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REPUBLIC OF KENYA

THE SENATE

TWELFTH PARLIAMENT - SECOND SESSION

REPORT OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS ON THE INQUIRY INTO THE FINANCIAL OPERATIONS OF-

BOMET, BUNGOMA, GARISSA, ISIOLO, KITUI, LAMU, MAKUENI, MANDERA, MARSABIT, MERU, MOMBASA, NYAMIRA, TAITA TAVETA, UASIN GISHU, VIHIGA, WAJIR COUNTY EXECUTIVES FOR THE FINANCIAL YEAR 2013/2014 (1ST JULY, 2013 TO 30TH JUNE, 2014)

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NOVEMBER 03, 2018

THE SENATE

TWELFTH PARLIAMENT – SECOND SESSION

ADOPTION OF THE REPORT OF THE SENATE SESSIONAL COMMITTEE ON PUBLIC ACCOUNTS AND INVESTMENT ON THE INQUIRY INTO THE FINANCIAL OPERATIONS OF BOMET, BUNGOMA, GARISSA, ISIOLO, KITUI, LAMU, MAKUENI, MANDERA, MARSABIT, MERU, MOMBASA, NYAMIRA, TAITA TAVETA, UASIN GISHU, VIHIGA, AND WAJIR COUNTY EXECUTIVES FOR THE FINANCIAL YEAR 2013/2014 (1ST JULY, 2013 TO 30TH JUNE, 2014)

Adopted by:

1.	Sen. Moses Kajwang'	**Chairman**	.....
2.	Sen. Mithika Linturi	**Vice Chairman**	.....
3.	Sen. Fatuma Dullo	Member	.....
4.	Sen. Wamatangi Kimani	Member	.....
5.	Sen. Kibiru Charles	Member	.....
6.	Sen. Mohamed Faki	Member	.....
7.	Sen. Omanga Millicent	Member	.....
8.	Sen. Ledama Olekina	Member	.....
9.	Sen. (Prof.) Sam K. Ongeri	Member	.....

Date .....

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CHAPTER ELEVEN

BOMET COUNTY EXECUTIVE

The Governor of Bomet, Hon. Isaac Rutto, appeared before the Committee on Tuesday 26th September, Tuesday 11th October and Wednesday 19th October, 2016. The Committee considered the audit queries against the Governor's responses and made recommendations accordingly.

1.1 Inadequate Allocation of Development Expenditure

During the year, the County Executive of Bomet spent Kshs.927,215,878 on capital/development expenditure representing 26% of the total expenditure of Kshs.3,552,909,533 which, however, fall short of the 30% recommended threshold. Failure to allocate adequate funds for development will negatively affect the County's development.

Management Response-

That after reconciliation and verification the county's development expenditure stood at kshs.1,718,490,824 which represent 48% of the total expenditure and thus surpassed the 30% development minimum threshold set by Section.107 (2) (b) of the PFM Act, 2012 as summarized below

DESCRIPTION	EXPENDITURE KES	PERCENTAGE
Operation and Maintenance	1,834,418,709.00	51.6
Development	1,718,490,824.00	48.4
TOTAL	**3,552,909,533.00**	**100.00**

Committee Observation

The Committee observed that:

1. the Auditor general had verified the documentation and was satisfied;
2. that the documents submitted did not adequately address the query as there was no evidence of verification of actual projects commensurate; and,
3. the mitigation by the governor and the challenges in absorption of development fund in the first year of devolution.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared. The committee however, recommends to track the issue in the subsequent financial years.

2.1 Unreconciled Revenue Collections

Section 109 (2) of the Public Finance Management Act requires that all revenue raised is banked in the County Revenue Fund. In addition, Chapter 6.8.3 of the Government Financial Regulations and Procedures requires collectors of revenue to remit, record and bank all monies received intact and prompt latest by the end of the following business day. However, during the period under review, the County Executive collected revenue totaling kshs.221,374,679.65 but only Kshs.194,065,176.80 was banked. The difference of Kshs.27,309,502.85 has not been reconciled, explained or accounted for as detailed in Appendix 7of the Auditor-General's report.

Management Response-

1. That after reconciliation and verification with the auditors, the records maintained in the County office showed that we collected revenue totaling kshs.203, 793,530.84 and banking of kshs.194, 444,682.10 a variance of Kshs.9,348,848.74;
2. That this arose due to timing differences; and,

3. That reconciliation was done of the Kshs.9,348,848.74 and it showed that all revenue collected during the period under question was banked intact.

Committee Observation

The Committee observed that the auditors were satisfied with the explanation of the Governor.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

2.2 Revenue Collection Accounts

The County Executive maintained two revenue collection accounts; Kenya Commercial Bank account No.1143078756 and Cooperative Bank account No. 01141356751900. The account at Cooperative Bank was closed on 4 March 2014 and the balance in the account of Kshs.37,989.85 transferred to the Central Bank of Kenya Account No. 1000171545. However, no reconciliation was prepared as at day the account was closed to confirm the balance at Cooperative Bank before the transfer of funds.

Management Response

1. That the County operated two Revenue Bank Accounts until 4th March;
2. That an analysis was done and a decision was made to close the Cooperative Bank account and remain with the Kenya Commercial Bank (KCB) account since it was accessible to most of their clients; and,
3. That bank reconciliation was done for the closed account and the balance as at the closure were wired to the CRF Account Number 1000171545.

Committee Observation

The Committee observed that *the Auditor General had verified the evidence submitted.*

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

2.3 Un-surrendered Revenue Collection Books

Examination of the Counterfoil Receipt Book Register (CRBR) revealed that miscellaneous revenue collection books issued for revenue collection had not been returned or and accounted for promptly. Sixty books with receipts of undetermined value issued to revenue collection officers had not been returned or accounted for after use by 30 June 2014 as detailed in Appendices 5A and 5B. Further, it was not possible to confirm to whom some books were issued as the issue register was not properly maintained. The column indicating the person issued and the date books were issued was not completed. In addition, revenue collectors were issued with new books before the ones issued earlier had been surrendered.

Management Response-

1. that the County's CRBR did not indicate books returned since some receipt books were not ticked off though they had been surrendered;
2. That this was due to shortage of staff and our CRBR was not properly maintained;
3. That after updating the CRBR it was noted that all receipt books had been returned and all revenues collected thereon properly accounted for.

Committee Observations

The Committee that noted the Auditor General had verified the evidence submitted.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

2.4 Embomos Tea Farm Revenue

The County Government of Bomet took over Embomos Tea Farm previously owned by the defunct County Councils of Bomet and Bureti. The farm measures 343 acres (130.3 Ha) with a tea farm covering 57 acres (27.9ha). On 29 November 2011, the two councils entered into an agreement with Kapset Tea Factory Company Ltd to manage the Tea Farm for three years with effect from 1 July 2011. According to the agreement, the company was to charge a management fee of 7.5% of the gross green leaf value delivered to the factory. The company was to make prompt payment of the dues to the councils for the monthly green leaf delivered and for second annual payment over and above the monthly payment of the green leaf delivered. However, there was no evidence that the company made monthly payments for the monthly green leaf delivered as per the agreement. Documents available indicate that the company paid Bomet County Government Kshs.11,944,584 being net revenue of the farm for 2012/2013 financial year. However, there were no audited financial statements to confirm the accuracy of the amount paid.

Management Response-

1. That there was a contract existing between the defunct Local Authorities (Bomet/Bureti County Councils) and the Agency (Kapset Tea Factory) when the County Government took over Government;
2. That the contract was signed by the two parties on 1st July, 2011 for a period of three (3) years ending 30th June, 2014;
3. That vide a letter of notice dated 23rd May 2014 terminating the contract was issued to the Agency in line with the provision of the contract;
4. That the contract provided that the agent charge 7.5% management fee on annual gross sales value and to remit monthly payments to the Councils; and,
5. That the agent however remitted a total of Kshs.11,944,584.00 being the monthly and annual second payment at the end of their Financial Year.

Committee Observation

The Committee observed that:

1. *the auditors were not satisfied with the response as the factory did not make monthly payments and hence a breach of contract and that it was not possible to verify if the Kshs.11,944,584.00 was all the monies owed to the County Government;*
2. *Noted that the Factory accounts were not audited by the OAG as it was a private company;*

After a subsequent meeting with the Kapset management required to adduce the information that had been requested.

The Kapset Factory management tabled information on:

a) The status of the Contract entered between your Company and the defunct County Councils of Bomet and Bureti on the management of the Embomos Tea Farm on 29th November, 2011;
b) The total amount of green tea delivered to your factory by the Embomos Tea farm since the Contract commenced;
c) The total amount of money paid to the defunct local authorities and subsequently to Bomet County Government on account of the tea delivered;
d) A tabulation of total deductions made from the farms payments including your management fees.

Subsequent Committee Observations

The Committee observed that:

1. the auditors had only seen the documents at the time of the meeting;
2. Directed that Kapset Tea Factory submit their audited accounts for the period under review to the auditors within two days;
3. Further directed that the auditors verify the documents and report back to the Committee on the status of the query given the newly adduced evidence; and,

4. Auditor subsequently reported that the documents were not availed by the factory as directed by the Committee
5. The committee notes that Kapset tea factory failed to submit their audited account for the period under review despite having been given an opportunity to do so. It is therefore not possible to ascertain whether 11,944,584 paid to the county government was the true value due

Committee Recommendation

The committee recommends that the county government reviews the contract and makes it mandatory for the management company to disclose their audited accounts in line with Art 201 (a) of the constitution that say there shall be openness and accountability in financial matters. The Committee further recommends that the CEO and relevant CEC take responsibility for any loss of public funds that may have been incurred in this contract.

2.5 Receipts in Bank not recorded in the Cash Books

A review of the cash books maintained at the County Treasury and bank statements revealed that by the time of the audit, daily revenue receipts totaling Kshs.30,414,779 collected during the year under review were banked directly to County bank accounts but were not recorded in the cash books or captured in the revenue records. No explanation has been provided for failure to record the receipts in the cash book.

Management Response-

1. That all revenue received even if not realized was receipted;
2. That the amounts received in the bank and had not been recorded in the cashbook was due to short timing differences which had subsequently been reconciled; and,
3. That originals of bank statements and the cashbooks had been presented to the Auditors for verification.
4.

Committee Observation

The Committee observed that the Auditor General had verified the evidence submitted and was satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

4.2 Failure to Prepare Bank Reconciliation Statements

A review of cash control and cashbook maintenance revealed that, the County Executive had not prepared bank reconciliation statements for various bank accounts for the period March 2013 to June 30 June 2014. Consequently and in the absence of the reconciliation statements, it was not possible to ascertain the accuracy of the bank and cash balances as at 30 June 2014. No reason was given for failure to prepare the bank reconciliation statements. There is a possibility of cash pilferage without the knowledge of management.

Management Response-

1. That the bank reconciliations for July 2013 to June, 2014 for all the accounts maintained by the County Government had been prepared; and,
2. That the Cashbooks and original Bank Statements had been submitted to the Auditors

Committee Observation

The Committee observed that the Auditor General had verified the evidence submitted and was satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

3.3 Inward Cheques Register

Chapter 6.10 of the Government Financial Regulations and Procedures require that details of all remittances received must be entered in the inward cheques register. However, the County Executive did not maintain an inward cheques register for the period July 2013 to February 2014. It was, therefore, not possible to track inward cheque details including dates the cheques were received, nature of remittance, amount of remittance and date the cheques where banked. Failure to maintain an inward cheque register could lead to misappropriation of funds or loss of cheques.

Management Response-

1. That at the time of audit the county's Inward Cheques Register was maintained but was not up-to-date;
2. That the Register only recorded the Cheques received and respective amounts but other details were omitted;
3. That the County had subsequently updated the Inward Cheques Register to capture all the necessary details: and,
4. That, in mitigation, the anomalies were caused by human resource challenges as those were the formative months of devolution.

Committee Observation

The Committee observed that the Auditor General had verified the evidence submitted and was satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

3.4 Outstanding Imprest

Examination of imprest records maintained by the Bomet County Treasury revealed that temporary imprest totaling Kshs.899,488 issued to officers in various departments of the County Government which ought to have been surrendered or otherwise accounted for on or before 30 June 2014 were still outstanding. Further, some officers were issued with more than one imprest contrary to the regulations governing issuance of imprest. Failure to surrender imprests when they fall due is a pointer to weak financial control which may lead to unauthorized loans and loss of public funds.

Management Response

1. That the outstanding imprests which were unsurrendered as at 30th June 2014 were not long overdue;
2. That the auditor had included as overdue the standing imprests which were normally surrendered at the close of the Financial Year;
3. That all the imprest became due at the close of the Financial Year and were all surrendered; and,
4. That the original vouchers and the cashbook which were used to surrender the imprests were availed for audit verification.

Committee Observation

The Committee observed that:

1. the auditors had verified submitted documents and were satisfied with the response of the Governor;
2. However noted that the submitted annexures were not adequate in responding to the query as they did not include recovery schedules, IPPD printouts and other relevant documents.

3. Auditor subsequently reported that the imprests were surrendered as recorded in the cash book.
4. Not explained why doubled imprests issued to officers

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared. The Committee further recommends the strict adherence to Regulation 93 of the PFM regulations by the County.

4.1 Processing of Transactions in IFMIS and G-Pay

The County Executive did not process all financial transactions through IFMIS as required. Although the IFMIS System had been installed in the County Treasury, it was not adequately utilized to process all financial transactions during the financial year 2013/2014 and some transactions were processed manually. Consequently, the accuracy and completeness of financial data relating to expenditure could not be confirmed.

Management Response-

1. That not all payments were processed through IFMIS and G-Pay;
2. That this was occasioned by the phased implementation of the system by the National Treasury depending on infrastructural capacity, network and trained personnel;
3. That the modules that were operational by then included Plan-to-Budget, ICT-to-Support and Procure-to-Pay;
4. That the matter is cross cutting and even the Summit and IBEC are seized of the matter

Committee Observation

The Committee observed that the Auditor general had verified the documentation and was satisfied.

Committee Recommendation

The CEO and CEC Finance should ensure that all transactions that have financial implications are carried out using IFMIS and officers who violate be punished accordingly failure to which the they shall be held responsible.

4.2 Salary Advances

Section H.10 (1) of the Government Code of Regulations states that an advance of not more than one month's salary may be granted by an Accounting Officer to an officer on permanent establishment when the officer, owing to circumstances beyond his control, is placed in a difficult financial position requiring assistance from the Government. In applying for the advance, the officer should explain in detail the circumstances leading to the situation which he could not have foreseen and therefore planned. However, the County Executive granted salary advances totaling to Kshs.3,991,350 to several officers for various non-emergency reasons such as; offsetting individual bank loans, constructing rental houses, purchase of plots among others. In some cases, officers were issued with more than one salary advance..

Management Response-

1. That the advances were given to officers who had genuine reason, usually emergencies;
2. That the advances were recovered within the stipulated timeframes; and,
3. That the County had since encouraged staff to join cooperatives as a long term measure to this issue.

