697

3.11 Procurement of Catering Services

The county government procured catering services namely tea, lunches and related services from different service providers without competitive process and Kshs.7,347,224 was spent in this regard. However, the meals on various occasions were not adequately explained and/or supported as regards participants details. The provision of the meals is subject to abuse hence unnecessary and unbudgeted for expenditure due to weaknesses in the controls.

Recommendations

- i. The catering service providers should be sourced for competitively.
- ii. There should be defined a prequalified rate that cuts across.
- iii. There should be management system that approves who should be served and when.

3.12 Motor Vehicles Repairs

The County incurred expenditures totalling Kshs.462,832 in repair of two motor vehicle, Mercedes Benz GKA 533M and Volvo GKA 502K at Sameya Auto Garage, however the vehicle belong to Transition Authority. Management did not explain why they were repairing the vehicles of another institution.

Further, Mr. Fredrick Onyango took an imprest of Kshs.100,000 to repair vehicle registration GKA 323U-Land Rover Caravan. However the following were noted:

- i. The said vehicle Inspection was done on 5 May, 2013 while the repairs were done on 13 March, 2014 almost one year later and no explanation was given for the time difference.
- ii. There was no pre and post inspection report from the mechanical and Transport Department of the Ministry of Transport and Infrastructure which could have shown the defects in the vehicles, the Engineers estimate of the repairs and whether the defects were all addressed after repairs.
- iii. There is no evidence of competitive bidding as no quotations were floated to prequalified suppliers to undertake the repairs or supply parts.

Recommendations

- i. Cash procurements should be limited to the allowed maximum.
- ii. There should be a pre and post inspection report from the Mechanical Department detailing the repairs to be done and the estimated costs.
- iii. The vehicle should be re-inspected and if there is any impropriety on the part of the officer, the amount should be recovered.

3.13 Payment to Council of Governors

Examination of payment vouchers has revealed that payments totalling to Ksh.7, 500,890 were made as contribution to the Council of Governors. The Council of Governors was created under the Inter-Governmental Relations Act, 2012 Section 19. However, its expenditure is provided for in the annual estimates of the Revenue and Expenditure of the National Government as per Section 37. Consequently, the propriety of the Fund's transfer to the Council of Governor could not be determined.

Recommendation

The County Government should liaise with the National Government for a refund or recoveries be instituted from the authorized officers.

3.14 Refurbishment of IFAD Hall and Offices

The County management without competitive procurement process entered into contract agreement which M/S Simwata Enterprises Limited vide unreferenced and undated letter for the repairs of IFAD hall and offices at a sum of Kshs.3,933,560.00.

Although the work had been completed due process was not followed because the contract was not valid. It was not possible to confirm whether the County got value for money in the transaction.

Recommendation

In future the County should adhere to the Public Procurement and Disposal Act, 2005 and Regulations 2006.

3.15 Procurement of Legal Services

- i. The County Government lawyer M/s S.O. Madialo & Co. Advocates was handling fifty three (53) legal cases at the time of the audit. The quantified subject matter and values of twenty nine (29) cases out of the fifty three (53) is Kshs. 75,870,812,707, the remaining twenty four (24) had not been quantified with subject matter and values.
- ii. As per the Advocates and Remuneration Schedule for 2012 matters (alone), the fees chargeable are calculated at 1.25% of the subject matter and value plus attendance charges. This therefore, means that the County Government is likely to pay the said company of advocates Kshs. 948,385,158 upon the determination and conclusion of the cases or as soon as the company of advocates would present an invoice and a fees note demanding for the payments which may be costly and expensive to the County Government.
- iii. Review of the status report on matters that were/are being undertaken on behalf of the defunct County Councils/County Government of Siaya by the above company of advocate indicate that some of the matters in dispute involved the defunct local authorities against each other. By virtue of the County Government inheriting the defunct Local Authorities, these cases, however take the nature of related party activities that should be handled in house.

Recommendations

- i. County Government Management should appoint a task force to scrutinize all the pending litigation claims from the defunct local authorities together with all the already paid bills. The task force should also advice on ways of monitoring legal claims to ensure that only those claims that are certified as payables are actually paid and which fees notes have already been paid by the defunct local authorities and by the County Government of Siaya.

Recommendation

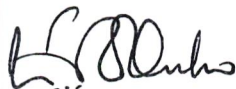
The County Government should ensure that resources are used in a way that is effective, efficient, transparent and economical as required by Section 149 (1) of the Public Finance Management Act, 2012.

4.3 Non-Disclosure of Other Revenue Items

Revenue collected from devolved functions i.e cost sharing revenue and Facility Improvement Fund (FIF) collected by County Hospitals and sale of vaccines by the Ministry of Agriculture are not reported and banked into the County Revenue Fund Account contrary to the Section 109(2) of Public Finance Management Act, 2012.

Recommendation

Revenue collected from devolved functions should be banked intact in the County Revenue Fund Account.



Edward R O Ouko, CBS
AUDITOR-GENERAL

Nairobi

25 May 2015

