

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF
COUNTY ASSEMBLY OF EMBU

FOR THE PERIOD
I JULY 2014 TO 30 JUNE 2015

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

EMBU/CA/14/2014/15()

19 October 2016

Mr. Jim G Kauma
The Clerk to the Embu County Assembly
P.O Box: 140-60100

EMBU

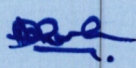
Dear Mr. Kauma


**REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF
EMBU COUNTY ASSEMBLY FOR THE YEAR PERIOD 1 JULY TO 30 JUNE
2015**


I transmit the report of the Auditor-General on the examination of the financial operations of the Embu County Assembly for the period 1 July to 30 June 2015.

The report is 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


D. O. Gichana
Deputy Auditor General
FOR: **AUDITOR GENERAL**

Copy to:  Mr. Jeremiah Nyegenye
Clerk to the Senate
P.O. Box 41842
NAIROBI


H.E. Martin Wambora
The Governor
Embu County Government
P.O. Box 36-60100
EMBU

Encl.

Table of Contents

Introduction.....	1
Audit Objectives.....	1
Terms of Reference.....	1
Key Audit Findings.....	1
1. Budgetary Control and Performance.....	1
2. Payables/Pending Bills	2
3. Mortgage and Car Loan Fund.....	2
4. Unsupported Expenditures	2
4.1. Arusha and Mombasa Trips.....	2
5. Construction of Office Complex and Specialized Works.....	3
6. Late Payment of Statutory Deductions.....	4
7. Un Analysed Legal Fees.....	4
8. Recruitment of Ward Staff	4
8.1. Application Letters	4
8.2. Non Provision of Recruitment Records	4
9. Incomplete Fixed Assets Register	5
10. IT Environment	5
11. Unsupported Ward Operations Expenses.....	5
DETAILED AUDIT FINDINGS	6
1.0. Budgetary Control and Performance.....	6
1.1. Receipts	6
1.2. Expenditure	6
2. Payables/Pending Bills	7
3. Mortgage and Car Loan Fund.....	7
4. Unsupported Expenditures	8
4.1. Arusha and Mombasa Trips.....	8
4.2. Other Domestic Travel expenses.....	9
5. Construction of Office Complex and Specialized Works	9
6. Late Payment of Statutory Deductions.....	10
7. Un Analyzed Legal Fees.....	11
8. Recruitment of Ward Staff	12
8.1. Application Letters	12
8.2. Non Provision of Recruitment Records	12

9. Incomplete Fixed Assets Register	12
10. IT Environment	13
11. Unsupported Ward Operations Expenditure.....	13
Conclusion.....	14

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

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 of Kenya and Public Audit Act, 2003. The financial operation Audit has been completed in accordance with section 229 of the Constitution of Kenya.

Audit Objectives

The objective of the audit was to verify and confirm whether the systems formulated and applied by the Embu County Assembly were reliable for the management of the finances in the delivery of service to the people of Embu County.

Terms of Reference

The terms of reference set for audit included verification and confirmation of transactions in respect to but not limited to the following areas:

- Budgetary Performance Analysis
- Revenue Management Controls
- Staff Remuneration / Salaries and Wages
- Procurement of goods, works and services
- Cash and Bank Balances
- Non Current Assets
- Mortgage and Car Loans
- Training Costs, Consultancy and Legal fees etc.
- MCAs Travel (Both Local and Foreign Trips)
- Commitments (Pending Bills)
- Confidential Expenditure
- Imprests and advances
- Inherited Debts / Liabilities
- Human Resource
- Review of Controller of Budget Report and Audit Mitigations
- Review of IFMIS and e-Procurement
- Review of Fy2013/2014 Audit Issues

Key Audit Findings

1. Budgetary Control and Performance

During the year under review, the Approved Budget for Embu County Assembly was Kshs.451,833,247.00, in which Kshs.416,833,247.00 (92%) was allocated to recurrent expenditure and Kshs.35,000,000.00 (08%) to development expenditure. The Assembly received Kshs.416,406,271.00 from the National Government as transfers from the

County Treasury for recurrent expenditure. The Assembly did not receive a total amount for development expenditure of Kshs.35,000,000.00.

No explanation was given for the failure to receive Kshs.35,000,000.00 from County Treasury.

2. Payables/Pending Bills

Pending bills totalling Kshs.30,175,004.00 were outstanding as at 30 June 2015. However, pending bills' register provided for audit verification lacked important details like invoice numbers, amounts and dates.

Further, the County Assembly management incurred the expenditure without confirming availability of funds for such expenses contrary to Section 149 (1) and (2) of Public Finance Management Act 2012 and Government Financial Regulations and Procedures Section 5.5.15.

3. Mortgage and Car Loan Fund

Examination of the Assembly records revealed that Kshs.59,000,000.00 was transferred to Family Bank for mortgage and car loan funds account number 075000028013. However, cash books, payment vouchers, mortgage management committee minutes, approved loan applications, bank reconciliation statements and bank statements from 17 June 2015 to 30 June 2015 (for mortgage and car loan funds account number 075000028013) and bank statement for mortgage and car loan funds (held under lien) account number 075000028013 were not provided for audit review. Also the quarterly financial statements on MCAs Car Loan and Mortgage Fund were not availed for audit as required under Section 167 and 168 of the Public Finance Management Act, 2012.

Under the circumstances, it was not possible to determine how the fund was being managed.

Further, although Kshs.147,089,640.00 had been loaned to the Members of the County Assembly (MCAs) in respect to car and mortgage loans as at 30 June 2015, no valuation reports were made available for audit verification. In the circumstances, it was not possible to determine the criteria used to advance a loan to each MCA.