Committee Observation

The Committee observed that the auditors were not satisfied with the explanation of the Governor as the reasons for giving the advances was not urgent in nature; and that the law was violated.

Committee Recommendation

The responsible CEC should be reprimanded for flouting section 10(H)(i) of the Government Code of Regulations and should always ensure strict compliance with the law

4.3 Repairs of GK Vehicles

The Bomet County Executive paid a total of Kshs.9,429,743 in respect of repair and maintenance of County motor vehicles to various companies. However, notification of motor vehicles defects from respective drivers and inspection certificates for the repairs from the mechanical department were not availed for audit verification. Further, the services and repairs carried out on the motor vehicles were not entered in the respective motor vehicles log books thus making it difficult to confirm whether the work was done.

Management Response-

1. That most of the drivers then were newly employed and had not been trained on government procedures but those who were previously working with the Government or Government entities were able to record defects in the Work Tickets;
2. That although some drivers recorded the defects in the work tickets, the same were not reflected in the Logbooks as best practice since the Transport Manager and Mechanical Engineer had not been recruited to guide the procedure; and,
3. That the original work tickets with defects indicated thereon had been submitted to the auditors for verification

Committee Observation

The Committee observed that the auditors were not satisfied with the response by the Governor as there were no pre and post repair reports by the mechanical department as required; and,

Committee Recommendation

The committee took note of the mitigation efforts by the governor, and recommends that the matter be cleared. The Committee further recommends to review the

implementation status on the matter in subsequent financial years and establish whether the county government is getting value for money.

4.4 Unaccounted for Fuel

The County Executive paid Kshs.18,842,364 to three fuel service stations in Bomet County in respect of the supply of 147,977 litres of diesel and 7,527.57 litres of petrol. The fuel was supplied between 27 August 2013 and 28 April 2014 to the Executive. According to Local Service Orders raised in favor of the fuel service stations, the fuel was usually drawn in small quantities on diverse days. However, no detail orders in respect of fuel requisitioned in small quantities from the fuel stations were availed for audit purposes. Further, the fuel registers availed for audit were poorly maintained and in some cases did not indicate the amount of fuel drawn or the balances after each fuelling. In the absence of detailed fuel orders and properly maintained fuel registers, it was not possible to trace the fuel drawn and entered in the work tickets. This poor record keeping could lead to misappropriation of funds.

Management Response-

1. That although fuel was drawn without the use of detail orders, the system in place then allowed senior officers to authorize the drawing of fuel from the petrol station;
2. That weekly statements from the petrol stations were found to be sufficient for control of bulk fuel purchased since it was being reconciled against the work tickets and the delivery/invoice notes signed by the drivers after drawing fuel;
3. That the senior officers also ensured that all fuel drawn was captured in the work tickets;
4. That Detail Orders were introduced later in FY. 2014/15 and were used to prepare Fuel Registers with running balances

Committee Observation

The Committee observed that:

1. the auditors were not satisfied with the response of the Governor as the circular authorizing senior officers to draw fuel was not availed; and
2. Further noted that the sample Detail Orders submitted to the Committee was inadequate.
3. The committee notes that the county failed to put in place proper controls to ensure accountability in respect to fuel

Committee Recommendation

The Committee directs that the county government documents and implements a policy that will guide this process and that the CEO and the relevant CEC should take responsibility for any loss that may have been occasioned by this disorder.

4.5 Unsupported expenditure

The County Executive paid Kshs.6,066,240 to National Hospital Insurance Fund in respect of support of the aged in Bomet through payment voucher no. 10816 dated 30 June 2014. However, no records were availed to confirm the specific beneficiaries of the payment. Consequently, the propriety of the expenditure could not be confirmed.

Management Response-

1. That the payments were meant for NHIF premiums for the aged persons pursuant to the Bomet County Support for the needy Act; and,
2. That the NHIF acknowledgement receipts, list of beneficiaries had been forwarded for audit verification.

Committee Observation

The Committee observed that the auditors were not satisfied on how the 12, 638 beneficiaries had been identified as no vetting committee meeting minutes had been submitted for audit verification.

Committee Recommendation

The committee recommends that the county assembly ensures that Bomet county support for the needy Act has clear provisions for identification of beneficiaries as well as reporting and accountability mechanism and that the CEO and the relevant CEC should take responsibility for any loss that may have been occasioned by this disorder.

5.1 Lack of Personnel Establishment

The County Executive did not have an approved personnel establishment to indicate the number of the employees required in each category. Further, no evidence was availed to indicate that the County had carried out job evaluation to determine the staff requirements, structure and salaries payable per job. It was therefore not possible to ascertain the optimum number of employees required.

This could lead to over employment and result in a high wage bill.

Management Response-

1. That the County did not have capacity to prepare the personnel establishment structure; and
2. That the County had subsequently adopted a personnel establishment structure.

Committee Observation

The Committee observed that the auditors were not satisfied with the explanation of the Governor but acknowledged that the County had complied after the audit period. That the matter was cross cutting and demanded a global approach in handling it.

Committee Recommendation

The committee recommends strict compliance of the SRC guidelines on salaries and remunerations and the provision of PFM Act 25(1) (b) that puts a ceiling of 35% on county wages.

5.2 Staff Salaries and Allowances

A comparative analysis of the monthly payrolls for the period 1 July 2013 to 30 June 2014 revealed that there was an unproportional increase in monthly salaries and personal emoluments. The increase has not been explained.

Management Response-

1. That the County Government continued receiving devolved functions in a piecemeal manner from the National Government;
2. That the increase in salaries was occasioned by continuous engagement of New staff through the County Public service board; and,
3. That the transfer of staff by the National Government was in a " block" approach and hence was difficult to submit a deployment schedule at the time of audit.

Committee Observation

The Committee observed that:

1. auditors were not satisfied with the response by the Governor as the details of deployment of officers to the respective department was not provided for verification; and,
2. the matter was cross cutting among many counties and demanded a global approach in handling it.

Committee Recommendation

The Senate should push for full transfer of functions and should ensure that costing for devolved functions is done and funds follow functions.

5.3 Expenditure on Casual Wages

Examination of expenditure records disclosed that the Director of Roads and the Town Administrator incurred expenditure totaling Kshs.5,716,950 on casual wages during the period under review. However, there were no records to show how the casuals were hired, the work for which they were hired or their terms of engagement. Further, no returns including signed master rolls were provided for audit verification to confirm the existence of

the casual workers. In the absence of the above records, the propriety of money spent on casual wages could not be confirmed.

Management Response-

1. That casual wages were paid for the casual workers involved in bush clearing and other activities;
2. That the vacancies were advertised locally through posters, barazas and administration offices at ward level; and,
3. That the original muster roll had been submitted for audit verification.

Committee Observation

The Committee observed that the Auditor General had verified the evidence submitted to their satisfaction

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

6.1 Purchase of Water Meters

In February 2014, the County Executive spent Kshs.11,984,080 to purchase 2,300 water meters from a Nairobi based Ironmonger Company. However, it was noted that the purchase had not been budgeted for and the procurement was not in the County Ministry of Water annual work plan for 2013/2014. Further, there was no counter receipt vouchers (S13) to confirm the receipts of the goods in the stores and issue to the sub counties. An audit verification exercise carried in July 2014 at the store of the Ministry of Water disclosed that 1,010 units of waters meters were still lying in the stores.

Management Response-

1. That the meters procured was in line with the Department of water work plan for water supply to new clients and to fix existing meters;

2. That all meters had been received through s13 and s3 cards duly updated; and
3. That the balance of 1010 meters in the stores at the time of audit were subsequently issued.

Committee Observation

The Committee observed that the Auditor General had verified the evidence submitted to satisfaction.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

6.2 Procurements of Miscellaneous Receipts Books

The County Executive spent Kshs.6,008,341 on procurement of printing and supply of various miscellaneous receipt books from two companies. The following unsatisfactory matters were, however, noted.

1. No annual procurement plan and works plan were obtained for audit review;
2. The original quotations used were not availed for audit verifications;
3. There was no report from the Inspection and Acceptance Committee to confirm that the goods delivered were in conformity with the tender specifications as required by the Public Procurement and Disposal Act, 2005.
4. The store records were poorly kept. No specific entries for each delivery of the miscellaneous receipt books indicating a chronological order of serial numbers of each receipt books were entered in the store records making it difficult to confirm delivery of the books.

Management Response-

1. That the County incurred Ksh.6,008,341 in procurement of general office supplies including miscellaneous receipt books;

2. That at the tie of audit the CRBR had not been updated but was subsequently updated; and
3. That the original CRBR were availed for audit verification.

Committee Observation

The Committee observed that the Auditor General had verified the evidence submitted to satisfaction.

Committee Observation

The Committee observed that the Auditor General had verified the evidence submitted to satisfaction.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

6.3 Supply and Rehabilitation of Cooling System at Longisa Hospital

On 14 October 2014, the County Tender Committee awarded a contract for the rehabilitation and supply of a cooling system at Longisa Hospital Mortuary to a Nairobi based Engineering Company at a contract sum of Kshs.3,194,640. The tender award minutes indicated that three quotations had been issued. However, the original quotations used and the tender evaluation report was not availed for audit.

Local Purchase Orders no.1973399 and 1973400, dated 28 October 2013 raised in favor of the company reflected that the contract reference date and quotation/tender date was 05 September 2013.

On 12 March 2014, the Biomedical Engineering Department of the Hospital raised several issues regarding malfunctioning of the cooling system after installation. However, no documentary evidence was provided to confirm that the contractor rectified the defects

identified by the Biomedical Engineering Department. It was, therefore, not possible to confirm that the Hospital received value for money from this purchase.

Management Response-

1. That proper government procurement procedures were adhered to by floating RFQs;
2. That the contract was awarded to M/S Adueduct Controls and Engineering System;
3. That the tender Committee meeting was held on 14th October, 2013 and not as stated in the report of the Auditor-general; and
4. That the Biomedical Engineer certified that the defects were rectified.

Committee Observation

The Committee observed that the Auditor General had verified the evidence submitted to their satisfaction.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

CHAPTER TWELVE

BUNGOMA COUNTY

The Governor of Bungoma County Hon. Kenneth M Lusaka appeared before the Committee on Wednesday 10th August and Thursday 18th August, 2016. The Committee considered the audit queries against the Governors response and made recommendations accordingly-

1.0 Oversight and Governance Structure

Section 155(1) of Public Financial Management Act, 2012 requires County Government entities to maintain appropriate internal auditing arrangements for conducting internal audit according to the guidelines of the Accounting Standards Board. In addition, Treasury Circular No.3/2009 provides that all accounting officers should develop and implement an institutional risk management policy framework in the public sector.

The Chief Internal Auditor has prepared a draft Internal Audit charter that is awaiting audit committee approval before adoption by the county executive. The management has not established an audit committee as required by the law. In addition, a risk management framework and policy to guide the achievement of strategic goals and objectives has not been developed and implemented

The internal audit department may not be appropriately and effectively constituted to discharge its oversight mandate over the governance of the office.

Management Response

1. The draft internal audit charter is awaiting audit committee approval before adoption by the entity

2. **County Government has not established the audit committee as required by law**
    - The County Government was awaiting the gazettment of audit committee guidelines – the same was done on 15th April 2016.

- The County Government is now in the process of advertising and recruiting the members of the audit committee as required by the guidelines. The proposal has already been forwarded to the County Public Service Board for processing.

3. **The management of County Government has not developed and implemented a risk management policy framework to guide achievement of strategic goals and objectives**

    - The County Government of Bungoma during the financial year 2015/16 made the first step towards operationalizing the Risk Management Policy Framework. Trainings were carried out and risk assessments were done by the county departments. Entrepreneurship Trainers and Research Consultants assisted the county government to develop the Risk Management Policy Framework.
    - The draft Risk management policy framework is in place pending audit committee review as per section 5.6 of the audit committee guidelines.

The Committee Observed-

1. noted that the Governor submitted evidence in response to the aforementioned audit query by informing the Committee that a draft internal audit charter is awaiting audit committee approval before adoption by the entity.
2. cleared the audit query but asked the County Government to fasten the process.

Committee Recommendations

The Committee having considered and deliberated on the audit query extensively recommends the County Government to implement the guidelines of Gazette Notice No. 40 of 2016 and establish the Audit committees as prescribed. The Committee resolved to review the implementation of the internal audit charter in subsequent financial years.

2.0 Information Technology

The County Executive has not established an Information Technology Strategic and Steering Committee. The management has not implemented an IT strategic plan that supports business requirements and ensures that IT spending remains within the approved IT strategic plan.

The management had not developed a formally documented and approved process to manage upgrades and system changes made to all financial / performance information systems. The backups were not stored in a secure offsite storage facility instead; they are retained within the Information and Communication Technology Office.

There was lack of a formally documented and approved user management standards and procedures in the organization as well as a documented schedule for routine maintenance for IT infrastructure.

Management Response

The county has a draft ICT Policy that is still undergoing stakeholders validation that contains various frameworks to govern specific ICT related operations including software upgrade; new software acquisition; backup policy – outlining how both application and data should be stored both on-site and off-site; user management standards/quality management standards policy; IT infrastructure maintenance Policy; outlines and document how and when the infrastructure should be maintained.

The National Government ICT Roadmap was released in March 2016. Subsequently, the County roadmap has been developed and is under finalization process before being submitted to cabinet thereafter to county assembly for approval.

Once the documents are approved, the guideline will be developed to guide the processes and procedures of ICT matters.

The information systems that were in place that time included IFMIS and LAFORMS had been deployed by National Government which still manages its security aspects.In the meantime, the county is relying on the Guideline from CRA on matters to do with ICT.

Committee Observations-

1. that the Governor submitted evidence in response to the aforementioned audit query and the auditors were satisfied and

2. the County was awaiting for the stakeholder validation.

Committee's Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the national government through the Ministry of ICT, ICT Authority and the IBEC should ensure the implementation of the government's technology enterprise architecture across all counties. The Committee resolved to review the implementation status in the subsequent financial year.

3.0 Human Resource Management

Section 149 (1) of the Public Financial Management Act, 2012 states that an accounting officer is accountable for ensuring that the resources are used in a way that is lawful and authorized; and effective, efficient, economical and transparent.

However, the county executive did not have an approved authorized staff establishment, defined job descriptions and organizational chart that clearly defines the operation structure and reporting lines. They also lacked an approved scheme of service for all grades and entitlements

The county government incurred Kshs.6,422,822.40 as summarized in the table below to pay casual staff. However, there was no policy in place on the selection criteria, terms of engagement and the level of benefit for the various categories engaged.

Summary of Casual Wages

Month	**Amount in Kshs**
Jul-13	252,500.00
Sep-13	252,500.00
Nov-13	257,422.00
Dec-13	493,300.00
Jan-14	1,545,670.00
Feb-14	2,502,635.40

Jun-14 1,118,795.00

Total 6,422,822.40

Management Response

At the advent of the County Governments, the national Government through the Directorate of Personnel Management (DPM) released the proposed Organizational Structure for County Governments. These were succeeded by the optimal staffing levels provided by the Capacity Assessment and Rationalization Programme **(CARPS).**

The County Public Service Board has adopted and approved for use these two structures as we await the finalization of the CARPS.

