

REPUBLIC OF KENYA



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# KENYA NATIONAL AUDIT OFFICE

## REPORT



### OF

### THE AUDITOR-GENERAL

### ON

### THE FINANCIAL OPERATIONS OF KITUI COUNTY EXECUTIVE

### FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014



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

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## **EXECUTIVE SUMMARY**

### **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 and Public Audit Act, 2003. Further, Section 107 of the Public Finance Management Act, 2012 requires the County Treasury to enforce fiscal responsibilities in management of County Government public finances.

### **Objectives**

The objective of the audit was to ascertain whether the systems formulated and applied by the Kitui County executive were reliable for the management of the County Government's finances in the delivery of services to the local residents. The terms of reference set for the audit included verification and confirmation of transactions in respect to but not limited to the following areas:

- ✓ Budgetary Control and performance
- ✓ Annual operations
- ✓ Procurement of goods, works and services
- ✓ Allowances including travelling and accommodation expenses-local and foreign trips
- ✓ Motor vehicle running expenses
- ✓ Consultancy services
- ✓ Loans and Grants
- ✓ Imprests and advances
- ✓ Revenue
- ✓ Cash and bank balances
- ✓ Human resource
- ✓ IT Environment
- ✓ Non-current assets
- ✓ Debtors
- ✓ Creditors
- ✓ Bursaries

## **Key Audit Findings**

### **1.0 Human Resources**

#### **1.1 Irregular Staff Recruitment Processes**

The recruitment procedures were not followed in some of the appointments made by the Kitui County Public Service Board.

Officers in the positions listed below were appointed without applying, being shortlisted and interviewed as required;

- Chief Officer – in charge of Trade, Industry and Cooperatives
- Deputy Director – Trade Industry and Cooperatives
- Deputy Chief Finance Officer

#### **1.2 Irregular overpaid Salary and unrecovered Salary Advances**

The County Government paid higher monthly salaries amounting to Kshs.734,297 to seven (7) officers contrary to the remuneration set by Salaries and Remuneration Commission (SRC) through Circular Ref No SRC/TS/CGOVT/3/16 of 29 July 2013. In further, fifty six (56) members of the County Assembly were given salary advances totaling Kshs.2,520,000 recoverable as from the month of February 2014. However, no recoveries had been made by the time of the audit.

#### **1.3 Terms and Conditions of Service for Staff**

The County Government of Kitui received 241 new staff in various positions during the year under review. However, the Kitui County Public Service Board (CPSB) had not developed and approved the harmonized county government staff establishment, scheme of service, harmonized terms and conditions of service to ensure uniform administration of the human resources of the county government employees.

### **2.0 Cash and Bank Balances**

#### **2.1 Maintenance of Cash Books**

Postings to the cash book for the Development Account No. 1000170638 was not done consistently. The entries of the expenditures incurred were not serially posted by use of dates when recording payment vouchers or cheque. Bank reconciliations were not done for this account.

### **3.0 Accountable Documents**

The County Government of Kitui obtained 2 No LPO and 1No. LSO Books from Kitui Central Government District Treasury on 7 May 2013 for use in their operations.

It is apparent some extra LPO/LSO books were used but no known origin was not disclosed or revealed anywhere. In addition, it is not quite clear why several books were in use simultaneously.

### **4.0 Non- current Assets**

#### **4.1 Non-compliance to Guidelines on Acquisition of Motor Vehicles**

The County Government of Kitui procured motor vehicles for its senior officers without adherence to the circular Ref: SRC/TS/CGOVT/3/61 of 20 August 2013 given by SRC since the vehicles exceeded the approved engine capacities of 1,800 cc.

#### **4.2 Procurement of Motor Vehicles**

The supplies branch of the Ministry of Lands, Housing and Urban Development had issued a Circular ref. SB/P/4/5/VOLXXIII/131 of 30 December 2013 advising all government ministries/departments and all public institutions who would wish to procure motor vehicles "as and when required" to use government negotiated running contracts with suppliers identified in the circular. Where such contracts are not applicable, the preferred method of procurement is open tender. During the period under review, the County Government of Kitui procured three (Mitsubishi) Tipper trucks at a cost of Kshs.27,840,000 from a supplier who was not in the list of negotiated running contracts.

### **5.0 Revenue**

#### **5.1 Defunct Local Authorities' Bank Accounts**

- The County Government Revenue Collection Account No. 1140752855 became operational on 2 May 2013. Revenue collected by former local authorities was to be banked intact into this account. Any available bank balances too, from the former local authorities were to be transferred into the common revenue account.
- However, during the period under review, the County Government continued to collect revenue and bank in the former local authorities' bank accounts alongside the revenue collection account contrary to financial guidelines issued by National Treasury and the cut-off of 2 May 2013.

- Further, revenue totaling Kshs.7,158,322 was collected and banked in the defunct local authorities' accounts. It is not clear who were the signatories to these accounts.
- In addition, verified credit balances in various bank accounts of the defunct local authorities amounting to Kshs.5,762,455.56 were also withdrawn through cheques which were not accounted for. There was also under banking of Kshs.12,191,016 for revenue collected between May 2013 and April 2014.
- As at the time of audit, revenue amounting to Kshs.21,697,669 held in the LATF bank account of the defunct county council of Kitui had not been transferred to the County Government Revenue Account.

## **5.2 Non-Banking of the Devolved Revenue**

The eleven (11) district hospitals in Kitui County collected cost sharing revenue in the year under review. However, this revenue was not banked into the county government revenue collection account but continued to be banked into the various individual hospitals cost sharing bank accounts. Further, the revenue collected was not banked intact but was spent at source against the existing Government Financial Regulations and Procedures.

## **5.3 Unreleased Exchequers**

The County Allocation of Revenue Bill 2013 allocated Kitui County an amount of Kshs.5,315,309,833 in the financial year 2013/2014. However, the National Treasury released Kshs.4,825,624,355, thus Kshs.489,685,478 was unreleased as at 30 June 2014.

## **6.0 Expenditure**

### **6.1 Fuel Accountability**

The bulk fuel register, work tickets, detail orders and the suppliers' delivery notes were not updated at the time of audit.

These documents/records are vital since in their absence the propriety of fuel expenditure cannot be confirmed as a proper charge on public funds.

### **6.2 Imprests**

Various temporary imprests were issued for procurement of goods and services contrary to Government Financial Regulations and Procedures. Further, there was multiple issuance of imprest. In addition imprests were not surrendered or accounted for within 48

hours after the officers' return to their duty stations contrary to the Treasury Circular No. 14/2013 of 19 November 2013.

### **6.3 Reimbursement of Salaries for Devolved Units of Staff**

The County Government of Kitui reimbursed the national government a total of Kshs.511,089,270 being salaries paid to the staff performing devolved functions on behalf of the county government for the period between July 2013 and December 2013. However, there were no monthly payrolls for the devolved staff to confirm the accuracy and authenticity of the amount reimbursed. Further, there were no detailed staff schedules showing the monthly salary breakdown per ministry

### **6.4 Non Compliance to Procurement Regulations**

#### **6.4.1 Unverified Expenditure**

The Transition Authority disbursed Kshs.61,592,200 through AIE A685063 to Kitui County Government for County Infrastructure development in the financial year 2012/2013. It was revealed during audit that expenditures amounting to Kshs.50,361,988 had been incurred on various activities undertaken during the year.

However, expenditures amounting to Kshs.28,262,857 were not supported by relevant documents such as adverts, tender minutes and completion certificates.

In absence of these documents, these expenditures could not be confirmed as a proper charge on public funds.

#### **6.4.2 Irregular Procurement Procedures**

During the period under review, the County Government of Kitui procured various items amounting to Kshs.12,387,950 using the call for quotation method contrary to section 88 of the Public Procurement and Disposal Act, 2005 and related 2006 Regulations which sets a maximum threshold of Kshs.1,000,000 for goods for use of request for quotation for class "A" procuring entities such as County Governments.