In addition, copies of the design of the proposed mortgage properties duly approved by the County Government, bills of quantities for the proposed properties, official search of the properties and certified sale agreements or ownership documents were not made available for audit. There was also no evidence of charging of the properties acquired through loans from the fund. Consequently, it was not possible to confirm that the loan was applied for the intended purposes.

4. Unsupported Expenditures

4.1. Arusha and Mombasa Trips

During the year under review, the County Assembly paid Kshs.1,927,190.00 to a Travel Company for the above two trips. The Assembly paid Kshs.961,190.00 for the trip to Mombasa. However, the supporting documents only accounted for Kshs. 589,000.00

hence leaving a balance of Kshs.372,190.00 unsupported. Further, Kshs.246,000.00 and Kshs.60,800.00 were paid in respect to the reservation change for the Arusha and Mombasa trips respectively. However, communication on the change in reservations was not made available for verification. In the circumstances, the Assembly incurred wasteful expenditure of Kshs.306,800.00 due to change of reservations.

In view of the foregoing, the propriety of the expenditure of Kshs.1,927,190.00 could not be confirmed.

4.2. Other Domestic Travel expenses

Records examined revealed that Kshs.11,040,179.00 was paid as per diem and honoraria to MCAs and members of staff committees, while attending various official activities. However, there was no justification for holding conferences and retreats were outside the county yet the Assembly had prequalified local hospitality service providers for the period ended 30 June 2015.

Further, the County Assembly paid Kshs.1,276,000.00 vide payment voucher number CAE/AUG14/088 which included transport allowance of Kshs.108,000.00. The payment was not supported and the basis for paying the transport allowance was not explained.

5. Construction of Office Complex and Specialized Works

The County Assembly entered into an agreement for construction of an office complex and specialized works on 30 March 2015 with a contractor at a contract sum of Kshs.325,856,107.00 vide tender committee meeting minute number CATC/040/2014-2015 of 5 March 2015. An internal memo ref. CAE/GEN/5/VOL.V/19 of 7 January 2015 revealed that the project was to be financed through development budget as follows:

Year	Amount (Kshs)
2014/2015	35,000,000.00
2015/2016	200,000,000.00
2016/2017	<u>100,000,000.00</u>
Total	<u>335,000,000.00</u>

However, the Commission on Revenue Allocation (CRA) vide a circular no. 5/2015 of 19 May 2015, advised that construction of new county assemblies were part of non-core capital projects that were not a priority in the first five (5) years of devolution and should not be financed through equitable allocation. It also advised that in case such projects are justified, they should be funded using long term finance of between 5 to 10 years in consultation with CRA and the National Treasury. As at 30 June 2015, Kshs.106,134.00 had been paid to NEMA in respect to the project.

However, the County Assembly has not determined how to raise the funds for completing the project since, in the absence of more funds, and with a valid contract in force, the Assembly might face penalties and claims for breach of contract.

The progress of the project was further impeded by legal processes and the Assembly had no clear financing plan for the construction of the office complex.

6. Late Payment of Statutory Deductions

During the year under review, the County Assembly was billed by Kenya Revenue Authority (KRA) Kshs.13,242,687.22 made up of Kshs.8,275,989.50, Kshs.3,990,590.92 and 976,106.81 for unremitted taxes, penalties and interest respectively.

No explanation was provided as to why the County Assembly failed to remit all taxes to KRA as required by Income Tax Act occasioning the penalties and interest of Kshs.4,966,697.73 as at 30 June 2015.

7. Un Analysed Legal Fees

During the year under review, the County Assembly paid one law firm a total sum of Kshs.7,500,000.00 through various cheques in the month of October 2015. In all the fee notes, the amount was charged as a block figure. Though there was an indication that the legal fees was charged as under Schedule V (II) (1) (2) & (3) of the Advocates (Remuneration) Order, 2006, the breakdown in terms of court attendances expenses or the basis for the fee notes was not provided.

In view of the foregoing, the propriety of the legal fees expenditure of Kshs.7,500,000 could not be confirmed as at June 2015.

8. Recruitment of Ward Staff

The Assembly employed seventy three (73) ward employees on contractual basis during the year under review. However, the following anomalies were noted;

8.1. Application Letters

The Assembly advertisement for staff recruitment indicated that the application letters be addressed to the Clerk of Embu County Assembly and submitted not later than 15 December 2014. However, some of the application letters revealed that they were submitted long after the deadline and were addressed to the MCAs instead of the clerk to the Assembly. Therefore, it was not clear how individuals who applied long after the deadline were shortlisted, interviewed, selected and why the letters were addressed to the MCAs instead of the Clerk to the County Assembly as per the advertisement.

8.2. Non Provision of Recruitment Records

The Assembly did not avail to the audit team, application letters, minutes of short listing, list of shortlisted applicants, interview records, scores of people interviewed and the minutes showing the basis/reason for selecting the employees.

In the circumstances, it was not possible to determine if the recruitment was competitive as required by Section 24. (1) of the Public Service Commission's Regulations, 2012 and Section E.6 and E.7 (1) of the Code of Regulations.

9. Incomplete Fixed Assets Register

The County Assembly did not maintain a complete fixed assets register during the period under review. The register made available for audit review did not have details such as asset's description, location, date of purchase or valuation, name of supplier, mode of financing, serial number, condition of the asset, date of disposal, disposal amount and other relevant information pertaining to the assets.