Policy of Casual Employees:

The County Government inherited a large number of employees from the defunct local authorities, especially in revenue collection. A few others were brought on board at inception of government with technical skills, to minimize on disruptions of services and provide ease of transition while enhancing on service delivery, and responding to citizens high expectations from the County Government. As a mode of compensation, the County Government has since adopted the labour institutions Act No. 12 2007 (437) and Regulations of Wages (General Amendment) Order, 1-5 – 2013 that provides appropriate rates.

Committee Observations-

1. that the Governor submitted evidence in response to the aforementioned audit query and the auditors were satisfied since the County Government had provided the HR Manual and
2. that the Governor undertook to provide more information on the query;

Committee Recommendations

The Committee having considered and deliberated on the audit query recommends that- a) the County Public Service Board should undertake its mandate as stipulated in the County

Government Act, 2012 and come up with a staff establishment that is defined and implemented in concurrence with the County Assembly,

b) the National Government and IBEC should ensure that the Capacity Assessment and Rationalization Programme (CARPS) is concluded and implemented and

c) the County Government should ensure that it complies with the SRC circulars and PFM guidelines on limits of wages and benefits as stipulated in section 107(2) and Regulation 25(1)(a) and (b).

4.0 Unsupported Payments-Kshs.3,500,000.00

Examination of payment vouchers revealed that payments were made to Radio Mambo amounting to Kshs.3,500,000.00 for talk shows for the months between January to June 2014. However, no procurement documents were availed to support the contract.

Management Response

The Governor confirmed that there existed a contract agreement between the county Government of Bungoma (Department of Education, Science and ICT) and Kool Communication Ltd which was signed on 3rd, February 2014 at an amount of Kshs.700,000 per month.

The Committee Observed-

1. *that the Governor submitted evidence in response to the aforementioned audit query and the auditors were un satisfied since the County Government had not provided the Pre-qualified list and*

2. *that the Governor further provided the contract agreement and the Minutes of the tender committee indicating how the firm was identified which was verified.*

Committee's Recommendation

The Committee having considered and deliberated on the audit query recommends that the query be cleared.

5.0 Irregular Direct Procurement-Kshs.25,683,772.25

Section 74 of the Public Procurement and Disposal Act 2005 and section 62 of the Public Procurement and Disposal Regulations 2006 spells out the conditions to be met by a public entity to use the direct method of procurement. The procuring entity is further required to document the reason for using the direct method of procurement. The executive procured goods and services totaling Kshs.25,683,772.25 were procured through direct method of procurement, as opposed to open tender and request for quotations methods. In these procurements, management did not satisfy the requirements for the use of direct procurement method, as prescribed under the Act and Regulations and therefore in breach of the procurement Act and regulations.

Management Response

These transactions happened during the transitional period before properly constituted County Cabinet took over the Government. At that time the responsibilities of financial management and procurement process was still in the hands of sketch County Government by Transitional Authority which has since wound up.

Since then more procurement staff were recruited and seconded to all departments to ensure proper procurement procedures are followed also with e-procurement and appointment of accounting officers to implement procurement compliance requirements

Committee Observations-

1. that the Governor admitted that some documents could not be retrieved on the aforementioned audit query and the auditors were un satisfied;

2. the mitigation measures taken by the governor and subsequent verification by the auditor; that indicates the delivery/performance of the procured goods and services amounting to Kshs.25,683,772.25 were availed; and

3. that there was a breach of Public Procurement and Disposal Act.

Committees Recommendations

The Committee having considered and deliberated on the audit query recommends that the CEO and the head of the procurement unit take responsibility for any loss of public funds that they may have been occasioned by the breach of Public Procurement and Disposal Act.

6.0 Procurements Through Imprests-Kshs.2,723,418.00

Review of payment vouchers revealed that members of staff were advanced imprest for purchases of various items against financial regulations amounting to Kshs.2,723,418.00 .

Management Response

The County has put in place the measures to control the use of imprest on low value procurements. Before an imprest is issued it has to go through procurement department to check if there are any procurable items. In the case of Low vale procurements, an officer in procurement unit will be responsible for getting an imprest in instances where this will ensure Value for money is achieved through direct purchase

Committee Observations-

1. that the Governor submitted evidence in response to the aforementioned audit query and the auditors were un satisfied,
2. that the Governor further undertook to provide more information on the query; and
3. that the supporting documents that indicates the delivery/performance of the procured goods and services amounting to Kshs.2,723,418.00 have since been availed.

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends that the matter be cleared but the County Government be reprimanded for using imprest for procurement of goods and services in contravention of the Public Finance Management Regulation 93.

7.0 Irregular Variation in Contract Prices

Regulation 31 of the Public Procurement Rules and Regulations, 2013 requires that the cumulative value of all contract amendments shall not increase the total contract price by more than twenty five percent from the original contract sum. Examination of tender documents relating to the partitioning works for county executive offices revealed that the original contract was varied upwards by 70% instead of 25% as required by the procurement regulations. The original contract sum awarded to M/S Mukokwe Enterprises was Kshs.8,379,065.12 which was later varied upward to Kshs.14,216,324.32 a difference of Kshs.5,837,259.20.

The contract amount for the pediatric ward was also varied upwards by 90% from initial cost of Kshs.13,233,381.00 to Kshs.25,030,279.36 by Kshs.11,796,898.36.

The construction of Kopsiro Model Health center was started in the year 2009 as part of the economic stimulus projects. The contract was awarded to Ramagon construction company on17.12.2009 at a contract price of Kshs.16,200,000.00. The contract price was latter on varied to Kshs.21, 200,000.00 which is 30.86% of the contract price. It was also noted that the contractor was issued with two completion certificates on 25.02.2011. However the contractor made a claim to be paid Kshs.7,220,651.52 for extra works which was paid by the county Government making the total cost of the project to Kshs.28,420,651.52 resulting to the total variation of the project to 75.44%. The county government may have lost Kshs.24,854,809.08 arising from irregular contract variation.

Management Response

(i) Partitioning of the county executive offices was varied upwards by 70% instead of 25%.

It is true there was a variation that was neither approved nor paid; the variation was as a result of verbal instructions given to the M/s Mukokwe Enterprises. Therefore, there is no money that was paid to this contractor in regard to this variation.

(ii) Contract for pediatric ward was varied upward by 90%

This was a National Government project initiated in October, 2012 and completed in February, 2014 since then, the contractor was not ready to hand over the project until he is fully paid by the National Government. This is the time the county government stepped in to pay the pending bill from the National Government so that the facility be in operation.

(iii) Construction of Kopsiro Modern Health Centre was varied by 75.44%

It noted that this project was an economic stimulus project initiated in 2010 by the National Government and completed in February 2011. At that time there was a pending bill that needed to be paid before the contractor could hand over the project. There were several correspondences between the contractor and the Ministry of Health Services (by then under National Government) on how the payments will be done. It was later realised that the National Government was not ready to pay the balance, yet the health facility remained unutilized. The County Government took the decision to settle the bill so that the facility could be in use to reduce the congestion in the health centre. Therefore, the County Government was not involved in any procurement or variation process, all these were done by the National Government. The county just stepped in to clear a pending bill.

Committee Observations-

1. that the Governor submitted evidence in response to the aforementioned audit query that the county government had reversed the funds but the auditors were un satisfied since the County Government had not provided any documentation to this effect;.

2. that copies of the bank statement indicating payment of Kshs.8,104,645 to M/S Mukokwe Enterprise relating to Partitioning of County Executive Office has been availed and verified;
3. a copy of the bank statement indicating payment of Kshs.3,513,762.20 to M/S Butalink General Contractors relating to pediatric ward has been availed and verified.
4. a copy of the bank statement indicating payment of Kshs.7,220.651.52 to M/S Ramagon Construction Company relating to Kopsiro Health Centre has been availed and verified;
5. that there was a breach of regulation 31 of the Public Procurement and Disposal Act and the attendant Regulations;
6. that undocumented contract variations beyond the set limit has the effect of inflating accounts payables thereby denying citizens much needed services ;and
7. that the governors mitigation but is not satisfied that this repatriates the irregular variations.

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends that the county government should issue written instructions to disqualify the variation claims and that the CEO and head of Procurement Unit take responsibility for any loss that the county might have incurred as a result of the said variations.

8.0 Payments for Un-Delivered Goods-Kshs.17, 452,397.00

Section 149(2)(d) of the Public Financial Management Act, 2012 requires the accounting officer of County Government to ensure that all contracts entered into by the entity are lawful and are complied with.

Payment amounting Kshs.14, 728,397.00 in respect of a coffee mill to Bungoma County Cooperative Union Limited could not be ascertained as a visit to the proposed coffee factory at Chwele Sub County during the month of July 2014 revealed that the coffee mill has not

been assembled, one year after it was delivered on 26th July 2013. We could also not verify existence of the coffee mill as the parts were alleged to be in the sealed container.

Public funds totaling Kshs.17, 452,397.00 may have been lost through payments for undelivered goods

Management Response

1. That the County paid for the balance of the mill under the support for cooperative development in the County;
2. That at the time there was a lack of housing structure to install the mill; and,
3. That the Mill was currently installed and had been tested.

Committee Observations

1. that the Auditor general seen the installed machine; and,
2. noted the mitigation of the Governor and and took exception to the inordinate delays in installing the Coffee Mill,

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends that the auditor general to confirm in the subsequent financial year the operation status of the Coffee mill and the CEO and the responsible CEC to take responsibility in the event that public funds may have been lost through the payment of undelivered goods

9.0 Payments for Defective Goods-Kshs.3, 396,000.00

Section 149(2)(d) of the Public Financial Management Act, 2012 requires the accounting officer of County Government to ensure that all contracts entered into by the entity are lawful and are complied with.

Slaughterhouse equipment worth Kshs.2, 396,000.00 was purchased from Chemiatry enterprises. However, a visit to Bungoma sub–county slaughterhouse during the month of

July 2014 revealed that 2 cattle cradles and 1 off-loading platform issued to the slaughterhouse were not in use since they were not in line with the specifications required to handle the tasks for which it was purchased. Further, 8 sterilizers worth Kshs.1, 000,000.00 were purchased from Chemiatry enterprises but had no power surge protectors since they blew off after a short use. Public funds totaling Kshs.3,396,000.00 may have been lost through payments for defective Goods

Management Response

1. That at the time of the Audit, the equipment was not in use but during the visit to to the site to ascertain the real position it was noted that the equipment was in use;
2. That the sterilizer and supply of Power surge protector were not part of the order; and,
3. That the sterilizers had since been repaired.

Committee Observations-

Noted that the Auditor General was satisfied with the matter.

Committee's Recommendations

The Committee having considered and deliberated on the audit query n*oted the mitigation of the Governor and* recommends that the matter be cleared.

10.0 Outstanding Imprests-Kshs.34,461,236.00

Treasury Circular No. 3/2010 of 7th May 2010 provides that temporary imprests should be surrendered within 48 hours of officer's return to work station. Imprests amounting Kshs.34,461,236.00 issued to various officers that remained unsurrendered as at 26th February, 2015 and have thus been are held by staff members for unnecessarily long periods.

Management Response

Action was taken on the staff who did not surrender their imprest to recover the amounts from their salaries as per the provisions of the PFM Act 2015. Others were dismissed for misappropriation of funds.

Committee Observations-

1. that the Auditor general had verified the documents and was not satisfied;
2. that the documentation provided by the Governor was not sufficient to clear the Audit queries; and
3. Out of the total outstanding imprests amounting to Kshs.34, 461, 236.00, a sum of Kshs.33,972,752.00 were confirmed to have been surrendered and the surrender vouchers availed and verified.

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends that the CEC Finance should ensure that imprest's are used for the intended purposes only and are surrendered within the timelines as provided for in regulation 93 of PFM regulations.

11.0 Under Collection of Local Revenue-Kshs.2,469,466,990

Estimated collections in the approved budget should be realistic and achievable. The county budgeted to collect Kshs.1,470,854,962. However, review of revenue reports revealed that actual collections were Kshs.182,853,678 representing approximately 12% leading to a shortfall of Kshs.1,288,001,284 and thus facing the risk of failure to meet the expenditure needs.

Management Response-

1. That the under collection was due to an ambitious target for local revenue and AIA estimates for the financial year 2013/14;

2. That the estimates were revised and approved by the County Assembly in the supplementary budget; and
3. That the County had continuously revised their revenue estimates every year to present a realistic position.

Committee Observation

That the Auditor General had verified the documentation and was satisfied with the response.

Committee's Recommendations

The Committee having considered and deliberated on the audit query extensively recommends the following:-

1. CEC Member for Finance to designate persons to be responsible for collecting, receiving and accounting of all revenues as contemplated in section 157 of the PFM Act, 2012,
2. Receiver of revenue to come up with optimization of collection of revenue in the county.
3. The county should set realist and achievable revenue targets.
4. The County should update the valuation roll to be in line with the current market rate; and
5. Recommends the county to allocate at least 30% for development in line with the PFM Act.

12.0 Acquisition of Assets- Kshs.457,556,293.00

The County Government did not maintain an updated fixed asset register consisting of the assets' description, serial numbers, and value at purchase, depreciation value for the year, condition, current value and location for its fixed asset valued at Kshs.580,016,063.00. The amounts Kshs.457,556,293.00 and Kshs.122,459,770.00 relates to the financial years 2013-

14 and 2012-2013 financial years respectively as disclosed in the notes to the financial statements.

In addition, no logbooks were availed for the motor vehicles valued Kshs.53,660,210.00 that were acquired during the year. The title deeds for all the land parcels owned were also not availed for audit verification.

Lastly, no handing over report for the assets taken over by the County Government of Bungoma from the defunct local authorities was availed.

Management Response-

1. That the County did not maintain a fixed asset register;
2. That the County had since developed draft register and had submitted a soft copy of the same;
3. That the defunct Transitional Authority had delivered a register that was not comprehensive; and
4. That the County Government had initiated the process of engaging a consultant in the FY 2016/17 to finalize the details of the assets and enable the county establish and maintain a comprehensive asset register.

Committee Observations

1. that the Auditor general had verified the log books and were satisfied and
2. that the county government did not maintain a fixed assets register which could expose the entity to loss of assets

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends that the CEO and the responsible CEC Member should ensure that assets are managed in line with section 153 of the PFM Act failure to which they should take responsibility for any loss of assets that may be occasioned by their negligence.

CHAPTER THIRTEEN

GARISSA COUNTY EXECUTIVE

The Governor for Garissa, Hon. Nathif Jama appeared before the Committee on Monday, 1st and Wednesday 17th August, 2016. The Committee considered the audit queries against the Governor's response and made recommendations accordingly.

1.1 Cash Book

An audit of the cash book for the Garissa County Operations revealed that the cash book was not properly maintained. It was not balanced off and the cash book was not checked by a senior officer on daily basis as required. Further, there was no cash book maintained for the payroll account.