Further, the County Government of Kitui procured goods amounting to Kshs.6,337,300 on diverse dates through single sourcing which is contrary to the provisions of the Public Procurement and Disposals Act, 2005 and its related Regulations, 2006.

There was no evidence to show that competitive bidding was done. Hence, the county government did not get competitive prices and value for money from these transactions.

### **7.0 Unsupported Expenditures - Seminars and Workshops**

An amount of Kshs.1,577,500 was incurred to cater for catering services offered by Kenya Forest Research Institute on diverse dates between 20 March 2014 and 28 March 2014

during the Governor's meetings with various groups. The expenditure was not supported by local purchasing orders, invitation letters and schedules of attendance registers. Further, the County Secretary in disregard of Government Financial Regulations authorized the settlement of these Invoices through an Internal Memo Ref: G/KTI/INTERN.MEMO./231 dated 8 April 2014.

## **8.0 Budgetary control and Performance**

The cumulative budget for the financial year 2013/3014 was Kshs.6,548,246,241 comprising of total cumulative recurrent expenditure vote of Kshs.3,716,105,952 and development vote of Kshs.2,832,140,289.

The actual cumulative expenditure was Kshs.3,528,046,674 composed of Kshs.3,021,765,217 (86%) recurrent expenditure and Kshs.506,281,457 (14%) development. The County Government therefore, did not meet the basic allocation of 30% for development.

## **9.0 Unsupported Creditors**

The county Government availed a list of creditors amounting to Kshs.528,995,466. The list comprises of suppliers of goods and services amounting to Kshs.110,327,247, construction and civil works creditors totaling to Kshs.420,668,219.

However, the county government did not maintain a creditor's ledger to track and monitor the movement of individual creditor's accounts. Creditor's statements, Invoices, demand notes were not made available for audit verification to confirm the accuracy of the disclosed figure of creditors of Kshs.528, 995,466.

## **10.0 Internal Audit**

The county Government of Kitui has not constituted the Internal Audit Committee as required under the PFM Act, 2012. It has an internal audit department in place, comprising of two qualified staff and one clerk. However, no documentary evidence was adduced to show that they have been inducted or have undergone formal extensive training in internal audit work. The staff is inadequate as compared to the workload at the county.

The reports of this department are mainly memos to the management as opposed to their reports being deliberated and enforced by an audit committee.



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

**Nairobi**

**28 May 2015**

# **DETAILED AUDIT REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF KITUI COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014**

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## **1.0 Human Resources Management**

### **1.1 Irregular Staff Recruitment Processes**

#### **1.1.1 Deputy County Secretary**

The County Public Service Board of Kitui County placed an advertisement in one of the local dailies on 9 November 2013 inviting applications for the post of Deputy County Secretary and outlined the desired requirements. The requirements for appointment to this post were essentially similar to those of the County Secretary, a post that had been advertised and interviews conducted and concluded by early October 2013.

Three candidates who had been interviewed for the position of the County Secretary but were unsuccessful submitted their applications for consideration for the position of deputy county secretary.

However, the following was observed that;

- i. Only two candidates were allegedly shortlisted and eventually appointed to these positions. It is imperative to note that the three candidates had earlier been shortlisted and interviewed for the position of the County Secretary, a higher appointment, hence qualified for short listing.
- ii. One of the applicants only submitted a one page application letter yet it was a requirement that the relevant documents or copies be attached. Despite this, he was shortlisted and eventually appointed in that position. It is not clear why the candidate did not submit documents as required.

Further, it was not clear whether; these appointments were vetted and approved by the County Assembly as required.

#### **Recommendation**

- The County Government should ensure that the hiring process is fair, legal and procedural to avoid legal tussles in future.

#### **1.1.2 Other Appointments**

The Public Service Board (PSB) of the County of Kitui invited applications in the local dailies of Friday 9 August 2013 for various positions that were to be filled according to the staff requirement levels of the County Government. Audit review of the recruitment process revealed the following anomalies and/or inadequacies:

### **(a) County Chief Officers**

Three applicants were shortlisted for the post of Chief Officer – Trade, Industry and Cooperatives and were invited for interviews on 7 October 2013.

However, the County Public Service Board in its meeting of 16 October 2013 through minute No. 4/10/2013 resolved to re-advertise this position since it, purportedly, attracted unsuitable candidates.

Further, in unclear circumstances, the position was un-competitively filled without the position holder undergoing any interview with no suitability assessment ever done for this appointee.

### **(b) Deputy Directors**

Five (5) applicants were shortlisted for the post of Deputy Director- Trade, Industry and Cooperatives and were invited for interviews on 22 and 23 October 2014.

However, in unclear circumstances, the position was not competitively filled despite the position holder not being among the applicants for this position nor was he shortlisted. Application documents for the recruited officer were not made available for audit review.

### **(c) Deputy Chief Finance Officer**

Five applicants were shortlisted for the post of Deputy Chief Finance Officer and were invited for interviews on 25 October 2013.

However, in unclear circumstances, the position was filled despite the position holder not being among the shortlisted candidates. The position holder had shown interest in the position of Chief Finance Officer and not this post.

## **Recommendation**

The recruitment process should be fair and on merit so that equal chances are given to all people who demonstrate interest to serve in the County Government of Kitui.

## **1.2 Overpaid Salaries – Kshs.734,297**

The County Government paid higher monthly salaries amounting to Kshs.734,297 to seven (7) officers contrary to the remuneration set by Salaries and Remuneration Commission (SRC) through Circular Ref No SRC/TS/CGOVT/3/16 of 29 July 2013. In further, fifty six (56) members of the County Assembly were given salary advances totaling Kshs.2,520,000 recoverable as from the month of February 2014. However, no recoveries had been made by the time of the audit **Appendix I.**

## **1.3 Schemes of Service and Terms and Conditions of service for staff**

The Kitui County Public Service Board (CPSB) had not developed and approval a harmonized county government scheme of service, harmonized terms and conditions of

service to ensure uniform administration of the human resources of the county government.

No evidence was adduced for audit review to confirm that Kitui CPSB has done a comprehensive job evaluation for the county.

Disharmony was identified in the payroll where some staffs are paid hardship allowances while others in the same job group and working in the same station are not paid.

### **Recommendation**

The County Government should develop and implement a scheme of service and terms of service for the County employees and recover over paid salaries.

## **2.0 Cash and Bank Balances**

### **2.1 Maintenance of cashbooks**

The cash book at the County Treasury for the Development Account No. 1000170638 held at the Central Bank of Kenya was not consistent in recording and payments serially. The entries of the expenditures were not serially posted as per the dates when transaction took place. As such, no meaningful reconciliations could be performed.

### **Recommendation**

- The County Treasury should ensure that proper records are maintained for all transactions and there is segregation in the performance of tasks, in addition, regular reconciliations should be done for all bank accounts.
- The County Treasury should also maintain an up-to-date cash book for each account held by the county government.

## **3.0 Use of Accountable Documents**

The County Government of Kitui obtained 2No LPOs and 1No LSO Books from Kitui Central Government District Treasury on 7 May 2013 for use in their operations.

These books, among others were issued and used as shown in **Appendix II**.

It is apparent that some LPO/LSO books were in use though they were not recorded as issued. In one instance, LPO Booklet No. 1740551-600 issued from Kitui District Treasury on 7 May 2014 was neither availed for audit and/nor point of use disclosed. This booklet remains unaccounted for.

In addition, it is not clear why several receipt books were in use simultaneously.

### **Recommendation**

All accountable documents should be centrally stored and issued and only relevant departments control/ regulate their usage.

## **4.0 Non- current Assets**

### **4.1 Acquisition of Motor Vehicles**

- The County Government of Kitui procured motor vehicles for its senior officers, without adherence of the policy guidelines given by SRC. The vehicles exceeded the approved engine capacity of 1800cc.
- The management procured two (2) new Nissan Part finder from DT Dobie at a unit price of Kshs.6,835,265 (Kshs.13,670,530 for the two). They also purchased a Land Cruiser Prado from Toyota Kenya at Kshs.8,595,600. They did not use the negotiated running Government contract with the suppliers, but instead used their own negotiated price. It was not clear how the price was arrived at since there were no competitive biddings.
- Further, a list of allocation of motor vehicles to the executive officers and other staff or departments was not made available for audit review.