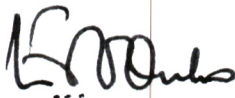
Even though, the Assembly has embarked on the process of tagging her assets, no explanation was given for failure to maintain an up to date fixed assets register.

10. IT Environment

During the year under review, the financial operations of the County Assembly was undertaken through manual vote books and cash books as the Integrated Financial Management Information System (IFMIS) had not been adopted. This was contrary to Clause 8 (2) of the County Government Public Finance Management Act, 2013 which required the adoption of IFMIS. The explanation given for failure to adopt IFMIS in the operations of the County Assembly was not sufficient because all entities were to implement IFMIS as per PFM Act, 2012 and County Government Public Finance Management Act, 2013.

11. Unsupported Ward Operations Expenses

During the financial year under review, the Assembly paid Kshs.5,559,686.00 as reimbursements of standing imprest toward ward operations. However, cash books with details of all receipts, expenditure and cash balance on hand as required by Section 5.6.9 of the Government Financial Regulations and Procedures was not provided for audit review.



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

Nairobi

29 August 2016

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

DETAILED AUDIT FINDINGS

1.0. Budgetary Control and Performance

1.1. Receipts

During the year under review, the Approved Budget for Embu County Assembly was Kshs.451,833,247, with Kshs.416,833,247 (92%) allocated to recurrent expenditure and Kshs.35,000,000 (8%) to development expenditure. The Assembly received Kshs. 416,406,271 from the National Government as transfers from the County Treasury for recurrent expenditure. However, Assembly did not receive the Kshs. 35,000,000 budgeted for development. The total revenue shortfall amounted to Kshs.35,426,976 as shown below;

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Performance Rate
Exchequer Development	– 35,000,000	0.00	35,000,000	0%
Exchequer – Recurrent	416,833,247	384,620,628	67,212,619	85.12%
Other receipts (paid by county treasury on behalf of Assembly)		31,785,643	(31,785,643)	
Total	451,833,247	416,406,271	35,426,976	85.12%

1.2. Expenditure

The Assembly had budgeted to spend Kshs.451,833,247 on both recurrent and development expenditures but the actual expenditure was Kshs.415,752,369 resulting to an under – expenditure of Kshs.60,009,315 and an over – expenditure of Kshs.23,928,437 (**Appendix I**) on four items namely; Compensation of employees, domestic travel, foreign travel and training expenses.

Recommendations

- (i) The County Assembly should ensure it spends the amounts and deliver services to the County residents
- (ii) The Assembly should ensure that it contains its operations within the approved budget.

2. Payables/Pending Bills

Pending bills totalling Kshs.30,175,004.00 were outstanding as at 30 June 2015. However, a pending bills register provided for audit verification lacked important details like invoices numbers, amounts and dates. Further, it was not clear why the County Assembly management incurred the expenditure without confirming availability of funds for such expenditures Contrary to Section 149 (1) and (2) of the Public Finance Management Act 2012 and Government financial regulations and Procedures Section 5.5.15

Recommendations

- (i) The Embu County Assembly management should provide documentary evidence to confirm the accuracy and existence of the pending bills otherwise payments should not be effected.
- (ii) The management of the Assembly should explain why the Assembly incurred expenditure without confirming the availability of funds.

3. Mortgage and Car Loan Fund

Examination of the cash book and payment vouchers indicate that Kshs. 59,000,000.00 was transferred to Family Bank for mortgage and car loan funds account number 075000028013. However, cash books, payment vouchers, mortgage management committee minutes, approved loan applications, bank reconciliation statement and bank statements from 17 to 30 June 2015 and bank statement for mortgage and car loan funds (held under lien) account number 075000028013 were not provided for audit review. The County Assembly management did not also avail for audit purposes the quarterly financial statements on MCAs Car Loan and Mortgage Fund as required under Section 167 and 168 of the Public Finance Management Act, 2012.

In the circumstances, it was not possible to determine how the fund was being managed.

Further, although Kshs.147,089,640.00 (**Appendix II**) had been loaned to the MCAs in respect to car and mortgage loans as at 30 June 2015, no valuation reports were made available for audit verification. In the circumstances, it was not possible to determine the criteria used in determining how much loan each MCA was to get.

In addition, copies of the design of the proposed mortgage properties duly approved by the County Government, bills of quantities for the proposed properties, official search of the properties and certified sale agreements or ownership documents were not made available for audit review.

There was also no evidence of charging of the properties acquired through loans from the fund. Consequently, it was not possible to confirm whether the loan was applied for the intended purposes.

Recommendations

The Embu County Assembly management should ensure cash books, payment vouchers, loan applications, evidence of charge against the properties, bank reconciliation statements including any other related records are availed for audit review. The management of the Assembly should also ensure recovery of the funds disbursed and secure the loans till fully recovered.

4. Unsupported Expenditures

4.1. Arusha and Mombasa Trips

During the year under review, the County Assembly paid Kshs.1,927,190.00 to a travel company for two trips as analysed below:-

P.V. NO. AND DATE	PAYEE	PARTICULARS	AMOUNT KSHS
CAE/AUG14/093 of 3/9/2014	Travel Company	Booking fee for return air tickets from Nairobi to Arusha for nine (9) persons – Kshs.720,000.00 Change of reservations for nine (9) persons – Kshs. 246,000.00	966,000.00
CAE/AUG14/094 of 3/9/2014	Travel Company	Booking fee for return air tickets from Nairobi to Mombasa for nineteen (19) persons – Kshs.528,200.00 Change of reservations for nineteen (19) persons – Kshs.60,800.00	961,190.00
Total			1,927,190

The following anomalies were noted:

- (i) The Assembly paid Kshs.961,190.00 for the trip to Mombasa. However, the supporting documents only accounted for Kshs.589,000.00 hence leaving unsupported balance of Kshs.372,190.00.
- (ii) Further, Kshs.246,000.00 and Kshs.60,800.00 was paid in respect to reservation change for the Arusha and Mombasa trips respectively. However, the communication on the change in reservations was not made available for audit verification. In the circumstances, the Assembly incurred wasteful expenditure of Kshs.306,800.00 due to change of reservations.