Management Response

The Governor presented as follows:

1. That the cash book was well maintained but not regularly checked by a senior officer due to inadequate staffing levels;
2. That the County had since employed accountants and the cash book was regularly checked by a senior officer;
3. That a cashbook for the payroll account has since been opened and is checked on a daily basis by the principal accountant; and,
4. That the County had since rectified the situation and employed qualified staff.

Committee Observations

1. observed that the auditors noted that the query could not be rectified retroactively but the County had since rectified it after the audit period; and,
2. Noted the mitigation of the Governor and resolved to clear the query.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

1.2 Bank Reconciliation Statement

The County Government had not prepared bank reconciliation statements for the County Operation account and the County Government of Garissa Payroll Account contrary to Regulation 5.9.2.1 of the Government Financial Regulations and Procedures.

No proper explanation was given as to why the County did not prepare the reconciliation statements.

Management Response

The Governor presented that the said bank reconciliation statements had been prepared and submitted to the auditors for verification

The Committee Observation:-

that the Auditor general had verified the documents and were satisfied with the response provided by the Governor;

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

1.3 Outstanding Temporary Imprest

Examination of imprest records for the Garissa County Executive held at the Garissa County Treasury indicated that imprest totaling Ksh.46,354,232.17 was outstanding as at 30 June 2014. These imprests were outstanding for ten (10) months after the closure of the financial

year 2013/2014. No proper explanation was given as to why the imprests remained outstanding.

Management Response

The Governor presented that all outstanding imprest had since been surrendered and relevant documents had since been submitted to the auditors.

The Committee Observation

The Committee noted that the Auditor general had verified the documents and was satisfied with the response provided by the Governor;

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

1.4 Unaccounted For Funds

A review of the Bank statements of the County Government of Garissa revealed that between 8 April, 2014 and 3 July 2014 a total amount of Kshs.434,000,000 was transferred from the County recurrent A/c no.1000170972 at Central Bank of Kenya to the payroll Account No.0580261674283. The account had a balance of Kshs.34,706,668.61 as on 1 April 2014. The total of all the money transferred into the Account was Kshs.468,706,668.61 during the year. However, a reconciliation for the funds below revealed that an amount of Kshs.170,989,945.02 remains unaccounted since there were no payment vouchers and other documents to support utilization. Although the money was withdrawn from the account in different dates the County Government did not produce any documentary evidence to justify the withdrawals.

Management Response

The Governor presented as follows:

1. That the amount reported as unaccounted for funds of Ksh.170,989,945.02 did not relate to only the financial year 2013/14;
2. That the funds included transfers of Ksh.134,000,000 received after the closure of the 2013/14;
3. That the actual figure would have been Ksh.39,130,699.43; and,
4. That the funds were indeed fully accounted for with relevant documents been transmitted to the auditors for verification.

The Committee Observation

that the auditors had verified the documents and were satisfied with the response provided by the Governor.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

1.5 Bank Overdraft

Examination of the bank statement for County Government of Garissa payroll A/c no. 0580261674283 for the month of June, 2014 revealed that the account had an overdraft amounting to Ksh.1,935,396.82 as at 30 June 2014, contrary to section 119 subsection 4 & 6 of the PFM Act, 2012 which states that an accounting officer of a County Government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the County Treasury or a board of a County Government entity, if any and section B of the same states that anyone who authorizes is liable for full cost.

The overdraft was not supported with any authority and no proper explanation was given as to why the accounts had to be overdrawn.

Management Response

The Governor presented as follows-

1. That it was factual that the County salary account was overdrawn; and,
2. That this had been necessitated by the fact that there was a delay in the release of funds for payment of salaries by the National Treasury.

Committee Observations

1. that the auditors noted that the County Executive had no authority to overdraw the account from the County assembly; and,
2. Noted the mitigation of the Governor and resolved to clear the query.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

1.6 Vote Book

Garissa County Treasury had poorly maintained manual vote books for the F/Y 2013/2014. All payments were not posted to the vote book as required by Chapter 5.5.15(c)(i) and (ii) of the Government Financial Regulations and Procedures. The funds were spent without vote book control and therefore it was not possible to confirm if the budgeted allocation was exceeded or not for each item.

Management Response

The Governor presented as follows:

1. That during the period, the County was transiting from the manual vote book to the IFIMIS system;
2. That due to the fact that the systems were simultaneously used, the expenditures that were not in the manual vote book were captured in IFIMIS; and,

3. That the County had fully transited to the IFIMIS system.

The Committee Observations

that the responses by the Governor did not answer the issue raised in the query

Committee Recommendation

The Committee recommends that the matter be reviewed in the subsequent financial year.

2.1 Unsupported Contract Payments

The County Executive of Garissa awarded contracts totaling to Kshs.322,752,683.35 to various contractors of civil works within the County in respect of 15 No. of projects for the period under review.

Examination of payment vouchers for the expenditure revealed that out of the Kshs.322,752,683.35, an amount of Kshs.177,207,130.21 paid to the contractors for works done had no relevant documentation such as approved budget, project files, bills of quantities for all the firms that bid, minutes of tender committee and other tender documents despite requesting for the documents several times in writing. Further, physical verification was not carried out due to insecurity in the County.

In view of the foregoing, it was not possible to confirm whether proper procurement procedures were followed in the identification and eventual award of the contracts to the various firms which had submitted bids.

Management Response

The Governor presented as follows:

1. That the County had submitted the approved budget, project files, bills of quantities, tender minutes and all other relevant documents to the auditors for verification; and,
2. That the security situation in Garissa had since improved and the projects could be physically verified.

The Committee Observation

That the Auditors had seen the documents with the exception of documents relating to desilting of Malmin water pan, improvement of Bomani road and the fencing of Garissa slaughterhouse;

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that the Auditors conduct a physical verification of the projects as the security situation had improved and report in subsequent Audit reports.

2.2 Unaccounted For Goods

Examination of payment vouchers, quotations and stores records revealed that an amount of Kshs.58,690,320 as reflected in Schedule 3 was spent by County Departments to procure furniture, equipment and catering services, electricity, water bill among others. However, the following unsatisfactory observations were made:-

a) Goods were not taken on charge, some were not even received vide counter receipt voucher (S13) and were not issued out contrary to chapter 18.2 and 18.3.1 of the Government Financial Regulations and Procedures
b) Part of the quotations were not opened and lacked vital information like the quotation number, the date quotations were raised and the date the quotations were returned by the suppliers.
c) Local Purchase Orders/Local Service Orders were raised before quotations were opened this casting doubts if the suppliers were identified in competitive manner
d) There was use of wrong procurement method without regard to the threshold matrix given in the First Schedule of the Public Procurement and Disposal Regulation (amended) 2013 in that quotations were raised to procure goods and services above the maximum expenditure allowed by the same regulation for Class A entities
e) Physical verification carried out on 09 April 2015 revealed that the alleged procured furniture and equipment have not been serialized and coded.

Consequently, the propriety of the expenditure could not be ascertained.

Management Response

The Governor presented as follows:

1. That the stores records had since been updated and goods taken on charge;
2. That all furniture and equipment had since been serialized and properly coded;
3. That at the time of audit the officer in charge of the procurement section, left the County Government leading to the anomalies noted in the audit report;
4. That the County subsequently employed competent staff in the procurement department; and,
5. That the asset register was submitted to the auditors for verification.

The Committee Observation

That the auditors were not satisfied with the Governor's response.

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that the County Government conducts a physical validation on coding and serialization within 90 days of the adoption of this report.

2.3.1 Single Sourcing of Ambulance Hire

The Garissa County Executive incurred Kshs.9,603,352.61 on leasing of seven (7 No) ambulances at a price of Kshs.600,000 per month per ambulance to be stationed at Garissa County with a lease agreement that commenced on 19 March 2014 for a renewable annually. However, it was observed that procurement procedures were not duly followed in the leasing of the Red Cross ambulances. The following irregularities were noted:-

a) The County Government of Garissa did not budget for the leasing of the ambulance services in the financial year 2013/2014 budget and instead the expenditure was charged to medical drugs, there was no explanation as to why the County leased the ambulances without a budget

b) The hiring of the ambulances was not advertised as required by Section 54 (2) of the Public Procurement and Disposal Act, 2005 which requires procuring entity to advertise for tenders at least in a newspaper of nationwide circulation as required by the Act and the threshold provided by the First Schedule of the Public Procurement and Disposal Regulations, 2006

c) There was no evidence to show that, Kenya Red Cross Society, the firm which provided the emergency ambulance services was prequalified to provide hire of ambulances to the County Government. There were no Tender Committee minutes to confirm how the supplier was identified, hence the service was single sourced from the supplier

d) There were no original invoices and contract agreement and therefore, the payments were made on the strength of a photocopy of an invoice and contract agreement from the supplier

e) The copy of the contract agreement used for the payment was signed by the Governor of Garissa on behalf of the County Government and the secretary general of Kenya Red Cross Society signed on behalf of the Red Cross Society of Kenya

f) There was no LSO raised for the ambulance services and instead a letter from the emergency coordinator was used to make the payments

g) There was no log sheet for daily and monthly mileage for the ambulances to show that the ambulances provided emergency medical services for the period paid for

h) It was further noted that the County Government of Garissa owns 11no. ambulances that are serviceable and in use inherited from Central Government Health Department.

The cost for the total ambulances hired amounting to Kshs.9,603,352.61 paid to Kenya Red Cross Society could have been used to equip the County's own ambulance hence the payment made for the hire of ambulances was not necessary and economical.

Further, if the contract is fully implemented up to the end of six months then the County Government would spend an amount of Kshs.25,000,000 which could have been used for other developments.

Management Response

The Governor presented that the matter was a matter that was active in court and hence any discussion on the matter was *sub-judice*.

Committee Recommendation

The Committee having considered and deliberated on the audit query stood the matter down pursuant to standing order 98 (2) of the Senate Standing Orders.

2.3.2 Leasing/Hire of Motor Vehicle

Examination of payment vouchers, automobile lease agreement and other tender documents relating to hire of vehicles revealed that the County Government of Garissa spent Kshs.6,082,000 on lease/hire of vehicles.

However, the car hire service was not sourced competitively since there were no request for quotations raised and the few that had request for quotations were not evaluated to show that the lowest evaluated bidder was indeed awarded the contract.

Temporary work tickets were not maintained for the hired vehicles and therefore it was not possible to confirm if the vehicles purported to have been hired were used for official duties.

Some of the invoices used for the payment did not indicate the specific period the car hire services was rendered as it only showed total no. of days the vehicle was hired.

There were no contract agreement entered into by some of the vehicle owners and the user department contrary to Section 68 (3) of the Public Procurement and Disposal Act, 2005 and it was further noted that there were no LSO's raised by the departments for the car hire services as required by Government Financial Regulation and Procedures.

Management Response

The Governor presented as follows:

1. That the County Government used RFQ method;
2. That temporary work tickets were issued for use by the vehicles; and
3. That lease agreements and were used as the contract document instead of LSOs.

The Committee Observation

That the auditors had verified the documents and were satisfied with the response provided by the Governor; and

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

2.3.3 Charter of Aircraft

The County Government of Garissa hired a Cessna 208 from Freedom Airline Express Ltd of P. O Box 24362 Nairobi at a cost of USD 17,200 at an exchange rate of Kshs.91.75 per dollar amounting to Kshs.1,578,100 to ferry the Governor and County Government officials from Nairobi to sub counties namely Liboi, Daadab, Modogashe, Hulugho, Masalani, Balambala and back to Nairobi between 30 May 2014 to 31 May 2014. However, the following anomalies were noted:-

a) The service was single sourced from the supplier as there was no request for quotations raised to procure the same competitively
b) No LSO raised for the service, and payment was supported with a photocopy invoice from the supplier
c) No programme/ itinerary to support the Governor's visit to the sub Counties. Further, it was not possible to confirm whether the Governor and the other County officials were indeed ferried to the destinations
d) There was no manifest/ list to confirm the names of the County Government officials that were with the Governor during the visit of the sub counties

In view of the foregoing anomalies it was not possible to confirm if the journeys were actually undertaken.

Management Response

The Governor presented as follows:

1. That the procurement of the services had been done through request for Quotations;

2. That upon award, LSOs were raised for the procurements of the services; and
3. That an airline manifest was an internal document and hence the county could not obtain the same.

The Committee Observation

The Committee noted that the auditors had verified the RFQ, LSO, List of officers and minutes and were satisfied with the explanation of the Governor;

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

2.3.4 Procurement of Legal Services

Examination of Payment vouchers and other records revealed that the County Government of Garissa hired Musyoki, Mogaka and advocates and Ahmednasir, Abdikadir and Co advocates to provide legal services to the County Government. The legal services were not competitively procured as there was no request for quotations to source for the services competitively as required by procurement law. Further, both firms were hired and paid for the same services rendered for Judicial Review No.147 of 2014. No explanation was given for engaging and paying two law firms for the same case as the fee note for Ahmednassir, Abdikadir was dated 24 April 2014 where as the one for Musyoki, Mogaka advocates was dated one day later i.e. 25 April 2014. There was no evidence of the determination/ruling of the case to justify that the services were rendered.

Management Response

The Governor presented as follows:

1. That the procurement was done through direct procurement method necessitated by the removal of the County Public service board from the office by the County Assembly on 9th April, 2014;

2. That the County tender Committee approved the need for direct procurement under the circumstances; and,
3. That the matter was still active in court.

Committee Observation:-

that the auditors had not received tender Committee minutes and the replying affidavits by the lawyers and hence were not satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that the Governor be reprimanded for non-submission of documents.

2.3.5 Payment for Rental Services

Examination of payment vouchers and other supporting documents held at County Treasury of Garissa revealed that the County Executive of Garissa made payments totaling to Kshs.4,206,200 to various landlords for provision of rental premises for office use and for residential for the three (3) months ended 30 June 2014.

However the following observations were made:-

a) There was no evidence to show that some of the rental premises were competitively procured as required by government regulations as there were no request for quotation raised for the services and in some instance where request for quotation method was used, it was observed that the quotations were opened on same day that is 20 December 2014 at 8.00am. The quotations were not evaluated to confirm that the lowest evaluated bidder was awarded the contract as required by procurement law and regulations
b) Most of the premises were leased without inspection and valuation report from department of housing to verify the condition of the premises and recommend rent to be paid

c) Most of the services were provided without the County Government raising LSO for the services as required by Government Financial Regulations

Management Response

The Governor presented as follows-

1. That the premises were competitively sourced through request for quotations;
2. That procurement Committee agreed to report to work at 7 am because one of the identified landlords wanted to travel out of Garissa;
3. Inspection and valuation were done by the housing department; and,
4. The departments used lease agreements instead of LSOs.

The Committee observation

1. That the auditors were not satisfied with the explanation as to why the RFQs and the opening of the same had been done on the same day; and
2. That the procurement laws were flouted.

Committee Recommendation

The Committee having considered and deliberated on the audit query, taking into account the mitigating circumstances, recommends that the responsible procurement officers be reprimanded.