### **Recommendation**

The County Government should comply with lawfully issued guidelines so as to ensure efficient and effective use of resources at the county for the benefit of residents in line with the Constitution of Kenya.

### **4.2 Irregular Procurement of Motor Vehicles**

The supplies branch of the Ministry of Lands, Housing and Urban Development had issued a circular Ref. SB/P/4/5/Vol XXIII/131 of 30 December 2013 advising all Government Ministries/Departments and all Public institutions who wish to procure motor vehicles "as and when required" to use Government negotiated running contracts with the suppliers identified in the Circular. Where such contracts are not applicable, the preferred method of procurement is open tender.

During the year under review, the County Government of Kitui procured three Mitsubishi trucks at a cost of Kshs.27,840,000 from a supplier who had no negotiated running contract with the supplies branch. They used direct method of procurement contrary to the Public Procurement and Disposal Act 2005.

The County Government had purported that they used the negotiated running contract. Further, the requisition note for the three vehicles was not signed by designated officers contrary to the Tender committee resolutions ref. CGOKITUI/2012-13 of 12 September 2013 where it was agreed that each department would decide on the type of vehicle to requisition for procurement depending on its need.

Also, since there was no competitive bidding for this transaction, the County Government was in contravention of the Public Procurement and Disposal Act, 2005. Hence no value for money was realized for this transaction.

## Recommendation

- Public funds should be used prudently and existing laws and regulations should be adhered to in all procurement processes and payments.

### 5.0 Revenue

#### 5.1 Irregular Use of Revenue

The County Government Revenue Collection Account No. 1140752855 became operational on 2 May 2013. Any revenue collected by former local authorities was to be banked intact into this account. Any available bank balances from the former local authorities were to be transferred into this common revenue account.

However, as at 30 April 2014, revenue continued to be banked in former local authorities' bank accounts alongside the County Government Revenue Collection account. Revenue totaling Kshs.7,158,322 collected and banked in the bank accounts of the defunct local authorities in Kitui County in May 2013 was withdrawn and the expenditure has not been accounted for. In addition, verified credit balances in various bank accounts of the defunct local authorities amounting to Kshs.5,762,456 were also withdrawn through cheques and not accounted for.

##### 5.1.1 Former County Council of Kitui

According to the records availed for audit review, the revenue banked into the LATF bank accounts number 0351896000 in National Bank of Kenya totaling to Kshs.5,782,635 was not transferred into the county government revenue collection account but was withdrawn from the bank accounts through cheques as follows:

<b>Date</b>	<b>cash cheque no.</b>	<b>Amount Kshs</b>
14-5-2013	008657	600,000
17-5-2013	CC. 21298	750,000
27-5-2013	009033	500,000
27-5-2013	009034	550,000
27-5-2013	00932	450,000
28-5-2013	00931	600,000
38-5-2013	00009	500,000
28-5-2013	009035	600,000
28-5-2013	009037	<u>510,000</u>

<b>TOTAL</b>		<b>5,060,000</b>
Balance		
1-11-2013	kT./000692	<u>722,635</u>
<b>TOTAL</b>		<b><u>5,782,635</u></b>

Revenue totaling to Kshs.5,060,000 as shown above withdrawn from this account has not so far been accounted for by the former chief officers of the department local authority who were signatories to this account.

Revenue totaling to Kshs.597,477 banked between 2 May 2013 and 15 May 2013 to GRF account number 2151895900 in National Bank of Kenya together with the unspent credit balance in that account as at 2 May 2013 of Kshs.1,213,776.37 was not transferred into the county government revenue collection account but was withdrawn by way of cheques whose expenditure has not been accounted for.

Thus, total revenue of Kshs.6,871,253.37 collected by the former County Council of Kitui may have been misappropriated.

Further, at the time of audit an amount of Kshs.21,697,670 in the LATF bank account in Co-operative Bank had not been transferred into the county government revenue account but remained in the defunct County Council of Kitui bank account number 01141301351200. No reason was given as to why these funds have not been transferred as required and this bank account closed.

### **Recommendations**

- The management should follow the Government guidelines on revenue collection and banking for proper control of the cash resources available at the County.
- All bank accounts of the defunct local authorities should be closed and any balance transferred to the County Revenue Collection account.
- All revenue being collected now must be banked at the County Revenue Collections Account and not to any other account.
- All amounts withdrawn or unbanked should be recovered appropriately.

#### **5.1.2 Former County Council of Mwingi**

The following was observed as summarized in the table here below:

Account no.	Bank	Revenues collected and banked amount Kshs	Comment
0590293112570	Equity bank - salaries account-	284,714	May 2013 bank statements not made available  (from 1 May 2013 to 30 May 2013)
0590293112626	Equity-bank-account-	GRF 325,430	May 2013 bank statements not made available  (from 1 May 2013 to 30 May 2013)
0590293883683	Equity-bank-LATF account	<u>23,186</u>	„
<b>TOTAL</b>		<b><u>633,330</u></b>	

- No documentary evidence was made available for audit review to show how the revenues banked in the former County Council of Mwingi bank account number 0590293112570 held at Equity of Kshs.284,714 was accounted for. Bank statements for the month of May 2013 were not made available for audit review.
- It is worth noting that the bank statement as at 12 June 2013 for this account had a credit balance of Kshs.3,324,635 which was withdrawn in form of cheques for undisclosed payments.
- Revenue totaling to Kshs.325,430 banked in account No. 0590293112626 held at Equity Bank GRF account together with the credit balances in this account as at 3 May 2013 have not been accounted for.
- As at 2 June 2013, this account had a credit balance of Kshs.1,224,043 which was withdrawn by way of cheques for undisclosed purposes.

### Recommendations

- All the bank balance and revenues withdrawn and not accounted for should be recovered from the relevant officers.
- All recovered cash and bank balances should be banked in the county revenue collection account and used appropriately for the benefit of the county residents

#### 5.1.3 Former Town Council of Mwingi

BANK ACCOUNT NO.	BANK	AMOUNT (KSH)	COMMENT
1103061577	KCB	307,420	bank statements not made available
1103063510	KCB	<u>271,825</u>	Bank statements not made available
<b>TOTAL</b>		<b><u>579,245</u></b>	

The former Town Council of Mwingi deposited revenue in bank accounts numbers 1103061577 and 1103063510 both held in Kenya Commercial Bank of Kshs.307,420 and Kshs.271,825 respectively between 2 May 2013 and 30 May 2013. The revenue together with the credit balances as at 2 May 2013 were not transferred into the county government revenue collection account but was withdrawn and spent.

No evidence has been given to show how these funds were spent and/or accounted for together with the credit balances in these accounts between 1 May and 30 June 2013.

### Recommendations

- All the bank balances should be recovered appropriately and utilized for the benefit of county residents.

#### 5.1.4 Former Municipal Council of Kitui

BANK ACCOUNT NO.	BANK	AMOUNT KSH	COMMENT
0720292590275	Equity –GRF	288,270	Bank statements not made available

The Defunct Municipal Council of Kitui banked revenue totaling to Kshs.288,270 in its GRF account number 0720292590275 held at Equity bank in the period 2 May 2013 to 31 July 2013. There was no documentary evidence to show how these funds together with the credit balance in that account as at 2 May 2013 were spent and/or accounted for. Further, there were no records maintained at the strong room for the accountable documents. The Counter Receipt Book (CRB) register maintained was not updated to show all the details of documents received, issued out and the remaining balance in the strong room. Delivery notes numbers and dates were not indicated in the CRB registers.

### Recommendations

- The County Government should account for the revenue of Kshs.228,270 in GRF Account together with all credit balance accounts.
- The revenue collection receipt balances should be appropriately accounted for through the Counter Receipt Book Register.
- Unaccounted for funds should be recovered from the responsible officers.