In view of the foregoing, the propriety of the expenditure of Kshs.1,927,190.00 could not be confirmed.

Recommendations

- (i) The management of the Embu County Assembly Management should provide supporting documents for Kshs.372,190.00 or recover the amount from the responsible officers.
- (ii) The wasteful expenditure of Kshs.306,800.00 be recovered from the responsible officers.
- (iii) Management to be held responsible for taking 19 persons to Mombasa for meeting at a cost of Kshs.961,190.

4.2. Other Domestic Travel expenses

Examination of the Assembly's records revealed that Kshs.11,040,179.00 (**Appendix III**) was paid as per diem and honoraria to MCAs and members of staff committees, while attending various official activities. However, there was no proper reason why conferences and retreats were held in locations outside the county and yet the Assembly had prequalified local hospitality service providers for the year ended 30 June 2015.

Further, the County Assembly paid Kshs.1,276,000.00 vide payment voucher number CAE/AUG14/088 which included transport allowance of Kshs.108,000.00.

The payment was not supported and the basis for paying the transport allowance was not explained.

Recommendations

- (i) The management of Embu County Assembly should provide supporting documents for Kshs.108,000.00 or recover the amount from respective officers.
- (ii) The expenditure of Kshs.11,040,179 on conferences and retreats outside the County of Embu should be justified. Further, Local Service providers should be given a priority while selecting Conference and retreat supplies so as to boost economy of the County.

5. Construction of Office Complex and Specialized Works

The County Assembly of Embu entered into an agreement with the contractor for the construction of an office complex and specialized works on 30 March 2015 at a contract sum of Kshs.325,856,107.00 vide tender committee meeting minute number CATC/040/2014-2015 of 5 March 2015. An internal memo ref. CAE/GEN/5/VOL. V/19 of 7 January 2015 revealed that the project was to be financed through development budget as follows:

<u>Year</u>	<u>Amount (Kshs)</u>
2014/2015	35,000,000.00
2015/2016	200,000,000.00
2016/2017	100,000,000.00
Total	<u>335,000,000.00</u>

However, the Commission on Revenue Allocation (CRA) vide a circular no. 5/2015 of 19 May 2015 advised that construction of new county assemblies were part of non-core capital projects that were not a priority in the first five (5) years of devolution and should not be financed through equitable allocation.

It also advised that in case such projects were justified they should be funded using long term finance of between 5 to 10 years in consultation with CRA and the National Treasury. As at 30 June 2015, Kshs. 106,134.00 had been paid to NEMA in respect to the project. However, it was not clear how the County Assembly was going to raise the funds for completing the project since in the absence of the funds, and when a valid contract is in force, the County Assembly might face penalties and claims for breach of contract.

Although the project had been handed over to the contractor on 23 June 2015 as per site meeting minutes of 23 June 2015, the project had stalled and no work was going on at the time of this audit. These was due to conservatory orders issued by High Court of Kenya at Embu on 12 August 2015 restraining the funding, paying out or in any way making available monies to any person for the project pending inter parties hearing. Subsequently, the project manager issued a temporary stoppage instruction to the contractor with effect from 14 August 2015. The progress of the project is further impeded by legal processes and the Assembly has no clear financing plan for the construction of the Office complex.

Recommendations

- (i) The Assembly should seek ways of funding the project as per the CRA circular guidelines, as soon as the court lifts the conservatory orders.
- (ii) The Assembly officers who ignored CRA advise to be held accountable for the liquidated damages that may ensue from the contract.

6. Late Payment of Statutory Deductions

During the year under review the County Assembly was billed by Kenya Revenue Authority (KRA) Kshs.13,242,687.22 made up of Kshs.8,275,989.50, Kshs.3,990,590.92 and 976,106.81 for unremitted taxes, penalties and interest respectively as shown below:-

DESCRIPTION	UNREMITTED TAXES KSHS	PENALTY KSHS	INTEREST KSHS	TOTAL KSHS
Late Payment	-	1,965,579.50	309,057.95	2,274,637.45
Unremitted PAYE	6,591,815.00	1,647,953.75	460,269.58	8,700,038.33
Fringe Benefit	1,390,934.64	347,733.68	143,580.34	1,882,248.66
Withholding Tax	293,239.86	29,323.99	63,198.94	385,762.79
Total	8,275,989.50	3,990,590.92	976,106.81	13,242,687.23

No explanation was provided why the County Assembly failed to remit all taxes to KRA as required by income tax act.

Recommendations

- (i) The County Assembly to surcharge the officer responsible for the Kshs.4,966,697.73 voidable expenditure.
- (ii) In future, the management of the County Assembly to ensure taxes are paid on time to avoid nugatory expenditure.