2.3.6 Procurement of Security Services

The County Government of Garissa made payments totaling to Kshs.313,200 to Ash Security Services of Box 343 – 70100 Garissa being payment for security services provided to department of commerce, trade and cooperative development during the month of February and March 2014. However, the following observations were made:-

a) Although request for quotations were raised to procure the services, it was observed that the quotations were flouted on different dates to the three (3) firms i.e. ASH security services and Sode Security Services on 13 February 2014 and the third bidder

– IDAR security services on 13 May 2014. It was not clear why the quotations were not raised on the same dates

b) It was observed that request for quotations for ASH security services the firm which awarded the contract was returned on 14 May 2014 and opened on 14 February 2014, an indication that the quotation was raised as formality after the services had been procured

c) Agreement to provide the security services was signed between the department of commerce and ASH security services on 28 September 2013 before even the request for quotations were flouted on February 13, 2014 hence there was no valid agreement entered into for the provision of the security services. Consequently, it was not possible to confirm if the services were sourced competitively.

Management Response

The Governor presented as follows:

1. That the County Government used RFQ method from prequalified firms on 13th February, 2014;
2. That the quotation template for M/s IDAR security was erroneously dated 13th May, 2014 instead of 13th February, 2014;
3. That all RFQs were returned and opened on 14th February 2014 but the quotation for Ash Security Services was dated 14th May, 2014 instead of 14th February, 2014;
4. That the errors were regrettable.

The Committee observations

That the auditors had verified the documents and were satisfied with the response provided by the Governor with the exception of the inconsistencies in the dates.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

2.3.7 Payment for Consultancy Services

M/s Shape Africa Limited was engaged and paid Kshs.1,997,105 by the County Government of Garissa to develop a sectoral strategic plan for department of culture, social welfare and children. Request for quotation method was used to procure the consultancy services. However, it was observed that there was no report of the alleged Sectoral Strategic Plan as evidence of work done. It was further noted that there was no invoice from the consultancy firm, therefore it was not possible to confirm whether the service was rendered.

Management Response

The Governor presented that the sectorial strategic plan report and invoice had since been submitted for audit verification

The Committee Observation

That the auditors had verified the submitted documents and were satisfied with the explanation of the Governor.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

2.4 Payments for Fuel

Examination of fuel records revealed that fuel worth Kshs.23,748,728.50 was not properly accounted for by the County Government of Garissa. Further, there were no detail orders, delivery notes and work tickets to support the fuel consumption . The LPOs against which the fuel was drawn and paid were not recorded in the register.

In view of the above it was therefore difficult to confirm how the fuel was procured and used.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

4.0 Doubtful Expenditure

Examination of the expenditure of Garissa County Executive revealed that an amount of Ksh.14,717,106.54 as per Schedule 9 was used on various activities during the period under review. This amount of expenditure was incurred through issues of imprest.

However, the following observations were made:-

a) Most of the expenditure relates to trips made by the Governor to the Sub-counties that is Balambala, Modogashe and Dadaab. The payments were supported with schedules showing payment of award of honors to elected leaders, elders, business personalities and professionals. The reason for the payment of award was not stated. There were no cabinet resolutions sanctioning the payment of the honors by the County Government

b) An amount of Kshs.3,100,000 was paid in cash to three hotels in the said sub-counties for the provision of meals to persons accompanying the Governor's tour to the sub counties. The list of the persons provided with the meals was not made available. The catering services were not competitively procured

c) Some of the payment vouchers were not signed by the A.I.E holders and the accountant. It was noted that the payments were not examined and not posted to the vote book

d) The payment of allowances to the Governor and the staff accompanying him were not properly supported. There were no work ticket made available to show the journeys made and in some cases, the dates and location were not indicated

e) Security officers were allegedly paid allowances when accompanying the Governor to the tours. The rank of the security officers, their force number and their job groups were not indicated. Further, some of the security officers were paid Kshs.10,000 per day. The rates paid were abnormal and above their entitlement as indicated in the circular ref.no.MSPS18/2A/(89) of 12 November 2009 on accommodation and

subsistence allowances for officers travelling on duty within and outside Kenya. The highest accommodation allowances according to the quoted circular for someone in Job Group U and V is entitled to Kshs.7,500 in the other areas where Balambala, Modogashe and Dadaab Sub- Counties are included.

In view of the above observations, the Government may have lost funds through irregular claims.

Management Response

The Governor presented as follows:

1. That the payment of Honoraria was to the county's heroes and Heroines during the Kenya at 50 celebrations;
2. That the hotel were single sourced as there was only one hotel with the capacity to handle the scale of works involved;
3. That the payment to the staff accompanying the Governor was properly made; and
4. That the extra allowances for security officers were due to the hostile security situation at the time.

The Committee Observation

The Committee noted that the auditors had verified the documents and were not satisfied with the response provided by the Governor as some of the vouchers submitted were not signed and the extra allowances to security officers was not properly explained.

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that the EACC and DCI investigates the matter with a view to prosecute those culpable and to recover the possible lost funds.

Management Response

The Governor presented as follows:

1. That fuel purchases were recorded in the respective fuel registers; and
2. That fuel was drawn using detail orders and work tickets maintained to support fuel consumption.

The Committee Observation

That the auditors verified fuel registers, work tickets and detail orders and were satisfied with the response of the Governor on the matter.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

2.5 Irregular and Unaccounted For Motor Vehicle Repairs

The County Government of Garissa paid Kshs.4,777,453.85.00 as per **Schedule 7** for motor vehicle repairs and maintenance. However, it was observed that there were no log books and work tickets maintained hence the repairs were not recorded. Further no certificate of inspection was issued by the public works mechanical department indicating the nature of repairs and estimated cost to ascertain whether it is economical to repair the motor vehicle.

Management Response

The Governor presented as follows:

1. That motor vehicle log books (G.P.55) were properly maintained during the period under review;
2. That motor vehicle returns were prepared on a monthly basis;
3. That before any repairs were done the vehicles were prepared and inspection report prepared; and
4. That these were the reports used to float quotations.

The Committee Observation

That the auditors had verified the log books and inspection reports and were satisfied with the response of the Governor;

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

3.0 Unvouched Expenditure

Audit of the cash book for Garissa County Treasury revealed that payments totaling to Ksh.68,297,320 as per **Schedule 8** were paid for various expenditure items such as purchase of drugs, construction of dams, installation of CCTV camera at the Governor's office and construction of emergency centers amongst other .

However, the payment vouchers and other supporting documents for the expenditure were not made available for audit review.

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

Management Response

The Governor presented that all expenditures were properly processed and duly vouched for payments

The Committee Observation

1. That the auditors had verified the documents and were satisfied;
2. That the Governor had submitted the documents late contrary to the Public Audit Act;
3. That some sample vouchers in the annexures of the Governor's response were not clear.

5.1 Unaccounted For Meals and Subsistence Allowances

During the period under review the County Executive of Garissa paid allowances amounting to Ksh.17,699,200 as per Schedule 10 to officers who were performing official duties outside their working stations and meals allowances to officers working after office hours and during the weekends.

Examination of payment vouchers and other records revealed that the payments were not properly supported and the per diem allowances lacked invitation letters to attend workshops/seminars, motor vehicle work tickets to confirm that the officers travelled or a certificate to confirm use of private means. There were no programmes of work/training programmes for either workshops or trainings.

Payments for meal allowances lacked the list of the participants who were bought meals or paid for full board in various Hotels within the County. Some of the County staff paid meals allowances had not signed the payment schedules to acknowledge receipt of money and the nature of duties they were performing to qualify for meals allowances was not indicated. Security officers guarding Governor's and Deputy Governor's residences were paid meals allowances however, the muster rolls to confirm that they actually worked for the days they were paid meal allowances were not made available for audit Verification.

Management Response

The Governor presented that relevant documents had since been submitted to the auditors.

The Committee Observations

1. That the Auditor general had verified the documents and was satisfied with the response provided by the Governor with exception of an amount of Ksh. 5,500,000 which remained unaccounted for; and
2. That the Governor's response did not address the specific issues highlighted in the Schedule of the Auditor-Generals report.

Committee Recommendations

The Committee having considered and deliberated on the audit query recommends that the Governor be surcharged and the County Government recovers the 5,500,000/- which was unaccounted for.

5.2 Payment of Extraneous Allowances

A review of the allowances paid by the County Executive of Garissa revealed that an amount of Kshs.3,060,210 as reflected in Schedule 17 was paid to 32 officers from finance department for a number of months ranging from 4 months to 6 months during the closure of the financial year at a rate of one third of their basic salary. However, there was no any documentary evidence to show under what circumstances it was decided that the officers from finance department should earn extraneous allowances.

Further, the rates used were neither approved by the County Chief Officer for Finance and Economic Planning or Chief Director Personnel and Administration.

In addition, the officers were paid honoraria allowances for the month of June, 2014 and therefore were paid extraneous and honoraria allowances in the month of June, 2014 hence double payment.

Management Response

The Governor presented that the payments of extraneous allowance was approved by the Chief Officer, Finance and Economic Planning

The Committee Observations

1. The Committee noted that the auditors had verified the documents and were not satisfied with the response provided by the Governor as the letter from the Chief Officer bore no personal numbers; and
2. Noted that there was no evidence of recoveries made.

Committee Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the Governor be surcharged and the County Government recovers the funds which were unaccounted for.

5.3 Unjustified Payment of Honoraria Allowances

Examination of Honoraria allowances of Garissa County Treasury revealed that amount of Kshs.2,100,000 was paid through Chief Finance Officer to 35 officers from Finance and Economic Planning Department at a rate of Kshs.2,000 each per day for 30 days during the month of June, 2014. According to minutes of finance and economic planning department meeting held on the 23 May, 2014 vide (Minute 1/2014 - closure of financial year, it was agreed that each member of staff be paid a honorarium of Kshs.2,000 per day for the period (30 days) of the exercise.

The reasons given for paying the honoraria were the following:-

a) All payment vouchers for the financial year 2013/2014 which have been paid must be keyed in the IFMIS
b) All cash books must be updated and reconciled accordingly
c) A board of survey be conducted before end of the financial year
d) Once all vouchers have been passed through IFMIS, all records are produced and actioned appropriately.

By virtue and nature of duties for the officers of finance department is to make sure all payments must be keyed in IFMIS before payments are done, all cash books must be updated and reconciled on a daily basis and be checked by senior officer. A board of survey is normally conducted after the closure of the financial year and in this case the board of survey was conducted on 1st July, 2014 hence the officers did not qualify for Honoraria during the month of June, as they were performing the duties that were paid for through salaries.

It was also observed that the same officers from the finance department were paid extraneous allowances vide payment voucher no.660 of 27/6/2014 for a period ranging between 4 – 6

months without the approval from either the Chief Officer Finance or Chief Director Personnel and Administration hence double payment.

Further, no documentary evidence was availed during the audit to prove that all the 35 officers paid Honoraria actually worked for Six (6) hours a day for 30 days. In view of the above anomalies, it was not clear what criteria was used to justify the payment of the honoraria allowance of Kshs.2, 100,000.

Management Response

The Governor presented that the unjustified payments had been noted and that recovery from the concerned officers had been instituted.

The Committee Observations

The Committee noted that the auditors had verified the documents but were not satisfied as the payments were not justified and prove of recovery was not availed for audit verification.

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that the Governor within 7 days of adoption of this report, provides evidence of the recovered funds failing which the Governor to be surcharged.

5.4 Double Payments of Allowances

Examination of payment vouchers revealed that an amount of Kshs.244,750 were paid to six officers from finance department who were paid lunch allowances and per diem allowances for working outside the normal working hours that is during lunch hours, late evenings and weekends and also per diem for being out of their working station during the month of June, 2014. It was observed that during the same period the same officers were paid Honoraria allowances for 30 days at a rate of Kshs.2,000 thus totaling to Kshs.60,000 for each officer as indicated in paragraph 7.3.

The officers involved did not qualify for both allowances and this led to double payment of Kshs.244,750. No explanation has been given for this double payment incurred by the finance department.

Management Response

The Governor presented that appropriate instructions had been given for the recovery of the double payments from the concerned officers.

The Committee Observations

The Committee noted that the auditors were not satisfied with the responses of the Governor as no documentary evidence had been submitted.

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends the Governor within 7 days of adoption of this report, provides evidence of the recovered funds failing which the Governor to be surcharged.

6.0 Pending Bills

During the period under review, it was noted that records maintained at the Provincial General Hospital indicate that bills totaling to Kshs.13,099,335 as reflected in Schedule 13 relating to 2013/2014 were not settled during the year but were instead carried forward to financial year 2014/2015. The bills related to the recurrent expenditure as indicated in the schedule.

Management Response

The Governor presented as follows-

1. That the unpaid expenditures were incurred by the Garissa Provincial Referral Hospital before the County Government came into existence; and,
2. That the bills had since been budgeted for and paid.

The Committee Observation

The Committee noted that the auditors had verified the relevant documents and were satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

7.0 Payment Made Through Proforma Invoice

The County Government of Garissa paid Kshs.5,051,136 as reflected on **Schedule 12** for supply of goods procured during the period under review on the strength of Proforma invoices. Further, the goods were not received vide S13 and not taken on charge in stores ledger. It was therefore, not possible to confirm whether the stores were procured and delivered. It was also not clear why the goods had to be paid for in advance.

Management Response

The Governor presented as follows:

1. That the payments were for medical drugs from KEMSA, a Government agency; and
2. That some emergency medical suppliers demanded for upfront payment before deliveries.

The Committee Observation

The Committee noted that the auditors were satisfied although the goods were taken on charge after the query was raised and noted that upfront payments were illegal but noted the mitigation of the Governor

Committee Recommendation

The Committee recommends that the Query stands cleared in consideration of the mitigation by the Governor.

8.0 PAYE Deductions

Scrutiny of the bank statements for Garissa County Recurrent Account No. 1000170972 at the Central Bank of Kenya revealed that an amount of Kshs.23, 084,131 was debited in the account by the bank. According to the details in the bank statement the transfer relate to Tax notice by Kenya Revenue Authority as a result of non-payment of Taxes. There were no documentary evidence made available to support the transaction. Further, no explanation was given how the tax liabilities came to exist In view of the foregoing observations audit could not establish the authenticity of the money deducted by the Central Bank on behalf of the Kenya Revenue Authority.

Management Response

The Governor presented as follows:

1. That the deductions were direct debits to the county's CBK account; and
2. That KRA had invoked an agency notice to the CBK to recover unpaid taxes by the defunct local authorities

The Committee Observation

The Committee observed that the County Government had no power over the transfer of the funds as they were debited at source by the National Government.

Committee Recommendation

The Committee recommends that the query stands cleared .

9.0 IT Environment

A review of the IT environment for Garissa County Government revealed that the County has not yet developed or implemented key ICT documents like the Business Continuity Plan

(BCP) and Disaster Recovery Plans (DRP). There was no register in place for recording officers who gained access to the server room, further the County's server room did not have proper environmental controls for fire detections and suppression and the server room was used as an office. The entity does not have IT strategic plan that supports operation requirements of the County.

Management Response

The Governor presented that the County Government had since developed an IT policy

The Committee Observations

The Committee noted that the auditors had verified the policy and were satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

10.1 Lack of Human Resources Manuals and Scheme of Services

The County Government Public Services Board did not developed the requisite manuals for use in the administration of the staff of the County Government. The manuals are important as they guide the board on human resource issues including performance management, annual leave management, job descriptions, payroll management and staff discipline among others. Although it was explained that the county adopted the Public Service Commission Policies on Human Resource, the minutes of the County Public Services Board which sanctioned the adoption was not made available for audit review.