### 5.1.5 Under and Over Banking Revenue

A summary of all the revenue collection as per the LAIFOMS reports for the former local authorities shows that the former local authorities did not bank collected revenue intact in the period under audit review.

	<b>Name of former Local Authority</b>	<b>Revenue collected during the period 1 May 2013 to 30 April 2014</b>	<b>Revenue banked in the same period</b>	<b>Deficit-under banking</b>	<b>Surplus-overbanking</b>
1	County Council of Kitui	102,049,982.00	102,582,808.00	0	532,827
2	Town Council of Mwingi	38,249,357.00	38,350,787.00	0	101,430
3	County Council of Mwingi	34,611,042.00	32,972,900.00	1,638,142.00	
4	Municipal Council of Kitui	<u>69,561,508.00</u>	<u>58,374,378.00</u>	<u>11,187,130.00</u>	

<b>Totals</b>	<b><u>244,471,889.00</u></b>	<b><u>232,280,873.00</u></b>	<b><u>12,191,016.00</u></b>	<b><u>634,257.00</u></b>
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From the summary above, there was an overall under banking of Kshs.12,191,016 derived from the overall revenue collections compared to the overall revenue banking as per the LAIFOM revenue collection and banking reports.

## **Recommendations**

- All the revenue withdrawn and unaccounted for should be accounted for and refunded.
- There should be proper maintenance of CRB registers at the strong room and by the revenue officers which should be checked regularly by senior officers to ensure proper issuance of the revenue receipt books and accounting for revenue collected.
- The revenue under banking of Kshs.12,191,016 should be explained and /or accounted for.
- Take appropriate measures to ensure that all collectable revenue is collected by the revenue centers and banked intact into the county government revenue account.
- Ensure that revenue sources from all the devolved functions are identified and collected using the county government revenue receipts and banked intact into the county government revenue account.

## **5.2 Non-Banking of the Devolved Revenue**

The eleven (11) district hospitals in Kitui County collected cost sharing revenue in the year under review. However, this revenue was not banked into the county government revenue collection account but continued to be banked into the various individual hospitals cost sharing bank accounts.

Though the cost sharing bank accounts were closed in the month of July 2014, there was no evidence made available to show that the funds held in those bank accounts were transferred to the County Government Revenue Collection account.

Contrary to the requirements, the district hospitals opened other cost sharing revenue collection accounts and hospital operational accounts in Cooperative Bank of Kenya. Revenue collected was banked in these collection accounts and later transferred to the hospital operation accounts and spent.

It was also observed that revenue collected was not banked intact but was spent at source.

The cost sharing revenue was not taken on charge by the County Government of Kitui and was not reported in the 2013/2014 financial statements. The expenditure was incurred outside the approved budgetary allocation.

Further, no documentary evidence in form of schedules were provided for audit purposes to confirm the revenues collected by the devolved county departments.

## **Recommendations**

- The County Government needs to comply with the law by putting in place measures to ensure that all county revenue collected is recorded and banked into the county government revenue collection account.
- The cost sharing revenue should be taken on charge and accounted for as part of the County Revenue.
- Expenditure of such the cost sharing revenue should conform to provisions of the applicable laws.
- Unaccounted for funds should be recovered from the responsible officers.

### **5.3 Unreleased Exchequers**

The County Allocation of Revenue Bill 2013 allocated Kitui County an amount of Kshs.5,315,309,833 in the financial year 2013/2014. However, the National Treasury released Kshs.4,825,624,355 (90%) thus Kshs.489,685,478 (9%) was unreleased as at 30 June 2014.

Out of the unreleased funds, an amount of Kshs.478,377,884 was released in two tranches on 3 and 9 July 2014 of Kshs.264,043,684 and Kshs.214,334,200 respectively leaving a balance of Kshs.11,307,634 as un-released funds by the National Treasury. It was explained that the difference was to cater for salary disbursements for devolved staff. However, the total salary disbursements for the devolved staff had been made in full by the county government as per the salary disbursement schedules.

No records were made available to support the unreleased funds of Kshs.11,307,634.00.

## **Recommendations**

- The county government to seek an explanation from the National Treasury why the funds were not released and submit the same for audit consideration.
- Seek a refund from the Ministry of Devolution of Kshs.11,307,634 that was allegedly deducted from the exchequer releases to cater for salary disbursements which had already been paid in full to ensure service delivery to the city residents.

### **6.0 Expenditure**

#### **6.1 Fuel Accountability**

The Bulk Fuel Register, work tickets, detail orders and the suppliers' delivery notes were not updated at the time of audit. These documents/records are vital since in their absence the propriety of fuel expenditure cannot be confirmed as a proper charge on public funds.

## Recommendations

- Detail orders be used to draw fuel on approval of the Transport officer or authorized officer.
- Work tickets are issued by the transport department on completion and surrender of the earlier one or on end month. The same should be properly filed in the individual vehicles file.
- Only one work ticket to be issued to any single vehicle at any given time.
- On a monthly basis, each vehicle's performance should be analyzed on fuel drawn against mileage covered and any deviations be rectified/ corrected.
- Reconciliations of the suppliers' statements should be done regularly.
- Any unexplained consumption costs should be recovered appropriately.

## 6.2 Imprests

The Government Financial Regulations and Procedures and the Treasury Circular No. 14/2013 of 19 November 2013 have provided guidelines on imprest management. They stipulate that temporary imprest should not be used to procure goods and services and that imprest should be surrendered within 48 hours upon return to the duty station. During the period under review, the following was observed with regard to imprests.

### 6.2.1 Irregularly Issued Imprests on ABT Training – Kshs.2,277,800

Temporary imprests totaling Kshs.2,277,800 were issued to 4 officers in the Housing Department to train on use of Appropriate Building Technology (ABT) in four zones.

The proposed budget for the training was Kshs.2,277,800 meant to cater for stationery, material and tools all amounting to Kshs.1,265,800 and travel allowances of Kshs.1,012,000 for the trainers and trainees. Each officer was issued with the imprest amounting to Kshs.569,450 and was expected to purchase in cash training materials worth Kshs.316,450. Thus, a total amount of Kshs.1,265,800 was to be used to purchase training materials in cash contrary to the provisions of the Public Procurement Regulations 2006, that limit low value cash procurement.

The budgeted sixteen (16) manual brick making machines at a cost of Kshs.8,400,000 had not been purchased to be used in training. It is not clear how these trainings were being done in the absence of these training tools.

By the time of the audit, the imprest had not been surrendered.

## Recommendations

- The training should be done within the provisions of the law.
- Training materials should be procured through the normal procurement processes.

- All training materials should be ready first before the trainings take place.
- Training imprest should be surrendered on time as per the regulations.
- The amount of Kshs.2,777,800 for the training should be accounted or recovered from the responsible officers.

### **6.2.2 Irregular Procurement of ECDE Training Materials**

An officer was issued with two imprest of Kshs.3863,280 and Kshs.1,252,000 on December 2013 to procure ECDE training materials.

The following anomalies were observed:-

- Procurement procedures of training materials costing Kshs.220,889 and laptops, printer, camera and external hard disk costing Kshs.109,900 were all on cash basis. This was in total disregard of the procurement procedures as laid out in Section 90 of the Public Procurement and Disposal Act, 2005 on low value procurements and the second schedule of the Public Procurement and Disposal Regulations, 2006 that caps cash purchases for low value goods at Kshs.30,000.
- It was difficult to determine how the trainers/facilitators were identified and the authority relied upon to pay the facilitators allowances. No evidence was adduced that the trainers were sourced competitively.
- The assets (laptops, printer, camera, external hard disk, footballs, textbooks, calculators, dictionaries, blackboard rulers etc) were not taken on charge and recorded in the County Government's assets registers.
- No evidence to show that the procured items were received and recorded in the stores ledgers and then issued out to the users.
- It was not clear as to whether the stated items were retained by the County Government after the training for future use or taken by the trainees.