7. Un Analyzed Legal Fees

During the year under review, the County Assembly paid one law firm as follows:-

Date	PV/No.	CHQ/No.	Amount (Kshs)
02/10/2014	CAE/OCT 14/01	1185	200,000.00
03/10/2014	CAE/OCT 14/027	1316, 1317, 1318	2,000,000.00
06/10/2014	CAE/OCT 14/039	1327	300,000.00
24/10/2014	CAE/OCT 14/056	1379	4,000,000.00
15/01/2015	CAE/JAN 14/056	1604	<u>1,000,000.00</u>
Total			<u>7,500,000.00</u>

In all the fee notes, the amount was charged as a block figure though there was an indication that the legal fees was charged under Schedule V(II)(1)(2) & (3) of Advocates (Remuneration) Order, 2006, the breakdown in terms of court attendance expenses and the basis for the fee notes was not provided.

In view of the foregoing, the propriety of the legal fees expenditure of Kshs.7,500,000 could not be confirmed as at June 2015.

Recommendation

The breakdown and basis of the legal fees to be provided for review and any unsupported amount to be recovered from the responsible officers.

8. Recruitment of Ward Staff

During the financial year under review the Assembly employed seventy two (72) ward employees (**Appendix IV**) on contractual basis. However, the following irregularities were noted.

8.1. Application Letters

Examination of the advertisement revealed that the application letters were to be addressed to the Clerk of Embu County Assembly and submitted not later than 15 December 2014.

However, of some of the application letters reviewed revealed that they were submitted long after the deadline and were addressed to the MCAs instead of the clerk. Therefore it was not clear how individuals who applied long after the set deadline were shortlisted, interviewed, selected and why the letters were addressed to the MCAs instead of the Clerk to the County Assembly.

8.2. Non Provision of Recruitment Records

The Assembly did not provide the following records in respect to the newly recruited employees.

- (i) Application letters for all applicants
- (ii) Minutes of short list showing how the candidates were short listed
- (iii) List of shortlisted applicants
- (iv) Interview records
- (v) Scores of people interviewed
- (vi) Minutes with the basis/reason for selecting the employees

In the circumstances, it was not possible to determine if the recruitment was competitive as required by Section 24. (1) of the Public Service Commission's Regulations 2012 and Section E.6 and E.7 (1) of the Code of Regulations.

Recommendations

- (i) The Assembly to recruit staff on set criteria and maintain relevant documents for all recruitment exercises.
- (ii) The Assembly to comply with all recommended human resources regulations and procedures to ensure procurement of the right people for the right jobs.
- (iii) The County Assembly Management to be held responsible for the recruitment of persons not capable of fulfilling their mandate.

9. Incomplete Fixed Assets Register

The County Assembly did not maintain an up to date fixed assets register during the period under review. The register availed for audit review did not have details such as asset's description, location, date of purchase or valuation, name of supplier, mode of financing, serial number, condition of the asset, date of disposal, disposal amount and

other relevant information pertaining to the assets. Even though, the Assembly has embarked on the process of tagging her assets, no explanation was given for failure to maintain an up to date fixed assets register.

Recommendation

An updated fixed assets register should be prepared as a matter of urgency so as to account for all the Assembly assets.

10. IT Environment

During the year under review, the financial operations of the County Assembly was undertaken through manual vote books and cash books as the Integrated Financial Management Information System (IFMIS) had not been adopted. This was contrary to Clause 8 (2) of the County Government Public Finance Management Transition Act, 2013 which required the adoption of the financial management systems developed by the National Treasury.

The explanation given for failure to adopt IFMIS in the operations of the County Assembly was not sufficient because all entities were to implement IFMIS as per Public Finance Management (PFM) Act, 2012 and County Government Public Finance Management Transition Act, 2013.

Recommendations

- (i) The County Assembly management should liaise with the IFMIS department of the National Treasury to have the IFMIS and G-Pay Systems connectivity established for effective service delivery.
- (ii) The County Assembly to train staff on IFMIS operations
- (iii) The County Assembly to have an IT Strategic Plan, Steering Committee, and Disaster Recovery Plan to enhance data integrity.

11. Unsupported Ward Operations Expenditure

During the financial year under review, the Assembly paid Kshs.5,559,686.00 as reimbursements of standing imprest toward ward operations as follows:-

Date	PV. No	Chq. No	Supplier/Payee	Amount	Description
10-Jun-15	CAE/JUNE15/059	1984 and 1985	Nancy Muthoni Njue	220,000.00	Kyeni North Ward Office Operations Expenses reimbursement
10-Jun-15	CAE/JUNE15/059	1984 and 1985	Nancy Muthoni Njue	100,000.00	Kirimari Ward Office Operations Expenses reimbursement
10-Jun-15	CAE/JUNE15/060	1984 and 1985	Nancy Muthoni Njue	180,000.00	Mbeti North Ward offices Expenses reimbursement
25-May-15	CAE/MAY15/27	1893	Nancy Muthoni Njue	60,000.00	Kyeni North-Ward operations – Part payments
25-May-15	CAE/MAY15/28	1893	Nancy Muthoni Njue	60,000.00	Kirimari North-Ward operations – Part payment
25-May-15	CAE/MAY15/29	1893	Nancy Muthoni Njue	60,000.00	Mbeti North Ward-Ward operations – Part payment
1-Apr-15	CAE/APR15/18 to 36	1870 to 1879	Moses Mbauni	4,879,686.00	General office operations
			Total	5,559,686.00	

However, a cash book with details of all receipts, expenditure and cash balance on hand as required by Section 5.6.9 of the Government Financial Regulation and Procedures was not provided for audit review.

Recommendations

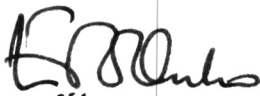
The management of Embu County Assembly should:

- (i) Ensure all payments are examined and authorised appropriately.
- (ii) Maintain imprest register and ensure all imprest issued are done vide imprest warrants.
- (iii) Maintain up to date cash books for all cash payments.
- (iv) The County Assembly be held responsible for the payment of unsupported expenditure of Kshs.5,559.686.