The Governor presented that the County relied on the County Public Service Human Resource Manual for counties developed by the Public Service Commission in May 2013. The County had also subsequently developed County Human Resource manuals.

The Committee Observation

The Committee noted that the auditors had verified the documents and were not satisfied as there were no minutes domesticating the manual to Garissa County; and that it was a policy issue and that there was no loss of funds.

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that the query stands cleared.

10.2 Review of Integrated Payroll and Personnel Database (IPPD) Payroll

The County Executive implemented use of IPPD system. However, analysis of the data revealed the following integrity issues:-

a) **Unauthorized Access of the Payroll**

A review of the IPPD revealed there were 35 staffs as per **Schedule 14** who were not system administrator but were able to create and edit employees' records in the system. This poses a high risk since they can change the data without any authority.

b) **Staff Employed above Fifty (50) Years of Age**

The IPPD Payroll data reflected that Eight (8) staff were employed into permanent and pensionable terms of service when they were over fifty years of age. It was further noted that an officer was employed into permanent and pensionable terms of service when he was 61 years of age, above the age of retirement. The employment of persons above fifty years of age into permanent and pensionable terms of service is against the provision of section E(1) of the code of regulation (Revised 2006) which stipulates that appointment to the pensionable establishment should normally be restricted to officers who will be in a position to complete the Ten Years' service required to qualify for the grant of a pension before reaching the age of compulsory retirement. No explanation was given for the anomaly.

d) **Irregular pin numbers**

Two (2) officers had irregular pin captured in the IPPD system.

e) **Staff earning less than a third Basic Pay**

Scrutiny of the IPPD system showed that five (5) officers were earning net salaries that were less than third (1/3) of their basic pay. This contravenes the government regulations made by the Ministry of State for Public Service Circular Ref. No. DPM 23/5A Vol. XVIII/ (55) dated 25 September 2008, which prohibits officers from over committing their salaries.

Management Response

The Governor presented as follows:

1. That the referred access of IPPD was done before the advent of devolution;
2. That the payroll of the National Government staff whose details were edited had not been devolved;
3. That the staff aged over 50 years were inherited from the defunct local authority and that the regularization of their terms was done in line of their CBA;
4. That the irregular capture of a PIN number had been rectified; and,
5. That the staff who were earning less than a third had committed their pay before the advent of devolution.

The Committee Observations

1. The Committee noted that the auditors were not satisfied with the explanation of the staff aged over fifty years and staff earning less than a third of their salaries;
2. Further noted that the auditors were satisfied with the explanations of the queries on unauthorized access of IPPD and irregular PINS; and
3. Noted that there was no loss of funds.

Committee recommendation

The Committee having considered and deliberated on the audit query recommends that the Query stands cleared.

11.0 Integrated Financial Management Information System (IFMIS)

A review of the IFMIS and G-Pay revealed that the County adopted the use of IFMIS for only two modules viz procure to pay (P2P) and plan to budget (P2B). The rest of the modules i.e Revenue to Cash (R2C), Record to Report (R2R) and ICT to Support (ICT2S) are yet to be utilized. During the audit however, significant delays were noted in the IFMIS system due to the downtime of IFMIS servers which was affects its efficiency.

Management Response

The Governor presented as follows:

1. That during the audit period, only two modules were activated for the counties by the National Treasury;
2. That Revenue to Cash module was activated in 2014/15; and
3. That Record to Report and ICT to Support modules were yet to be activated by the National Treasury

The Committee observation

The Committee noted that the auditors observed that the County had subsequently complied and were satisfied with the response of the Governor.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

12.0 Revenue

Audit scrutiny of the County Appropriation Bill for the Financial Year 2013/2014 revealed that the county Government budgeted an amount of Kshs.150,500,000 as local revenue collection. Examination of revenue records such as cash books and bank statements revealed that a total of Kshs.39,513,178.40 which represent 26.2% of the amount budgeted was collected as at 30 June 2014 giving a balance of uncollected revenue Kshs.110,986,821.6.

No proper explanation was given for the under collection of the revenue. The under collection of revenue can seriously impact the operations of the County executive.

Management Response

The Governor presented that the County could not collect the budgeted amount of Ksh. 150,500,000 as a result of-

1. Delay in the passage of the Finance Bill;
2. Shortage of staff; and
3. Insecurity in the County.

Committee Observation

The Committee noted the mitigation of the Governor and that the auditors were not satisfied with the response of the Governor; and

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that the query stands cleared and that the County Government should put in place mechanism to optimize their revenue collection.

13.0 Non-Current Assets Failure to Maintain Asset Register

The County Executive of Garissa does not maintain permanent and expendable register to record the assets of permanent in nature. There were no inventories of the assets maintained showing description of the items, date acquired, where issued to and the location of the items contrary to chapter 18.5 of the Government Financial Regulations and Procedures.

Management Response

The Governor presented that during the audit period, the County was in the process of coding, serializing and updating the expandable asset register; and that the Transitional Authority had not handed over the Assets and Liabilities hence hampering the County Government efforts on this issue.

Committee Observation

The Committee noted that the auditors had verified the register but it was not updated and coding had not been done.

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that the County Government continuously update their asset registers and furnish them to the auditor.

CHAPTER FOURTEEN

ISIOLO COUNTY EXECUTIVE

1.0 Budgetary Control and Performance

During the year 2013/2014, the County Executive had an approved budget of Kshs.2.78 billion comprised of Kshs.1.74 billion for recurrent and Kshs.1.04 billion for development. The annual revenue for the County Government was projected at Kshs.2.78 billion comprising of Kshs.2.4 billion from the national equitable share, Kshs.360 million from local revenue sources and Kshs.5.9 million as balance brought forward from the previous year 2012/2013. Records made available for audit indicated that the County received Kshs.2.2 billion as the national equitable share and collected Kshs.125 million from local sources. The County Executive spent Kshs.1.784 Billion. The under absorption of funds allocated and under performance in local revenue collection was not explained.

Governors Response

The Governor presented as follows:

- That he concurred on the matter of unrealized revenue from local sources;
- This was due to a slump in the tourism sector;
- The County had also automated its revenue collection which had greatly increased its revenue collection;
- That the disbursement of Ksh. 284,359,059 was received on 26th June, 2014 and hence could not achieve full budget execution

Committee Observation

The Committee:-

- Noted that the Governor had not submitted proof of when the money from the National Treasury got to the County Government;
- That the Governor had not submitted the County Procurement Plan for audit verification

- Issued a disclaimer and gave the Governor one week to submit relevant documentation to the auditors and to the Committee.

Committee Recommendation

The Committee recommends that the County Government be reprimanded by the Senate for late submission of documents and that going forward submission of documents be done timely.

2.0 Internal Control Systems

The finance department had only seven officers a number that was considered inadequate taking into account the fact that they serve both the County Executive and the assembly. Further, there was no internal audit department created so far. In addition, the following weaknesses were noted in the processing of payments:-

- Payment vouchers were not numbered
- The payment vouchers did not have a vote book certificate although they were recorded in the IFMIS system

Governors Response

The Governor presented as follows:

- That all the money was process through the IFIMIS system;
- That the vote book was updated on the system;
- That there is an office of internal audit which generates regular internal audit reports

Committee Observation

The Committee:-

- Noted that the auditors hade verified the information and were satisfied;
- Noted that the Governor had not provided a list of all newly recruited staff in the finance and audit departments;
- Issued a disclaimer and gave the Governor one week to submit relevant documentation to the auditors and to the Committee.

Committee Recommendation

The Committee recommended that the matter may be cleared following the submission of all documentation including the list of all newly recruited staff in the finance and audit departments.

3.0 Foreign Travelling and Accommodation Allowances

The County Executive had budgeted to spend Kshs.13, 797, 605 on foreign travels but spent Kshs.12, 682, 150. This resulted to an under expenditure of Kshs.1, 115, 455 or (8%) of the budgeted amount. Further, no documents were made available for audit to show the countries visited nature of the visits and the number of officers involved. In the circumstances, the propriety of the expenditure could not be confirmed.

Governors Response

The Governor confirmed the said expenditure and submitted supportive documentation for verification.

Committee Observation

The Committee:-

- Noted that the auditors had not seen the tabled documents hence had not verified the same; and,
- Issued a disclaimer and gave the Governor one week to submit relevant documentation to the auditors and to the Committee for verification.

Committee Recommendation

The Committee recommends that the EACC and DPP investigates the office of the Governor for the outstanding Kshs.7,407,823 with a view of prosecuting the responsible persons found culpable.

4.0 Unaccounted for Consultancy Service Expenditure

The County Executive incurred an expenditure of Kshs.2, 805, 500 on 9 April 2014 in respect of legal fees paid to a law firm. However, the payment voucher, legal fee notes and procurement documents were not made available for audit verification. It was, therefore, not possible to ascertain whether any legal services were provided by the firm.

Governors Response

The Governor presented as follows:

- That the County confirmed incurring legal fees paid to Arthur Ingutya for services rendered to the County; and,
- That the necessary supporting documents had been submitted for verification.

Committee Observation

The Committee:-

- Noted that the Auditor general had received and verified the documents and was satisfied; and,
- Resolved to the clear the County Government of that query.

Committee Recommendation

- The Committee recommends that the matter may be cleared.

5.0 Seminar Workshops and Training Sponsorship

The County Executive paid tuition fees for six officers totaling to Kshs.1, 208,800 without complying with the relevant regulations that govern sponsorship or complying with the laid down regulations. Further, there was no training policy or committee that would have established the training needs of the employees of the County Government.

Governors Response

The Governor presented as follows:

- That the County confirmed incurring the tuition fees as indicated totaling to Ksh. 1,208,800;

- The fees were in relation to staff who served with the defunct local authority and approval had been granted vide Finance, staff and general purpose committee, Min.05/FSTGP/SEP/2012; and,
- The County had now constituted a training Committee that considers and approves requests for training.

Committee Observation

The Committee:-

- Noted that the Auditor general had received and verified the documents and was satisfied; and,
- Resolved to the clear the County Government of that query.

Committee Recommendation

- The Committee recommends that the matter may be cleared.

6.1 Under - Collection Revenue

The County Executive had targeted to raise Kshs.360,000,000 from local sources in the financial year 2013/2014. During the period under review, the cumulative local revenue raised by county amounted to Kshs.125 million which was 31.3 per cent of the annual local revenue target. The failure to meet the set target was attributed to reduced tourist numbers leading to a collection of Kshs.84, 772, 849 from the parks against a budget of Kshs.210,000,000. It was also observed that the County Government has not yet appointed receivers of revenue as required by Section 157 (1) of the Public Finance Management Act, 2012. No efforts appear to have been made to enhance revenue collection.

6.2 Un-receipted / Unbanked Game Fees Revenue

As previously reported during the special audit covering the period between March 2013 and June 2013, the Kenya Association of Tours Operators(KATO) was appointed as selling agents for Buffalo Springs and Shaba National Reserves entry tickets through a contract signed with the defunct County Council of Isiolo in February,1995. KATO was to stock tickets, vet the tours operators to whom tickets were sold, submit to the Council an analysis of ticket sales on a weekly basis. KATO was to be paid a commission at the rate of four (4)

percent of the face value of all the tickets. The agreement which was valid for twenty four (24) months up to 2 February, 1997 has never been renewed. But KATO has continued to collect the park revenue ever since without any legal contract. Further, during the period under review, KATO retained Kshs.2, 763, 327 being 4% of the collected revenue Kshs.66,319,853 as the commission. This resulted to an under banking and under reporting of County Government Revenue and Expenditure by Kshs.2,763,327.21. KATO are required to remit all the revenue collected and be paid their commission and not to retain it.

The Committee considered query 6.1 and 6.2 together as they raised similar issues

Governors Response

The Governor presented as follows:

- That the shortfall was due to the slump in tourism in the country due to the travel advisories by source markets;
- That the County had diversified other revenue collection mechanisms and sources to boost revenues since that time; and,
- That the County had also procured an automation system for the county and it had led to revenue collection efficiencies.

On the un-receipted / unbanked game fees Revenue he presented as follows;

- The County was in an agency contract with KATO since 1995 where they collected revenue for the County at a commission of 4%;
- That the amounts reported as under banking was in fact the withheld commission by KATO; and,
- That the agreement was under review with an aim of getting a better deal for the County.

Committees Observation

The Committee:-

- Noted that OAG had seen the agreement but were not satisfied;
- That query 6.1 was not satisfactorily answered and hence remained outstanding
- Issued a disclaimer on both queries and gave the Governor one week to submit relevant documentation to the auditors and to the Committee.

Committee Recommendation

- The Committee recommended that the matter on the Un-receipted / Unbanked Game Fees Revenue be investigated further by the DPP with the view of prosecuting those found culpable.
- The County Government should further, enter a new contract with an automated system which is in conformity with the PFM Act.

6.3 Failure to recognize Payroll Processing Revenue

The County Executive charged payroll processing fee to various banks for check off deductions but these charges were not receipted as county revenue. During the period under audit, Kshs.39,744 had been deducted. Although the payroll processing fee had been recognized as revenue as from 1 April to 30 June 2014, the Kshs.39,744 collected earlier had not been receipted as at the time of audit.

No explanation was given for failure to recognize the fees as revenue.

Governors Response

The Governor presented as follows:

- That the IPPD (Integrated Personnel and Payroll Data) system effected a commission charge on all check off payroll deduction on behalf of lending financial institutions and Saccos;
- That the County experienced a challenge, as there was no legal basis of the amount deducted as it was not provided for in the Memorandum of Understanding between the County and lending financial institution; and,
- That the County had communicated with the respective financial institutions and that the amount would be recovered in arrears.

Committee Observation

The Committee:-

- Noted that the auditors had verified the documents and were not satisfied;
- Directed that the County regularizes the situation before the 2014/15 audited accounts were out.

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors.

6.4 Unremitted Liquor Licensing Fees

Examination of receipt books and records maintained at the Isiolo Deputy County Commissioner's office revealed that liquor licensing revenue amounting to Kshs.2,361,000 was collected from businesses operating within Isiolo County between July 2013 and June 2014. However, the amount was remitted directly to NACADA as revenue collected in respect of licensing and implementing the Alcoholic Drinks Control Act, 2010. The licenses were issued by the National Government instead of the County Government contrary to the constitution as this is a devolved function under Section 4 (c) Part 2 of the Fourth Schedule. The revenue collected by NACADA included application fees of Kshs.105, 000 and license fee of Kshs.2,256,000.

It was not explained why the county government failed to collect the revenue.

Governors Response

The Governor presented as follows:

- That the County Government failed to collect revenue from liquor due to non-establishment of framework for liquor licensing including Liquor Licensing Bills and other relevant Bills
- That the County has prepared liquor licensing bills and liquor licensing fees had been incorporated into County Appropriation Bill; and,
- The exercise of inspection had been undertaken and necessary application fees paid; and,

- That the County had written to NACADA requesting for reimbursement of the amount collected during the period.