### **Recommendations**

- Trainings should be organized in such a way that they benefit the intended trainees within the provisions of the law.
- Assets acquired during the trainings from the Government funds should be accounted for.
- Any payments without value for money being received should be recovered appropriately from responsible officers.

### **6.2.3 Irregular Issue of Imprest to Cater for Medical Expenses**

An imprest of Kshs.200,000 was issued through warrant no. 1830465 to an officer on 5 March 2014 for medical care. This imprest was issued on approval/strength of an internal memo from the County Secretary Ref CG/KTI/Internal Memo. /120 of 26 February 2014 to the Chief Officer- Finance.

However, this was irregular as the officer was covered by a medical scheme that had been procured by the County Government and was running at that time.

#### **Recommendation**

They should be recovered from the officer concerned as it amounts to double benefit.

### **6.2.4 Imprest to Facilitate Mashujaa Day Celebration**

Letter reference CON/TA/KTI/011/vol.1 (115) of October 2013 was written by the County Transition Coordinator to the Principal Officer-Finance to fund a budget of Kshs.1,090,950 to facilitate Mashujaa Day celebrations. This was approved and a cheque No. 000936 was written on 17 October 2013.

The imprest was surrendered vide unnumbered voucher on 6 November 2013 as summarized in **Appendix IV** attached.

However, it was observed that:

- Procurement procedures were flawed. Services were acquired/rendered without adhering to governing regulations.
- Payment schedules were fraudulently altered so that original figures signed for were changed.
- Payments were made for non-existent or unsupported services.
- Goods were obtained from suppliers whose line of business does not match the goods/products delivered.
- Public funds were not used effectively and economically.

#### **Recommendation**

- Services should be sourced out to professional people to ensure effective service delivery.
- All purchases of goods/services unsupported should be recovered appropriately.

## 6.2.5 Unaccounted for Imprests

Temporary imprest of Kshs.625,000 was issued on 31 March 2014 through warrant 1958919 to an officer to pay accommodation allowance to ten (10) executive members who were attending the 1<sup>st</sup> anniversary Devolution Conference in Mombasa. The allowances were for five (5) night-outs to each of the officers.

The following observations were made:

- a) No explanation was offered why these allowances were not paid directly to the individual officers.
- b) No surrender had been done as at the time of the audit after money was paid and the conference concluded.
- c) No invitation letter (s) to the conference for these members was attached to the budget and the warrant.

Further; two imprests amounting to Kshs.2,600,000 as tabulated hereunder were issued from the office of the governors' vote during the year. However, no documents in form of imprest warrants or surrender documents or payment vouchers were made available for audit scrutiny. This is despite numerous requests.

Date	GPay /Cheque No	PV No	Amount	Account code	Account Name	Vote
			1,960,000	2210805	National Celebrations	Office of the Governor
30/12/13	1244	2775	640,000	3111007		"
		<b>Total</b>	<b><u>2,600,000</u></b>			

Consequently, it was not possible to confirm this charge on public funds.

### Recommendation

Recover all the amounts not supported/surrendered from the responsible officers.

### 6.2.6 Irregular Imprest to Attend a Funeral- Kshs.1,013,220

An application for imprest was made on 17 April 2014 by the County Secretary for Kshs.1,013,000 to attend and contribute towards the funeral of a Catholic Bishop in Mombasa on 22 April 2014. The proposed budget was as follows:

No.	Item	Amount (Kshs.)
1.	Hire of ten (10) buses	500,000
2.	Fuel for ten (10) undisclosed motor vehicles	240,000
3.	Additional fuel for other motor vehicles	50,000
4.	Lunches for fourteen (14) drivers and eight (8) officers	22,500
5.	Per diem for the drivers and other officers	177,000
6.	Other incidental/miscellaneous expenses	<u>23,500</u>
	<b>TOTAL</b>	<b><u>1,013,000</u></b>

Consequently, an imprest of Kshs.1,013,000 was issued through warrant no 1958706 on 17 April 2014 through cheques no 001586 to the applicant.

On surrender, the following were supported to account for the imprest issued;

Document	Amount (Kshs)	Remarks
Payment Schedule	750	paid to a journalist with Wikwatyo FM radio Station For covering a county function at Kanyangi on 27 April 2014.
Payment Schedule	31,500	allowances for six (6) drivers and on (1) security officer during a Governors meeting and Nairobi professional on 28 April 2014.
Payment Schedule county	98,500	accommodation allowances for eleven (11) officers and one reporter/journalist while in Mombasa on 22 April 2014 during the occasion of the funeral.
Payment schedule	250,000	acknowledgement of receipt of said money by a Catholic priest as contribution from the County Government to defray funeral expenses.
Receipt no. 001297	5,000	payment of diesel/fuel for KSBU 910U on 21 April 2014 in Bombolulu.
Receipt no. 05454	5,049	payment of meals on 28 April 2014 in a Nairobi hotel
Receipt no. 05454	19,225	payment to other meals on 28 April 2014 in a Nairobi Hotel.
Receipt 2043 & 2017	10,100	payment of meals both of 29 April 2014
Receipts 4211186 and	220	Parking fees

4221488 on 21/4/2014  
and 22/4/2014  
respectively

Receipt 765330	2,000	fuel in Changamwe for KBU 910U on 22/4/2014
Receipt 9862	5,000	fuel in voi for KKKBW 832V on 22/4/2014
Receipt	9,000	Purchase of 18 No padlocks
Official Receipt	126	balance receipt of unused balances
Bank deposits slip	<u>563,000</u>	cash deposited in the Kitui County standing imprest account on 25 April 2014.

**TOTAL** **1,013,220**

The following observations were made:

- The proposed budget which was relied upon on imprest application was not implemented. Expenditures were incurred which had not been envisaged. No reason was given for this state of affairs.
- The imprest applied was approved in all stages as set in the application by the applicant himself. There was need for approval to be done by a different person or least be endorsed.
- No reason has been offered as to why half of the imprest amount issued was returned. It is an indication that the budget was overstated.
- No justification has been offered on whether this expenditure is a proper charge on public funds.

### **Recommendation**

- This is a clear mis-use of public funds. Such expenditure should be avoided in future.
- Management should recover the imprests from the officers concerned.

### **6.2.7 Issue of Multiple Temporary imprests**

Several officers have been issued as indicated in **Appendix III** with additional imprest without accounting for or surrendering the previous ones. This is in breach of the Government Financial Regulations. A total of Kshs.223,000 had been issued under this abnormality.

The purpose for which the imprests were issued too is not in conformity to the existing regulations.

### **Recommendations**

- Imprest rules should be followed to safeguard the public funds.

- The responsible officers under **Appendix III** should surrender or account for the imprests.

### **6.2.8 Un-surrendered Imprests**

Imprests totaling Kshs.2,496,689 remained outstanding as at 30 June 2014. These imprests may have been issued to purchase goods or services which could have been procured through normal laid down procedures. All imprests should be surrendered on or before closure of the financial year.

Even though there was a letter ref CGoK/FEP/4/20/4/108 dated 6 August 2014 from the Chief Officer- Finance and Economic Planning instructing the Payroll manager to deduct from the defaulting officers salary, no payroll by-product of the recoveries was made available for verification.

In view of the foregoing, imprest management regulations were not adhered to.

### **Recommendations**

- The County Government should ensure compliance to provisions of the Government Financial Regulations and Procedures in regard to imprest issued and surrendered. Adhere to provisions of Public Procurement and Disposal Act, 2005 and its Regulations 2006.
- The procurement department to have an annual procurement plan with necessary input from the user departments.
- Recover outstanding imprests from the responsible officers.
- County Treasury to ensure proper management and control of and accounting for the finances of the county Government in order to promote the efficient and effective use of budgetary resources.

### **6.3 Reimbursement of Salaries for the Devolved Units of Staff**

The County Government of Kitui reimbursed the national government a total amount of Kshs.511,089,270 being salaries paid to the seconded officers in the county from the National Government Devolved units staff for the period between July 2013 and December 2013.