Conclusion

Due to the aforementioned irregularities and non-compliances, the systems formulated and applied by the Embu County Assembly were not reliable for the effective and efficient management of the Public resources and thus a likelihood of poor service delivery to the residents.

The County Assembly should enhance its internal control systems to address the weakness noted in the report to enhance its service delivery.



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

Nairobi

29 August 2016

Appendix I – Detailed Expenditure

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Absorption Rate
Compensation of employees	174,979,496	184,520,353	(9,540,857)	105.45%
Utilities Supplies and Services	1,002,571	1,050,085	(47,514)	104.74%
Communication Supplies and Services	2,377,955	2,631,049	(253,094)	110.64%
Domestic Travel and Subsistence, and Other Transportation Costs	67,809,661	76,334,566	(8,524,905)	112.57%
Foreign Travel and subsistence, and other transportation costs	8,641,716	11,136,663	(2,494,947)	128.87%
Training Expenses	5,074,460	8,141,580	(3,067,120)	160.44%
Over Expenditure	259,885,859	283,814,296	23,928,437	
Printing , Advertising and Information Supplies and Services	2,483,724	1,803,962	679,762	72.63%
Rentals of produced assets	6,263,248	3,403,298	2,859,950	54.34%
Personal Allowance Paid as Reimbursements	6,747,806	5,762,596	985,210	85.40%
Hospitality Supplies and Services	10,684,329	7,154,405	3,529,924	66.96%
Insurance Costs	5,000,000	343,074	4,656,926	6.86%
Office and General Supplies and Services	15,400,493	9,713,148	5,687,345	63.07%
Fuel Oil and Lubricants	498,345	221,870	276,475	44.52%
Other Operating Expenses	103,686,366	101,606,445	2,079,921	97.99%
Purchase of Office Furniture and General Equipment	4,237,594	1,186,108	3,051,486	27.99%
Routine Maintenance - Other Assets	1,945,483	637,033	1,308,450	32.74%
Development: Land and Buildings	35,000,000	106,134	34,893,866	0.30%
Under Expenditure	191,947,388	131,938,073	60,009,315	68.74%
Total	451,833,247	415,752,369	36,080,878	92%

Appendix II: CAR AND MORTGAGE LOANS

NO.	Name of MCA	Car Loan Kshs	Mortgage Kshs	Total Kshs
1	Hon Justus Kariuki Mate	2,000,000	3,000,000	5,000,000
2	Andrew Mbithi Muiya	2,000,000	3,000,000	5,000,000
3	Ibrahim Swaleh	2,000,000	3,000,000	5,000,000
4	Michael Kariuki Njeru	2,000,000	3,000,000	5,000,000
5	Kanjogu Njiru Mugo	2,000,000	3,000,000	5,000,000
6	Paul Njiru Muchangi	2,000,000	3,000,000	5,000,000
7	Selesio Njeru Kimaru	2,000,000	2,890,000	4,890,000
8	Penina Nthamba Mutua	2,000,000	2,600,000	4,600,000
9	Robert Njiru Ileri	2,000,000	2,510,000	4,510,000
10	Silas Nyaki Muria	2,000,000	2,500,000	4,500,000
11	James Kathendu Ntamugwika	2,000,000	2,500,000	4,500,000
12	Joseph Mwaniki Nyaga	2,000,000	2,919,640	4,919,640
13	Patrick Rugendo Ileri	2,000,000	2,300,000	4,300,000
14	Teresia Njeri Rebiro	2,000,000	2,300,000	4,300,000
15	Shunem Ngira Gatiti	2,000,000	2,300,000	4,300,000
16	Martin Mwangi Nyaga	2,000,000	2,680,000	4,680,000
17	Michael Kariuki Munyi	2,000,000	2,250,000	4,250,000
18	Agatha Muthoni Mbogo	2,000,000	2,550,000	4,550,000
19	Peter Ngari Makenge	2,000,000	2,450,000	4,450,000
20	Catherine Mbura Nthiga	2,000,000	2,227,000	4,227,000
21	Winrose Ngithi Ileri			

		2,000,000	2,530,000	4,530,000
22	Linus Kamunyo Muchina	2,000,000	2,000,000	4,000,000
23	Loise Mbuya Ngondi	2,000,000	2,273,000	4,273,000
24	Susan Wangai Ndwiga	2,000,000	2,300,000	4,300,000
25	Mercy Karimi Mbae	2,000,000	2,260,000	4,260,000
26	Albert Muchira Kigoro	2,000,000	2,710,000	4,710,000
27	Peter Njiru Kithu	2,000,000	1,750,000	3,750,000
28	Rosemary Muturi Manunga	2,000,000	2,090,000	4,090,000
29	Steve Munene Mugendi	2,000,000	2,500,000	4,500,000
30	Anthony Njue Mugeru	2,000,000	1,300,000	3,300,000
31	John Mwangi Muriuki	2,000,000	1,700,000	3,700,000
32	Nancy Wairimu Muriithi	2,000,000	2,400,000	4,400,000
33	Rose Muthoni Ndwiga	2,000,000	2,300,000	4,300,000
	Total Kshs.	66,000,000	81,089,640	147,089,640

Appendix III:

UNSUPPORTED PAYMENT VOUCHERS - DOMESTIC TRAVELLING EXPENSES

PV. No.	Date	Payee	Amount (Kshs.)	Description	Remarks/Audit findings
3/9/2014	CAE/AUG14/088	Co-op bank	1,276,000.00	Per diem and transport to MCAs while attending a retreat in Kisumu from 20 th – 24 th Aug.	a) programme for the retreat, invitation letters, back to office report of the retreat. b) Transport funds kshs. 108,000.00 not accounted.
19/6/2015	CAE/JUNE15/121	Co-op bank	1,344,000.00	Payment of additional per diem to Finance and Economic planning committee while in Hotel Henesis on 1-6 April 2015	The reason why the meeting was held in Nairobi is not given, hence no value for money
9/6/2015	CAE/JUNE15/038	Equity bank	834,400.00	Per diem allowances to members and staff on budget retreat in Nairobi 9-12 June 2015 and committee 12-16 June 2015	(a) There is no proper breakdown of rates paid for each meeting held b) The reason why the meeting was held in Nairobi is not given, hence no value for money

31/3/2015	CAE/MAR15/77	Co-op bank	1,313,200.00	Budget committee retreat on unknown dates and unknown destination	<p>a) There was no minutes or back to office report</p> <p>b) The reason why the meeting was held in Nairobi is not given, hence no value for money</p>
27/6/2015	CAE/JUNE15/141	Co-op bank	700,000.00	Per diem to budget committee on retreat to utalii hotel on 26/2-2/3/2015 (5 days)	<p>a) The approval for the retreat is unknown</p> <p>b) Minutes or working paper file for work done in those days</p> <p>c) The reason why the meeting was held in Nairobi is not given, hence no value for money</p>
22/6/2015	CAE/JUNE15/136	Co-op bank	686,000.00	Per diem for tender evaluation committee that was at Utalii hotel for seven days (11 th feb. – 20 th Feb. 2015)	<p>a) Provide tender evaluation committee minutes for the period 11th Feb. to 20th February 2015</p> <p>b) Specify the rates of the officer's payment</p> <p>c) The reason why the meeting was held in Nairobi is not given, hence no value for money</p>
10/6/2015	CAE/JUNE15/047	Co-op bank	670,600.00	Per diem for staff and MCA's on a budget retreat in Nairobi – 9/6/2015	<p>a) the particular dates and rates paid per day are not indicated</p> <p>b) There were no minutes or programme</p> <p>c) The reason why the meeting was held in Nairobi is not given, hence no value for money</p>

10/3/2015	CAE/JUNE15/049	Co-op bank	659,200.00	Per diem for house rules, priviledges and business committee members workshop in Nairobi on 12-14/3/2015	a) No programme/timetable for the exercise was provided b) There was no back to office report c) The workshop took two days yet officers were paid four days nightout d) The venue for the meeting is unknown e) The reason why the meeting was held in Nairobi is not given, hence no value for money
9/6/2015	CAE/JUNE15/043	CO-OP BANK	425,600.00	Per diem to the county assembly service board while attending a retreat in Nairobi on 4-8 june 2015	a) The minutes and programmes for the retreat were not provided b) The attendance register for the days was not provided c) The reason why the meeting was held in Nairobi is not given, hence no value for money
31/3/2015	CAE/MAR15/070	Co-op bank	380,000.00	Payment of honoraria for tender committee for dates 20, 25 february and 5,12,13,16,18,19 march 2015	a) The particular days paid are unknown b) The tender committee minutes were not availed
19/6/2015	CAE/JUNE15/111	Equity bank	394,800.00	Additional per diem for budget committee – 19/6/2015	a) Provide minutes of the committee sittings b) The particular dates and venues for the sittings were unknown c) There was no approved plan, itinerary or budget for the activity

31/3/2015	CAE/MAR15/68	Co-op bank	2,356,379.00	Per diem for MCA's and staff while attending various committees	Payment was for per diems for MCA's and staff upto November 2014 and Airtime for MCA's for july 2014 to march 2015, January and February 2015 members sitting allowance. The schedule totaled an amount of kshs. 4,802,765.00 a) A deduction for loans was applied totaling kshs. 2,675,485.00, yet the basis of the deductions is unknown. b) After deductions, the balance payable was kshs. 2,127,280.00, Yet the payment voucher paid kshs. 2,356,379.00, extra by kshs. 229,099.00
		Total	11,040,179.00		

Appendix IV: List of 72 Ward Staff Who Applied for Employment

NO	NAME	ID NO.	WARD	DATE OF APPLICATION	APPLICATION ADDRESSED TO
1	Eudicus Mwaniki Njagi	25649292	Evurori	21/01/2015	The Clerk
2	Simon Njiru Kirathe	9679806	Evurori	22/01/2015	The clerk
3	Felix Njeru Ngari	22880253	Evurori	23/01/2015	Service Board
4	Nicholas Kimathi Njeru	24810366	Evurori	24/01/2015	The Clerk
5	Dionisio Mugendi Ngithi	25630101	Evurori	26/01/2015	The Clerk
6	Isaac Mugo Nyaga	11022429	Evurori	20/01/2015	The Clerk
7	Sebastian Gitonga Mugo	22579312	Gaturi North	28/01/2015	Service Board
8	Mary Muthoni Muturi	10797133	Gaturi North	3/2/2015	Service Board
9	Kenneth Ileri Ndwiga	24682407	Gaturi North	28/01/2015	Service Board
10	Moses Kimanthi Njeru	25992442	Gaturi North		
11	Martin Njue Nyaga	25839187	Gaturi South	3/2/2015	Member of County Assembly
12	Grace Wambere Muthoni	30786566	Gaturi South	5/2/2005	Member of County Assembly
13	James Njagi Kathuri	14581178	Gaturi South	3/2/2015	Member of County Assembly
14	Simon Muriithi Mbogo	21147739	Kagaari North	3/2/2015	Member of County Assembly