Committee observation

The Committee:-

- Noted that the auditors hade verified the information and were not satisfied;
- Noted that NACADA had not reimbursed the money;
- Directed the County to demonstrate efforts made to recover the money.

Committee Recommendation

- The County should pass its own laws for Liquor licensing ;
- Collect money and bank into the County Revenue Fund;

6.5 Long Outstanding Un-surrendered Receipt Books.

Examination of Counterfoil Receipts Book Registers (CRB's) made available for audit revealed that receipt books with a value of Kshs.1,951,000 issued to revenue collectors had not been surrendered. It was also noted that the County continued using the receipt books printed by the defunct Isiolo County Council some of which were printed as far back as 1996. No efforts appear to have been made to have the long outstanding receipt books surrendered and accounted for.

Governors Response

The Governor presented as follows:

- That after a long process undertaken by the defunct County Council, the said receipts books were surrendered for accountability after the affected officers were suspended;
- That the matter was investigated and report taken to the Finance Committee for deliberation and determination, then taken to full Council for adoption;
- That all the revenue outstanding was recovered from the revenue collectors concerned with any unremitted amount recovered through deductions done from their monthly salaries; and
- The revenue collection books have been fully accounted for.

Committee Observation

The Committee:-

- Noted that the auditors had verified the documents and were satisfied with the response of the Governor; and,
- Directed the Governor to submit copies of the County's new receipt books; and,
- Resolved to clear the audit query

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors.

6.6 Cost Sharing Revenue

The County Executive of Isiolo had not taken over the collection of the cost sharing revenue at the Isiolo District Hospital. Revenue totaling Kshs.25,943,982 was collected at the Hospital and spent through the cost sharing system at the District Treasury. Since health is a devolved function, all revenue collected at the hospital should be collected and banked in the County Revenue Fund Account. No explanation was given for failure to collect the revenue at the hospital.

Governors Response

The Governor presented as follows:

- That the Health Sector had been remitting the amount collected as cost sharing to the County Revenue as from July 2014; and
- That earlier revenue collections were made through the District Treasury.

Committee Observation

The Committee:-

- Noted that the auditors had verified the documents and were satisfied with the response of the Governor; and,
- Directed the Governor to submit evidence of the current position; and,
- Resolved to clear the audit query

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors.

6.7 Uncollected Revenue

Examination of credit sales register at the Isiolo District Hospital disclosed that the hospital credit sales were not collected promptly leading to revenue under collections which amounted to Kshs.593,805 as at 30 June 2014.

No explanation was given for failure to collect the amount.

Governors Response

The Governor presented as follows:

- That the amount uncollected Ksh.593, 805/= was part of un reconciled credit sales at the period of the audit. upon reconciliation was carried out, it was noted that the revenue indicated unpaid was actually paid through cheque system as per the listed cheque Nos.:

Creditor	Cheque No.	Amount (Ksh)
EAPC ISIOLO TOWN	100857	7,380.00
MCH NTUMBURI	000337	6,265.00
EAPC ISIOLO TOWN	101338	9,000.00
KISIMA MCH	100222	4,990.00
EAPC ARCHERS POST	100647	8,600.00
ST. PAUL SEC. SCHOOL	1001384	2,180.00
EAPC ISIOLO TOWN	101384	2,010.00

ST. MATHEWS MCK	100410	790.00
KISIMA MCH	100297	1,900.00
EAPC ISIOLO TOWN	101261	10,320.00
KISIMA MCH	100179	9,970.00
MCH ST. MATHEWS	100326	7,220.00
KISIMA MCH	100134	4,740.00
MCH 702 ISIOLO	100517	2,340.00
MCH 702 ISIOLO	100491	5,640.00
EAPC ISIOLO TOWN	101101	3,850.00
EAPC ARCHERS POST	100790	2,350.00
MCH 702 ISIOLO	100469	10,990.00
EAPC ISIOLO TOWN	100912	14,670.00
TOTAL		106,691.00

Committee Observation

The Committee:-

- Noted that the auditors had not received relevant documents and hence were not satisfied; and,
- Issued a disclaimer on the query and directed the Governor to submit relevant documentation within one week.

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors and that the outstanding revenue was banked in the County Revenue Fund following submission of bank statements.

7.0 Cash and Bank Balances

During the period under review, the County Executive operated five bank accounts; one maintained at the Kenya Commercial Bank, one at the Consolidated Bank, Isiolo branch and the three others at the Central Bank of Kenya. No monthly reconciliation statements were prepared for the three accounts maintained at the Central Bank of Kenya (CBK). No explanation was given for failure to prepare reconciliation statements for the three accounts maintained at the CBK.

Governors Response

The Governor presented as follows:

- That the County opened five accounts, three of which are held at the Central Bank of Kenya and one at the Kenya Commercial Bank Isiolo and another with Consolidated Bank which are in operation;
- That the cause for delay in preparation of the bank reconciliation on accounts operated with Central Bank of Kenya was occasioned by unavailability of monthly statements , as well as the fact that this was a new infrastructure introduced to the County whose operation the staff took time acquaint itself with; and
- That subsequently the County began getting the statements in time and had embarked on updating the records including the bank reconciliations.

Committee Observation

The Committee:-

- Noted that OAG had seen the documents but were not satisfied with exception of reconciliation for the audit period; and
- Issued a disclaimer on the query and gave the Governor one week to submit relevant documentation to the auditors and to the Committee.

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors.

8.0 Non Establishment of Emergency Fund

During the period under review, the County Government did not create an Emergency Fund as required by the Public Finance Management Act, 2012. The purpose of an Emergency Fund is to enable payments to be made in respect of a county when an urgent or unforeseen need for expenditure for which there is no specific provision was made in the budget. No explanation was given for failure to establish an emergency fund.

Governors Response

- The Governor presented that although the County Government embraced the importance of existence of such fund, the necessary laws had not been enacted to facilitate its creation and more so it is not mandatory to have it in place as the law allows for its exclusion

Committee Observation

The Committee:-

- Noted that auditors concurred that the fund was not mandatory but important nevertheless; and
- Resolved to make a determination during report writing.

Committee Recommendation

- The Committee recommends that the County Government should establish an Emergency Fund and budget for it as it is important since emergencies can't be projected.

9.1 Non-Reimbursement of salaries paid by the National Government

The County Executive was required to reimburse from its allocated funds salaries for 735 officers' in the devolved functions paid by the National Government. Although the National Treasury circular ref: CONF/MOF.51/08`C'/ (72) dated 4 April 2014 indicated the balance

due as Kshs.251,659,813.00, the list made available for audit by the County Treasury revealed an outstanding reimbursement of Kshs.362,501,029 as at 30 June 2014 thereby creating un-reconciled difference of Kshs.110,891,215 between the amount demanded by the National Treasury and the amount calculated by the County Government. Further, the County Executive only made a payment of Kshs.121,315,311 on 22 April 2014 which had not been acknowledged by the following ministries who had been enlisted as the beneficiaries;-

Ministry Name	**Amount (Kshs.)**
Agriculture livestock and fisheries	19,565,767
Health	89,138,625
Youth	1,934,067
Water	5,423,392
Planning	555,291
Cooperative	1,228,674
Housing	220,170
Trade	274,630
Labour	1,529,790
Lands	1,444,905
Total	**121,315,311**

In addition, it was not clear why the payments were addressed to the ministries instead of the National Treasury which had made the demand on behalf of the National Government or why there were differences between the amount in demand and the records at the Isiolo County Government. The balance had not been cleared as at 30 June 2014.

Governors Response

The Governor presented as follows:

- That the County did pay the refunds for staff salaries paid by the National government; That the payments were done in two tranches, Kshs. 121,000,000 and 56,000,000;

- That this arrangement was done based on the available float in the County's Account at the CBK; and
- That the balance was deducted directly by the National Treasury.

Committee Observation

The Committee:-

- Noted that auditors were not satisfied with the response of the Governor; and
- Issued a disclaimer on the query and gave the Governor one week to submit relevant documentation to the auditors and to the Committee.

Committee Recommendations

- The Committee recommends that the matter may be cleared following confirmation by the Auditors that payment of money was done back to the County Government.

- The matter should be dealt with further with the IGTRC since it's a cross cutting matter on all the Counties.

9.2 Non Remittance of Staff Deduction to the National Government

During the period between January and June 2014, the Isiolo County Executive deducted rent totaling Kshs.849,325 from officers who were in occupation of Government houses. However, the amounts deducted were not remitted to the National Government or receipted as part of the County Government revenue and therefore the accountability of the funds could not be ascertained. There was no evidence that the National Government had surrendered its buildings or its revenue to the County Government to justify the current situation. In the circumstances, the accountability of the deducted amount could not be confirmed.

Governors Response

- The Governor presented that the County had not remitted deduction amounting to Kshs.849,325 relating to rent recovered from staff salaries occupying the houses. This was attributed to the fact that Housing is a devolved service and therefore the costs and benefits arising from such service belonged to the County.

Committee Observation

The Committee:-

- Noted that auditors were not satisfied with the response of the Governor; and
- Issued a disclaimer on the query and gave the Governor one week to submit relevant documentation proving that the money was in the County Government account during the audit period to the auditors and to the Committee.

Committee Recommendation

- The Committee recommends that since the County Government did not submit documentation to the Auditors, this is contrary to the Public Audit Act and should be prosecuted. It then follows that the DPP investigates further.

9.3 Operations without an Approved Staff Establishment

During the period under review, the County Executive recruited County Chief Officers as required by the County Executive Act, 2012 and as per the approved budget. However, the County Government did not prepare or approve its personnel establishment and hence managed its human resource without an approved establishment. Consequently, the adequacy, appropriateness, existence and the necessity to fill the vacancies or the possibility of staff progression was not ascertained. No explanation was given for failure to have an approved staff establishment in place.

Governors Response

The Governor presented as follows:

- That there was no approved staff establishment at the time of audit;
- That the devolved staff and those seconded from the defunct Council were taken over without regard to establishment criteria or variances arising in the various cadres. The County undertook an audit of all personnel under its payroll;
- That this is meant to form a basis for preparing Human Resource Strategy Plan and Human Resource Policy that would be used to develop the staff required in each cadre hence coming up with a Staff Establishment.

Committee Observation

The Committee:-

- Noted that the auditors had verified the documents and were satisfied with the response of the Governor; and,
- Resolved to clear the audit query

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors.

9.4 Management of Personnel Records

Audit of the County human resource records revealed that the County Executive had not established a personnel registry or opened personal files for all seconded staff. All personnel records both open and confidential were kept in an open office with unlimited access. There was no Last pay Certificates for employees who were seconded from devolved departments and are in the County Executive payroll. No explanation was given for the omission.

Governors Response

The Governor presented as follows:

- That there were no operational registry due to inadequate office space;
- That plans were underway to construct personnel registry to address the problem; and
- That in regard to last pay certificate, the personal files for staff devolved from National Government are under custody of the respective National ministries while the details of remunerations were provided through the IPPD (Integrated Personnel and Payroll Data)

Committee Observation

The Committee:-

- Noted that the auditors had verified the documents and were satisfied with the response of the Governor; and,
- Resolved to clear the audit query

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors.

9.5 Unpaid and Unbudgeted for Staff Salaries

Following the implementation of a new Collective Bargaining Agreement that was effected on 1 September 2012 by the defunct County Council, there arose salary arrears and unremitted pension deductions that could not be paid as a result of not being budgeted for during the financial year 2012/2013 of Kshs.50, 211, 728. No explanation was given for failure to pay the salary arrears and statutory deductions.

Governors Response

The Governor presented as follows:

- That several creditors / payables among them unpaid salary increments dating back to FY 2005/2006, 2010/2011 and 2011/2012 amounting to Ksh. 50,211,728.
- That the assets and liabilities that belonged to the defunct local authority as at 27th March 2013, once validated will be transferred to the County Governments;
- That the County had not budgeted for payment of the debt as it was necessary that thorough audit and verification be done to confirm the authenticity of the debt; and
- That staff head count was ongoing to ascertain the actual number of staff inherited from the defunct local authority during the period under review.

Committee Observation

The Committee:-

- Noted that the auditors had verified the documents and were not satisfied with the response of the Governor; and,
- Issued a disclaimer on the query resolved to make a determination during report writing.

Committee Recommendation

- The matter remains unresolved pending the completion of the head count by the County Government and until the Committee receives the report by IGTRC and OAG by 1st May, 2017.

9.6 Irregular Payment of Locum Allowances

Examination of payments made by the Isiolo District Hospital revealed that an amount totaling Kshs.770,000 was paid to various staff in form of Locum allowances to Health workers for working overtime without an approval of the County Executive or the hospital management committee. No explanation was given for the irregular expenditure.

Governors Response

The Governor presented as follows:

- That the amount of Ksh.770,000 revealed as payment made to Health staff in form of locum allowances to Health workers was in respect of staff who were contracted to offer anaesthesis services to the hospital at the time there was a cute shortage of anaesthetists;
- That this was done after the management exhausted all possible avenues to have an extra anaesthesia staff to be posted to the hospital to avert a crisis in emergence theatre cases
- That the hospital took the issue to then Permanent secretary of medical services through provincial Medical Director of Medical Services and sought authority to contract anaesthesia services on need basis; and
- That the rates were deliberated at the EEC AND HMC and HMT Meetings which was approved.

Committee Observation

The Committee:-

- Noted that the auditors had verified the documents and were satisfied with the response of the Governor; and,

- Resolved to clear the audit query

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors.

9.7 Doubtful Appointment

Records held in the human resource department indicated that an Economic Advisor was formerly employed by the Teachers Service Commission (TSC), before his current appointment. However, no records were maintained to show whether he resigned as an employee of the TSC upon his appointment as an Economic Advisor.

In the circumstances, it was not possible to confirm whether the officer was still holding his former position in addition to the new appointment.

Governors Response

- The Governor presented that the officer referred to in the Audit, who was appointed as an economic advisor had confirmed that he did resign from the previous employment and had produced documentary evidence.

Committee Observation

The Committee:-

- Noted that the auditors had verified the documents and were satisfied with the response of the Governor; and,
- Resolved to clear the audit query

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors.

10.0 Information Technology Environment

The County Executive of Isiolo adopted the use of IFMIS and G-PAY in November 2013. The earlier manual transactions were journalized in the IFMIS system. However, it was

observed that direct banking from KATO was not captured in the LAIFOM system creating differences between collections in the LAIFOM system and banking.

In addition, there was no evidence of back up of all the transactions in IT systems, LAIFOM, GPAY, IFMIS or IPPD.

It was not explained why the IT systems were not adequately protected and backed up as required.

Governors Response

- The Governor presented that urgent measures were been undertaken to improve the IT environment. The situation had been occasioned by limited space but new offices were under refurbishment to provide adequate space for IT offices.

Committee Observation

The Committee:-

- Noted that the auditors had verified the documents and were satisfied with the response of the Governor; and,
- Resolved to clear the audit query

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors.