The above funds were refunded to the respective ministries through G-Pay payments. However, there were no monthly payrolls for the devolved staff to confirm the accuracy and authenticity of the amount reimbursed. Further, there were no detailed staff schedules showing the monthly salary breakdown per ministry

The payments made were based on a summarized schedule showing consolidated salary figures for each ministry in the six months. It was explained that the national government did not forward the monthly payrolls of the devolved staff for the six months which would ideally be the source document to base the disbursements on.

## Recommendation

- The county government should request for the payrolls of devolved staff from the National government for the six months that salaries were made on their behalf to confirm the disbursements made.

## 6.4 Non Compliance to Procurement Regulations

### 6.4.1 Unverified Expenditure

The National Treasury disbursed Kshs.61,592,200 for County Infrastructure Development in the financial year 2012/2013 through AIE No A685063 to the County Government of Kitui.

It was revealed during the audit that expenditures amounting to Kshs.50,361,988 had been incurred on various activities undertaken during the year.

However, expenditures amounting to Kshs.28,262,858 were not supported by relevant documents such as adverts, tender minutes, inspection certificates and completion certificates.

The propriety of these expenditures could not be confirmed as a proper charge on public funds.

## Recommendation

- Expenditure incurred by the County Government should be properly supported or reimbursed/recovered appropriately.

### 6.4.2 Irregular Procurement Procedures

During the period under review, the County Government procured the following items totaling Kshs.12,387,950 using the request for quotation method.

Date	Description of Transaction	Amount Kshs.
27/3/2014	stationery and equipment	3,411,250
27/3/2014	stationery and equipment	6,333,500
26/2/2014	sports equipment	<u>2,643,200</u>
	<b>TOTAL</b>	<b><u>12,387,950</u></b>

However, Section 88 of the Public Procurement and Disposal Act, 2005 and the first schedule of the public Procurement and Disposal Regulations, 2006 set the maximum level of expenditure under request for quotation method at Kshs.1,000,000 for class 'A' procuring entities.

Therefore, the County Government was in breach of the Public Procurement and Disposal Act, 2005 and related 2006 regulations.

Further, the following goods amounting to Kshs.6,337,300 were procured by the County Government of Kitui using direct procurement method which is contrary to the provisions of the Public Procurement and Disposal Act, 2005 and its related 2006 regulations.

<b>Date</b>	<b>Description of Item</b>	<b>Amount (Kshs.)</b>
12/11/2013	chairs and safes	965,000
12/11/2013	executive tables	822,500
12/11/2013	executive tables	967,000
12/11/2013	chairs	905,000
12/11/2013	photo copier	960,000
22/01/2014	receipt books	383,000
1/11/2013	receipt books	253,800
24/12/2013	installation of LAIFORMS servers	<u>1,081,000</u>
	<b>TOTAL</b>	<b><u>6,337,300.00</u></b>

There was no evidence to show that competitive bidding was done hence the County Government did not get competitive prices and the value for these transactions.

#### **Recommendation**

- The Management should always adhere to the Procurements and Procedures.
- The County Government should recover all amounts spent on procurements without value for money.

#### **6.4.3 Unaccounted Stores/Goods**

During the period under review, the County Executive procured 10 typist chairs and 2 large and 2 medium size safes all worth Kshs.965,000. Physical verification of the items revealed that out of the ten typist chairs received, 4 had broken down even before they could be issued out to the end users. The broken chairs were in the store.

This was a pointer to poor quality of the chairs delivered, despite the report of acceptance and inspection committee meeting held on 18 December 2013 indicating that the chairs were received in good condition. The cost of each typist chair was 16,500.

Further; the Executive paid for office stationeries, motor vehicle tyres and office equipment amounting to Kshs.4,256,500 during the period under review as shown hereunder.

<b>Date</b>	<b>Gpay No.</b>	<b>P.V No.</b>	<b>Payee</b>	<b>Amount</b>	<b>Particulars</b>
7/05/2014	1294	0834	Complete Auto Centre Ltd	328,500	Tyres
20/6/2014	2044	2159	Cyberbase Printers	2,480,000	Office stationery
30/6/2014	2379	2583	Datz Investments	576,000	Office equipment

**Total**

**4,256,500**

However, no requisitions by user departments, stores records in form of ledgers, S13s or S11s and/or inspection and acceptance committee minutes or certificates were maintained or made available to confirm these items were indeed delivered and issued to the users.

### **Recommendations**

- The County Executive should recover the cost of four chairs (Kshs.66,000) that were broken or get a replacement.
- The management should put in place stringent internal control system to prevent further flouting of procurement procedures by the County Government officials.
- The management to explain the use of irregular procurement methods that led to the County not getting value for money in the transactions.
- Recover all the cash for procurements with no value for money.

#### **6.4.4 Maintenance of Motor Vehicles**

During the year, the County Executive paid for motor vehicle repairs worth Kshs.945,322 (see table below) yet no records were maintained for these repairs and/or replacements. No job cards detailing these repairs were made available during audit.

<b>GPAY NO</b>	<b>PV NO</b>	<b>Invoice</b>	<b>Payee</b>	<b>Amount</b>	<b>Remarks</b>
<b>Date</b>	<b>Date</b>	<b>Date</b>			
1766	01872	70109602	Toyota Kenya Ltd	181,116	Service and repair KBQ 181D
8/6/2014	6/6/2014	4/6/2014			
1344	01281	3000383800	Toyota Kenya Ltd	248,519	Service
13/5/2014	13/5/2014	12/5/2014			KBU 654T
1878	01748		General Motors East Africa	196,399	Repair and service GKB 085A
11/6/2014	3/6/2014				
1815	01556	3000381755	Toyota Kenya Ltd	319,289	Repair & service GKA 466P
30/6/2014		5/05/2014			

**Total**

**945,322**

In the absence of such records, the propriety of this expenditure could not be confirmed.

## **7.0 Unsupported Expenditures- Seminars and Workshops**

An amount of Kshs.1,577,500 was incurred to cater for catering services offered by Kenya Forest Research Institute on diverse dates between 20 March 2014 and 28 March 2014 during the Governor's meeting with various groups. The payments were effected against invoices as tabulated in Appendix VII.

The County Secretary in disregard of Government Financial Regulations authorized the settlement of these Invoices through an Internal Memo Ref CG/KTI/INTERN. MEMO/231 of 8 April 2014.

## **Recommendations**

- The County Government should ensure that attendance registers are maintained for such meetings.
- Provide invitation letters and/or schedule of activities and timetable of these meetings.
- Maintain minutes of these meetings

## **8.0 Budgetary Control and Performance**

### **8.1 Budget performance**

The County Government of Kitui budget for the financial year ended 30 June 2014 was Kshs.6,548,246,241. This budget was to be financed by allocation from the National Treasury and revenue collected from local sources. Total cumulative recurrent expenditure vote was Kshs.3,716,105,952 and development vote was Kshs.2,832,140,289.

The actual cumulative expenditure was Kshs.3,528,046,674 comprising of Kshs.3,021,765,217 (86%) recurrent expenditure and Kshs.506,281,457 (14%) development expenditure.

At the close of the financial year, 30 June 2014, therefore, there were dismal undertakings on development activities being only 14% of the projected development budgetary allocation.

The county government budgeted to collect from local revenue of Kshs.448,000,000 but only managed to collect a total of Kshs.278,071,720 as at the end of the financial year, leaving a budget deficit of Kshs.169,928,280. This was 38% short of the targeted local revenue collection.

## **Recommendations**

- Management should always strive to achieve its budget estimated collections to be able to meet its budget expenditure.
- It must allocate more resources to development for job creation and future increase in revenue collections and utilize the approved and allocate amounts in delivery of services.