15	Veronica Wambeti Njoka	21788182	Kagaari North	3/2/2015	Member of County Assembly
16	Rose Thaara Ndwiga	25748557	Kagaari North		Member of County Assembly
17	John Njeru Njue	25883582	Kagaari South		
18	Purity Kageni Kithinji	22934717	Kagaari South	28/01/2015	
19	Joseph Mwaniki Nthiga	27142347	Kiambere		
20	John Ngari Nyaga	11811086	Kiambere	29/01/2015	Service Board
21	Emily Wawira Muthuci	25480062	Kiambere	28/01/2015	Service Board
22	Robert Kinyua Njeru	25799456	Kiambere	29/01/2015	Service Board
23	Grace Wawira Njagi	22717120	Kirimari	24/01/2015	Service Board
24	Faridah Karimi Mugambi	12400857	Kirimari	31/01/2015	Member of County Assembly
25	Caroline Wambui Kaguai	29420278	Kirimari		Member of County Assembly
26	Teresia Muthanje Mbogo	13337041	Kirimari		
27	Pascal Nyaga Mathara	7034418	Kithimu	23/01/2015	Service Board
28	Sarah Wawira Njiru	30090147	Kithimu	22/01/2015	Service Board
29	Titus Njiru Kathuki	21655283	Kithimu	22/01/2015	Service Board
30	Gerald Muturi Mugo	22616981	Kyeni North		

31	Damaris Muthanje Ndeke	25588592	Kyeni North		
32	Josphine Wanja Njue	22057605	Kyeni North		
33	Salesio Gioci	10729237	Kyeni South	23/01/2015	Member of County Assembly
34	Benson Karuri Njiru	25433082	Kyeni South	23/01/2015	Member of County Assembly
35	Lydia Murugi Kinyua	28022313	Kyeni South	23/01/2015	Member of County Assembly
36	Nancy Wanja Njeru	23221225	Kyeni South	23/01/2015	Member of County Assembly
37	Kiwah Mulwa Daniel	23338210	Makima	23/01/2015	Service Board
38	Caroline Wanza Nguni	31582062	Makima	23/01/2015	Service Board
39	James Munyi Ngari	23537598	Makima	26/01/2015	Service Board
40	John Nyaga Njiru	22383854	Mavuria	2/2/2015	Member of County Assembly
41	Lydia Wanja Ndege	21959259	Mavuria	27/01/2015	Member of County Assembly
42	Sabina Mumbu Mbogo	30192879	Mavuria	27/01/2015	Member of County Assembly
43	John Alex Muriithi Njue	29422218	Mbeti North		
44	Cyrus Kariuki Muchina	22859765	Mbeti North	29/01/2015	
45	Alice Waringa Wambugu	25835224	Mbeti North	23/01/2015	

46	Michael Mugendi Ndwiga	29907888	Mbeti North	29/01/2015	Service Board
47	Peter Kariuki Mbaka	10461397	Mbeti South	28/01/2015	Service Board
48	Wilson Munyi Ndwiga	11353173	Mbeti South		
NO	NAME	ID NO.	WARD	DATE OF APPLICATION	APPLICATION ADDRESSED TO
49	Jonathan N. Mugo	10728074	Mbeti South	28/01/2015	Service Board
50	Salome Wawira Nyaga	24870317	Mbeti South	28/01/2015	Service Board
51	Pekerson Kinyua Njeru	28656324	Muminji	26/01/2015	Member of County Assembly
52	Domecrace Wangari Njiru	30583586	Muminji	26/01/2015	Member of County Assembly
53	Mary Wangari Ireri	31253513	Muminji	23/01/2015	Service Board
54	Nicholus Muriithi Njiru	22029938	Muminji	25/01/2015	Service Board
55	Sarah Mueni Nyamai	20685595	Mwea	24/01/2015	The Clerk
56	Alphonse Mwalyo Kaloki	11151082	Mwea	26/01/2015	The Clerk
57	Geoffrey Kiarie Wambugu	22536077	Mwea	24/01/2015	The Clerk
58	Francis Ng'ang'a Irungu	26190492	Mwea		
59	John Nyaga Njeru	22465140	Nginda	24/01/2015	Member of County Assembly
60	Hellen Mukami Njeru	21732702	Nginda	22/01/2015	Member of County Assembly

61	Charles Munene Muriithi	27870920	Nginda		The Clerk
62	Joash Muriithi Mwaniki	25851325	Nthawa	3/2/2015	Service Board
63	Ritajoyrace Nyawira Njeri	26009224	Nthawa		Service Board
64	Peter Nyaga Ileri	22014548	Nthawa	26/01/2015	Member of County Assembly
65	Millicent Wambugi Nguya	27967600	Nthawa	23/01/2015	The Clerk
66	Madrine Njoki Kariuki	23267757	Ruguru/Ngandori	21/01/2015	Service Board
67	Francis John Mugo Njeru	22192995	Ruguru/Ngandori	22/01/2015	Service Board
68	Purity Kagendo Njiru	28502700	Ruguru/Ngandori	22/01/2015	Service Board
69	Collins Ngumo Gakiavi	23508698	Runyenjes Central		
70	Caroline Wawira Njeru	26149595	Runyenjes Central		
71	Jeremiah Kariuki Nthigah	25981054	Runyenjes Central		
72	Harrison Gitonga David	23586848	Runyenjes Central		