### **8.2 Un-utilized Funds**

The County Government of Kitui received exchequer releases of Kshs.4,825,624,355 during the financial year ended 30 June 2014 and collected local revenue totaling to Kshs.278,071,720 in the same period. The cumulative total revenue was therefore Kshs.5,103,696,075 against a total cumulative expenditure of Kshs.3,528,046,674 occasioning an unspent exchequer release of Kshs.1,575,649,401 in the financial year. Evidence availed for audit shows that the County Government of Kitui did not refund unspent amount of Kshs.49,697,670 to the county exchequer account on closure of that financial year.

## **Recommendations**

- The management should adhere to the provisions of the Public Finance Management Act, 2012 with regard to appropriation of money for the County Government.
- The County Government should use all the approved and released resources to deliver services to the County residents.

### **9.0 Unsupported Creditors Kshs.528,995,466**

The county Government availed a list of creditors amounting to Kshs528, 995,466. The list comprises of suppliers of goods and services creditors amounting to Kshs110, 327,247, construction and civil works creditors totaling to Kshs.420,668,219.

However, the county government did not maintain a creditor's ledger to track and monitor the movement of individual creditor's accounts in the financial year. Creditors statements, invoices, demand notes were not made available for audit verification to confirm the accuracy and completeness of the creditors balance of Kshs.528,995,466 as at 30 June 2014.

Further, without an-updated creditors ledger, it was not possible to establish the authenticity of the list of creditors availed for audit review. In addition, no other supporting documents such as invoices, LPOs, LSO, contracts, S13 forms and completion certificates were provided for audit review to ascertain that the credits were incurred procedurally.

## **Recommendations**

- The County Government should maintain a creditor's ledger that shows details of each creditor and movement of the creditors in the year to include such details but not limited to LPOs/LSOs numbers, Invoice numbers, cheque numbers, amounts and the cumulative balance at any time.
- All unsupported suppliers payments should be recovered appropriately.

### **10.0 In-effective Internal Audit**

The County Government has an internal audit department in place, comprising of two qualified staff and one clerk. However, no documentary evidence was adduced to show that they have been inducted or have undergone formal extensive training in internal audit work.

The department though having un-approved audit annual work plan, does not meet its obligations due to inadequate staffing.

The reports of this department are mainly memos to the management as opposed to their reports being deliberated and enforced by an audit committee which has not been constituted.

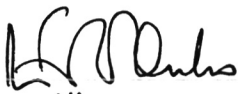
An internal audit charter has also not been developed.

## **Recommendations**

- Develop an internal audit charter.
- The audit department to have an operational annual work plan and be allocated adequate resources to be free from interference in performance of its mandate.
- Establish an audit committee for the county that will convene regularly, at least quarterly each year to discuss, enforce and implement the findings and recommendations of the internal audit department.

## **Conclusion**

I wish to thank the management of Kitui County Executive for their cooperation and assistance extended to the staff during the period of the audit assignment.



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

**Nairobi**

**28 May 2015**

## APPENDIX I

Month / Pay category	Salaries Kshs	Paid	SRC Recommended	Overpayment
County Secretary				
January 2014 – Gross pay	242,000		225,000.00	17,000
February 2014 – Gross pay	229,000		225,000.00	4,000
March 2014 – Basic	169,000		135,000.00	34,000
March 2014 – Commuter	24,000		20,000.00	4,000
April 2014- Basic	152,060		135,000.00	17,060
April 2014 – Commuter	24,000		20,000.00	4,000
May 2014 – Basic	152,060		135,000.00	17,060
May 2014 – Commuter	24,000		20,000.00	4,000
<b>Total overpayments</b>				<b>101,120</b>
C.O – Lands/ infrastructure				
March 2014 – Basic	194,244		120,270.00	73,974
April 2014 – Basic	144,928		120,270.00	24,658
May 2014 – Basic	144,928		120,270.00	24,658
<b>Total overpayments</b>				<b>123,290</b>
Assistant County Secretary - Administration				
April 2014 – Commuter	20,000		16,000.00	4,000.00
Owner occupier allowance April 2014	36,000		Not provided	36,000
May 2014 – Commuter	20,000		16,000	4,000
Owner occupier allowance May 2014	24,000		Not provided	24,000
<b>Total overpayments</b>				<b>68,000</b>
Director – Political Advisor				
March 2014 – Gross pay	200,270		165,089	35,181

April 2014 – Basic	144,228	109,089	35,139
April 2014 – Commuter	20,000	16,000	4,000
April 2014 – Owner occupier	16,000	Not provided	16,000
May 2014 – Basic	132,249	109,089	23,160
May 2014 – Commuter	20,000	16,000	4,000
May 2014 – owner occupier	24,000	Not provided	24,000
<b>Total overpayments</b>			<b>141,480</b>
Director – Bernard K. Mulatya			
March 2014 – Gross pay	200,270	165,089	35,181
April 2014 – Gross pay	212,270	165,089	47,160
May 2014 – Gross pay	144,228	109,089	35,139
May 2014 – commuter	20,000	16,000	4,000
May 2014 – owner occupancy	20,000	Not provided	20,000
<b>Total overpayments</b>			<b>141,480</b>
Deputy County secretary – Fredrick Martin Muli			
April 2014 – Gross pay	218,902	120,270	98,632
May 2014 – Gross pay	144,928	120,270	24,658
<b>Total overpayments</b>			<b>123,290</b>
Chief of Staff – Fredrick William Kiema			
April 2014 – Gross pay	224,228	200,270	23,958
May 2014 – Gross pay	212,249	200,270	11,979
<b>Sub – total overpayments</b>			<b><u>35,937</u></b>
<b>Grand total overpayment</b>			<b><u>734,297</u></b>

## APPENDIX II

### LPO Books

Serial Numbers	Start Date	Completion Date	Remarks
<b>LSOs</b>			
0789751-800	20/06/2013	02/10/2013	Book issued by District Treasury on 7/5/2013.
0933001-050	08/10/2013	21/01/2014	Book not known where it was obtained from. Not recorded in the CRB neither were S12s seen on collection of books from the Government Printer
0933101-150	31/01/2014	02/04/2014	"
0933401-450	24/01/2014	01/04/2014	"
0933151-200	11/03/2014	17/03/2014	"
0933051-100	01/04/2014	08/05/2014	"
0933101-150	09/05/2014	23/05/2014	"
<b>LPOs</b>			
1740501-050	04/05/2013	19/06/2013	Book issued by District Treasury on 7/5/2013
1740551-600	UNKNOWN	UNKNOWN	Book issued by District Treasury on 7/5/2013. <b>NB: However, period and point of use not disclosed. Book not seen during audit.</b>
0789751-800	23/05/2013	01/10/2013	Book not known where it was obtained from. Not recorded in the CRB neither were S12s seen on collection of books from the Government Printer
2088501-550	03/10/2013	24/01/2014	LPO Book seen
0933001-050	08/10/2013	21/01/2014	Book not known where it was obtained from. Not recorded in the CRB neither were S12s seen on collection of books from the Government Printer

2088551- 600	30/11/2013	22/01/2014	LPO Book seen
2088751- 800	31/01/2014	22/05/2014	LPO Book seen
2088651- 700	29/01/2014	13/04/2014	LPO Book seen

### Appendix III

#### Multiple Imprests issued to County Government of Kitui Officers

Holder	Warrant No	Amount	Remarks / Purpose
Gladys M. Kivoto C.O Trade ID 10879288	1958927 28/3/2014	227,500	Allowances on attendance of official opening of Nguni Market by county staff and the community
"	1958918 28/3/2014	438,400	Refreshments, lunches, planning committee allowances, entertainment groups, advert, hire of tents and chairs on official opening of Nguni market on 31 March 2014
"	1958851 30/4/2014	76,456	Purchase of stationery
"	1958852 5/5/2014	14,500	Allowances for tender opening committee members
	<b>TOTAL</b>	<b>756,856</b>	
Emma Kitemange C.O Culture	1958548 17/4/2014	617,700	Night-outs on a foreign trip to USA for twelve (12) days for benchmarking on the yet to be established resource centers in the county.  No report as yet developed from this tour.
"	1495328 7/3/2014	378,400	Procurement of items on Women Day celebrations and allowances for guests, staff, lunches, entertainment groups
"	1958724 23/4/2014	18,000	Facilitation of preparation of a media documentary
"	1495330 7/3/2014	142,000	To cater for the uniforms and promotional materials for the County choir and allowances for

			officers who will be attending an album at Nairobi from artists on 9 March 2014
“	1313097		Travel allowance to official visit Japanese Embassy
	4/3/2014	12,000	
“	1958691		Travel allowance to Machakos people’s park, Nairobi cultural centres and Nairobi Museum
	16/4/2014	24,000	
“	1830462		Accommodation allowances while in Nairobi on Library services benchmarking visit
	21/2/2014	24,000	
	<b>TOTAL</b>	<b>1,216,100</b>	
Musyoka Nyamai	1495445	100,000	Hosting visitors
County Secretary	26/3/2014		
“	1830391	45,000	Hosting visitors
	27/2/2014		
	<b>TOTAL</b>	<b>145,000</b>	
Samuel O. Owande	1495426	70,000	Purchase of working tools for major clean up of Kitui town
Town Administrator	25/3/2014		
20020001629			
“	1495451	153,000	Refreshments for 1200 participants
	18/3/2014		
	<b>TOTAL</b>	<b>223,000</b>	

#### Appendix IV

#### Surrendered Temporary Imprest issued to facilitate Mashujaa Day celebrations Kshs.1,090,950

Source Document	Amount	Purpose/ other Remarks
Invoice No 3204 from Kitui Parkside Hotel	250,000	Breakfast for 60 people – Kshs.21,000 Lunches for 220 people – Kshs.220,000 Other undisclosed expenses – Kshs.9,000  NB. No list of people purportedly fed was made available for audit report, it is not known how the hotel was identified to offer these services and if the prices charged were the most competitive. Further, no reason was offered as to why the money was not paid directly to the hotel since it had raised an invoice
Payment schedule	5,000	Unspecified services by the recipients (10 people)
	4,500	
	5,000	9 No. Drivers Master of ceremony
Payment schedule	55,000	Money received by 10 people on behalf of performing teams. Each team supposedly at Kshs.5,000
Payment schedule	14,000	For Public address system and video coverage.  NB. No receipts to support payment of these services
Receipt No 71167 of 20/10/2013 from KEFRI	15,000	Payment for breakfast for 60 people.  No list provided to authenticate those who were hosted for breakfast only letter Ref. K218/IV/90 of 18/10/2013 from the celebrations committee to the facility to offer this service.  This may well have been duplicated in the earlier receipt highlighted above.

Payment schedule	52,000	Payment to 8people of Kikongweni Dancers
Payment schedule		Payment to lthookwe dancers.
	24,800	Money received by Musangi Muviti of ID No 0273135.
		This figure was forged from Kshs.4,800 to read kshs.24,800
Payment schedule	14,200	Payment to St Ursula Girls dancers.
		Money received by Fraibe K. Mutuva of ID No 10347970.
		This figure was forged from Kshs.4,200 to read kshs.14,200.00
Payment schedule	13,000	Payment to Kaswida Group.
		Money received by Ibrahim Ahmed of ID No 23867980.
		This figure was forged from Kshs.3,000 to read kshs.13,000
Payment schedule	28,000	Payment to Ngwani dancers.
		Money received by Rose Nziu of ID No 3667117.
		This figure was forged from Kshs.8,000 to read kshs.28,000.00
Payment schedule	27,200	Payment to Kasanzai dancers.
		Money received by Mbiviu Kitheka of ID No 22808722.
		This figure was forged from Kshs.7,200 to read kshs.27,200
Payment schedule	27,600	Payment to Mandongoi Primary
		Money received by Justus Syengo of ID No 1364958.
		This figure was forged from Kshs.7,600 to read Kshs.27,600
Payment schedule	25,200	Payment to Mutungi dancers.

			Money received by Musangi Malonza of ID No 8175900.
			This figure was forged from Kshs.5,200 to read Kshs.25,200.00
Payment schedule	21,600		Payment to Utisi Group Yatta.
			Money received by Syomiti Willy of ID No 3767827.
			This figure was forged from Kshs.1,600 to read Kshs.21,600
Receipt No 1913 of 20/10/2013 from Syokatuka Butcheries	37,800 36,000		63 crates of soda 500 cartons of bottled water
			NB. We could not confirm whether the said butchery provides or sells these products
Receipt No 104 of 20/10/2013 from Chuluni Central Supplies	110,000		Hire of 10 tents, 1,000 seats and decoration of the stadium
Unofficial school receipt No 04 of 20/10/2013 from St Thomas Kalawa Sec School	40,000		Hire of transport
			No disclosure of which journeys in the absence of work tickets of the school bus as purported were made. Reason for hire and people allegedly transported not known.
Unofficial school receipt No 05 of 20/10/2013 from St Thomas Kalawa Sec School	40,000		Hire of transport
			No disclosure of which journeys in the absence of work tickets of the school bus as purported were made. Reason for hire and people allegedly transported not known.
Official school receipt No 1080 of 20/10/2013 from Kwa Tundu Sec School	40,000		Hire of transport
			No disclosure of which journeys in the absence of work tickets of the school bus as purported were made. Reason for hire and people allegedly transported not known.

Unofficial school receipt No 05 of 20/10/2013 from Kwa Tundu Sec School	60,000	Hire of transport
		No disclosure of which journeys in the absence of work tickets of the school bus as purported were made. Reason for hire and people allegedly transported not known.
Payment schedule to Martha Kiema of ID No 7424366	20,000	Purpose of payment not indicated/ disclosed
Payment schedule to various people	20,000	10 ushers paid
Cash sale receipt from Kitui Supermarket	150	Purchase of 3No openers
Payment to Peter Ndambo of ID No 9146128	15,000	For publicity of the event
Payment to E.N Mwachiro of ID No 10955361	40,000	Transportation costs not further elaborated or explained
Payment to E.N Mwachiro of ID No 10955361	45,000	Transportation costs not further elaborated or explained
Payment to :		No purpose indicated
Lamech Kemboi ID 23592096	2,000	
Nicholas Kitua ID 7946270	2,000	
Unaccounted balance	For 900	
<b>TOTAL</b>	<b>1,090,950</b>	

## Appendix V

### Transition Authority AIE / Unverified Expenditure

Payee	Chq/Gpay No & Date	Amount Kshs	Purpose
Kitungate Contractors Ltd	Chq 814 9/4/2014	1,998,634	Rehabilitation and decoration of rented county cabinet offices
Kyenge Agencies Ltd	Chq 744 06/09/2013	1,999,960	Refurbishment of treasury offices
Tryphosa Agencies	Chq 961 10/10/2013	1,617,968	Fencing of residential houses
Keviha Supplies Ltd	G-Pay 129 12/9/2013	978,187	Chainlink fencing of Kitui stadium
Samco General Contractors	G-Pay 01 020 18/12/2013	1,493,820	Rehabilitation and renovation of Public Service Board offices
Danvin Distributors (K) Ltd	G-Pay 459 24/2/2014	174,040	Renovation and repairs to Controller of budget offices
Entthert building and Construction	G-Pay 361 7/2/2014	537,422	Construction of waiting bay at Tanathi offices
Ngaaka Yakwa Supplies & Construction Co Ltd	G-Pay 2398 9/1/2014	306,379	Renovation and repairs of fittings at Finance office
"	G-Pay 01 360 3/2/2014	223,126	Renovation of revenue officers office
"	G-Pay 01 360 3/2/2014	263,505.00	Renovation of deputy county secretary's office

	G-Pay 517		Renovation of two
	21/2/2014	399,248	ministers office
Katulani General Contractors	G-Pay 18, 19		Rehabilitation of Kitui
	9/1/2014	18,270,568	County Assembly
			offices /fencing and
			parking.
	<b>TOTAL</b>	<b><u>28,262,858</u></b>	