11.0 Non-Current Assets

The County Executive did not maintain a fixed assets register. It still relies on the fixed asset register that was used by the defunct Isiolo County Council. The value of the fixed assets of the defunct local authority as at 28 February 2013 amounted to Kshs.14, 155, 106, 914 as per the audited accounts. In addition it was noted that:-

- The County Executive does not have in place policies and procedures relating to Asset management.
- The assets are not coded.
- Non-Current assets are not physically inspected on a regular basis.

- Ownership documents for land whose acreage is unknown were not made available for audit.
- There was no sharing of assets between the County Assembly and County Executive.

In the circumstances, it was not possible to distinguish which assets belonged to the County Executive and which ones belonged to the County Assembly as both the Assembly and Executive are housed in one building.

In addition, the following assets valued at Kshs.220, 322, 700 were procured during the period under review but were not recorded in the fixed assets register.

Asset Item Amount	**(Kshs).**
Purchase of Furniture and Other Equipment	35,530,053
Purchase of Motor Vehicles and Other Equipment	155,910,319
Construction of Buildings	4,427,508
Purchase of Specialized Plant, Equipment and Machinery	24,424,820
	220,322,700

No explanation was given for failure to maintain a fixed assets register.

Governors Response

The Governor presented as follows:

- That the County inherited several non – current assets from defunct local authority valued at Kshs.14,155,106,914 base on assets valuation conducted by the Council;
- That the County had embarked on verification and validation of assets in order identify all the assets including processing / transferring all necessary ownership documents, a process that was ongoing during the time of audit.

Committee Observation

The Committee:-

- Noted that the auditors had verified the register; and,
- Issued a disclaimer on the query and directed that the register to be submitted to the Committee

Committee Recommendation

- The Committee recommends that since the Auditors had received but the County Government did not submit documentation to the Committee, the Senate reprimands the County Government for late submission of documents.

12.0 Creditors and Payables

The County Executive did not maintain any record of creditors such as creditors ledger or register. Further, as previously reported, the statement of assets and liabilities as at 28 February 2013 prepared by the defunct Isiolo County Council reflected creditors totaling Kshs.165,878,929. However, as at 30 June 2013, the creditor's balances had increased to Kshs.195,229,710 as per schedule made available for audit. In the absence of the creditors' ledger or register, it was not possible to establish the completeness and accuracy of the creditors balance.

Governors Response

The Governor presented as follows:

- That the outstanding creditors / payables as at 28th February 2013 stood at Ksh. 165,878,929 and Ksh.195,229,710 as at 30th June 2013
- That the increase was as result of staff salaries for the month of June 2013 amounting to Kshs.10,655,255, interest and monthly contributions in arrears owed to Local Authority Provident Fund (LAPFUND) Kshs.14,969,472, Local Authority Pension Trust (LapTrust) Ksh.191,982, PAYE June Ksh.3,134,072 and KENAO audit fee Kshs.400,000.

Committee Observation

The Committee:-

- Noted that the auditors were not satisfied with the response of the Governor on the Query; and,
- Issued a disclaimer on the query resolved to make a determination during report writing.

Committee Recommendation

- The Committee recommends that the County Government should have their ledgers up to date to determine the status of their assets and liabilities to help the IGRTC verify this in terms of clear records. In the event that money was lost, it then follows that persons responsible brought to book.

- Further the County Government to operationalize their internal audit.

13.0 Non Establishment of Audit Committee

During the period under review, the County Executive did not establish an internal audit committee as required by the Public Finance Management Act, 2012. The audit committee would have performed various roles which include;

- Understanding and assessing the overall risks the entity is facing.
- Reviewing the adequacy of internal controls that management has put in place regarding financial control, accounting systems and reporting.
- Reviewing the entity's compliance with all relevant legislation and statutory requirements.
- Regular communication with the external auditors and the review of management letter and other reports.
- Review of any significant findings of internal investigations and management response thereto, including the reports of internal audit.
- Overseeing the proper functioning of internal audit in terms of resources, independence; and adequacy of audit procedures.
- Evaluating whether management appropriately addressed material weaknesses in internal control, identified during the year, by internal and external audit.
- Review of the design and implementation of internal control procedures in the entity for major areas including asset, expenditure and revenue management.
- Review of the risk management and related policies

- Review and approve of the scope and the implementation of the internal audit plan.

No explanation was given for failure to establish an audit committee as required by the PFM Act, 2012.

Governors Response

The Governor presented as follows:

- That the county government was yet to form an audit committee;
- That The regulations meant for guidance and operationalization of the audit committee were yet to be finalized and published by the Accounting Standards Board as stipulated by the Act.

Committee Observation

The Committee:-

- Noted that the auditors were not satisfied with the response of the Governor; and,
- Issued a disclaimer on the query resolved to make a determination during report writing.

Committee Recommendation

- The Committee understands that the audit committee regulations were not yet in place and that the County should have worked in line with the PFM Act at that time.

- Now that the Regulations are now in place, the audit committees, they should be operational by 1st May, 2017.

14.0 Failure to take Over Assets and Liabilities of the Defunct County Council

As previously reported during the special audit covering the period between March 2013 and June 2013, the County Executive of Isiolo had not officially taken over the assets and liabilities of the defunct County Council of Isiolo as at the time of audit.

The value of the assets and liabilities of the defunct local authority as at 28 February 2013 amounted to Kshs.14,155,106,914.00 and Kshs.151,880,458.00 respectively as per the

audited accounts. No explanation was given for failure to take over the assets and liabilities of the defunct council.

Governors Response

The Governor presented as follows:

- That the taking over and handing over of the Assets and Liabilities of the defunct Council of Isiolo was not done;
- That this was as a result of the fact that the Transition Authority had not given proper instruction of the way the assets were to be taken over;
- That the staff head count had been completed and bank accounts operated by the County Council closed with balances transferred to County Government account;
- That the property ownership documents had also been obtained for all motor vehicles; and
- That the records pertaining the land ownership were being processed following the constitution of County Land board.

Committee Observation

The Committee:-

- Noted that the auditors were not satisfied with the response of the Governor; and,
- Issued a disclaimer on the query resolved to make a determination during report writing.

Committee Recommendation

- The Committee recommends that the IGTRC should finalize their report and the County Government works in line with their recommendations.

15.0 Debtors

The Receivables/ Debtors balances as at 30th June 2014 were Kshs. 38,804,166 as per Laifom schedule, being plot rates and outstanding rent. Examination of the debtors balances disclosed the following;-

- The County Executive did not age its Debtors.
- There were no demand notes issued to the rent and rate payers.
- The County Executive does not have a policy for debtors

- There were no mechanisms in place to ensure that all debtors paid the outstanding amount totaling Kshs.38,804,166 as at 30thJune 2014

No explanation was given for failure to have a debtors policy in place

Governors Response

The Governor presented as follows:

1. That during the period under review the County processed and issued demand notes;
2. That due to unavailability of contact address of most plot owners most of demand notes were never delivered;
3. That there was a major challenge in conducting the verification of debtors as the board of survey appointed to carry out the exercise was unable to reach most of the plot owners or those found declined to provide crucial information. This has also delayed migration of manual records into the LAIFOM system; and
4. That the County would make extra effort to ensure the correctness and accuracy of the outstanding debts is verified and plot owners register updated and also develop a policy on debtors.

Committee Observation

The Committee:

- Noted that the auditors had received relevant documentation including demand notes and a policy on debtors and were satisfied;
- Noted that the demand notes were issued in April 2015;and
- Resolved to make a determination on the matter during report writing.

Committee Recommendation

- The Committee recommends that the matter may be cleared following confirmation by the Auditors.

16.0 Unvouchered Expenditure

An expenditure totaling Kshs.166,046,039 incurred by the County Executive was not examined as the records relating to the expenditure were taken by the Ethics and Anti-corruption Commission for investigations on 20th and 21st August, 2014 and 18th and 26th September, 2014. The records had not been returned as at the time audit. It was however not explained why copies of the original were not retained for record purposes.

Governors Response

The Governor presented as follows:

- That it is true that vouchers totaling Kshs.166,046,039.00 could not be availed to the auditors for examination.
- He informed the Committee that the reason was that the vouchers had been taken by the Ethics and Anti-Corruption Commission who had promised to produce photocopies to be held by the County in the course of investigation after which they would be returned.
- That by the time the EACC had not produced copies although numerous requests had been made. The county government informed the Committee that they will ensure that the vouchers are availed to the auditors as soon as they are released or copies of the same given back.

Committee's Observation

The Committee Observed that;

- The Governor had not submitted all the documentation to the Auditor General for verification;
- The Committee informed the County Government that all the documentation be deposited with the Committee in two weeks' time; and
- The Committee therefore issued a disclaimer to be resolved during report writing.

Committee Recommendation

The Committee heard from the Auditor General that they received the payment vouchers from the County Government that were earlier with the EACC. They further informed the Committee that the officers who had broken the Procurement Laws were interdicted and the matter in court is expedited and dealt with promptly.

CHAPTER FIFTEEN

KITUI COUNTY EXECUTIVE

1.0 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 9th 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.

Management Response

The Governor presented as follows:

1. That the Board filled the legally established office of the County Secretary (under Section 44 of the County Governments Act, 2012 with officers deemed fit for service Delivery;
2. That being the office in charge of Public Service and taking cognizance of the need for succession planning, the Board resolved to appoint two Deputy Secretaries;
3. That the County Governments Act, 2012 prescribes vetting for the County Secretary and Chief Officers and not their deputies;
4. That the Board advertised for the positions of Deputy County Secretary and fifteen (15) applications were received for the positions;
5. That the short-listing criterion was based on the requirements for the position as advertised. i.e. masters degree, administration experience of over ten (10) years;

Committee Observations

The committee observed that:

1. The position of Deputy County Secretaries is not provided for in the law.
2. The County Public Service Board (CPSB) had powers to establish Human resource establishment at the county with the approval of the county assembly.

Committee Recommendations

1. The Senate discourages establishment of additional staff offices such as the Deputy County Secretary created in Kitui county without justifiable reasons in light of the huge wage bills.
2. The committee directs that the establishment of offices should be done with the approval of the county Assembly as per section 62(2) of the County Governments Act
3. The CPSB should be reprimanded for establishing two Deputy County Secretary positions in the county without following the laid down procedure.

1.1.2 Other Appointments

The Public Service Board (PSB) of the County of Kitui invited applications in the local dailies of Friday 9th 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 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 7th October, 2013.

However, the County Public Service Board in its meeting of 16th 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. 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 25th 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.

Management Response

The Governor submitted that all positions were filled in accordance with the law and a detailed description of each position had been submitted to the Auditor General for verification.

Committee Observations

The Committee observed that:

1. the Auditor general had seen and verified the relevant documents and was satisfied; and
2. Noted that the CPSB ought to have sought authority from the County Assembly in the creation of new positions.

Committee Recommendations

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared. The Committee further recommends to review in subsequent financial years if the necessary mitigation measures were made.

1.2 Overpaid Salaries – Kshs.734,250

Some seven (7) County employees were paid higher monthly salaries than those provided by the salaries commission. The overpayments were as follows;

Officers	Amount (Kshs.)
1. County Secretary	101,120
2. C. O. Lands	123,290
3. Assistant Secretary Administration	68,000
4. Director-Political Advisor	141,480

5.	Director- Economic Advisor	141,480
6.	Deputy County Secretary	123,290
7.	Chief of Staff	35,000
	Total	**734,250**

Management Response

The Governor presented as follows:

1. That it was true that the County had placed seven officers on higher salary scale contrary to the Salaries and Remunerations Commission guidelines;
2. That this was due to the fact that the staff negotiated to retain the salaries they were earning before recruitment;
3. That the scenario had since been corrected and the officers placed in the right grade;
4. That the Salaries and Remuneration Commission later issued guidelines on the same which placed the county secretary at a higher salary scale thus the recovery could not be effected to his salary; and,
5. That the recovery for the other staff was implemented from December, 2014 for Fredrick Kimanga and December, 2015 for the other four.

Committee Observations

The Committee observed that:

1. the documents availed by the Governor did not adequately address the audit query;
2. The committee observed that the County established positions beyond the approved establishment without putting in place proper measures to manage its wage bill.

Committee Recommendations

The committee recommends:

1. The county should comply with SRC guidelines and should not enter into negotiations that alter the recommended salary scales.
2. Any salaries to individuals above the recommended scale should be recovered, failure to which the CEC Finance should be held responsible.

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

The Kitui County Public Service Board (CPSB) had not developed 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 staff are paid hardship allowances while others in the same job group and working in the same station are not paid.

Management Response

The Governor presented as follows:

1. That it was true that a full harmonization of staff scheme of service had not been achieved;
2. That the Kitui County Public Service Board had adopted and used various National Schemes of service which had been approved by the Public Service Commission for various cadres while recruiting county staffs;
3. That staff of defunct local authorities used to enjoy the hardship allowance at the time the county came to being but was stopped in September 2014;
4. That the Salaries and Remuneration Commission (SRC) harmonized hardship allowances but did not issue a circular as to which Counties are hardship areas;
5. That the Board had written to SRC seeking clarification on the same but the county government had stopped the payment of the allowances until the clarification is obtained; and,
6. That the County Public Service Board was carrying out a review on staff establishments for each of the County Departments in order to address any gaps which may exist in relation to staffing.

Committee Observations

The Committee observed that:

1. the auditors were not satisfied with the evidence given and hence the query remained outstanding;
2. relevant documents like the Board minutes had not been submitted to the auditors.

Committee Recommendations

The committee recommends-

1. Kitui county government and SRC should work together to develop a harmonized scheme of service for the county,
2. The completion and implementation of Capacity Assessment and Rationalization of the Public Service (CARPS) framework.
3. The matter remains unresolved, to be reviewed in the subsequent years.

2.1 Maintenance of cashbooks

The cash book at the County Treasury for the Development Account No. 1000170638 was not posted serially. The entries of the expenditures were not serially posted as per the dates when transaction took. As such, no meaningful reconciliations could be performed.

Management Response

The Governor presented as follows:

1. That the cash books are now being maintained properly as per the auditor's recommendations; and,
2. That the entries of the expenditures are since been serially posted according to the G PAY and date when transaction took place

Committee Observation

The Committee observed that the auditors had received and verified the relevant documents and were satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

3.0 Use of Accountable Documents

The County Government of Kitui obtained two LPOs and one 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.

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.

Management Response

The Governor presented as follows:

1. That the Kitui county government initially borrowed LPOs and LSOs from the Kitui district treasury where a counter foil receipt register was being maintained due to the fact that the county structures were not in place;
2. That normally the LSO/LPO books were issued only one at a time but in some instances when raising several LPOs/LSOs at the same time the County requisitioned for extra books;
3. That the county had changed this and currently procures its LPOs and LSOs from the government printer and they are properly managed from a central place.

Committee Observation

The Committee observed that the auditors were not satisfied with the Governor's response as the booklets had not been availed for verification.

Committee Recommendation

The committee agrees with the Auditors finding and recommends that the CEC finance takes personal responsibility for any loss that may have occurred by the unrecorded LPOs in line with Section 149 (2) of PFM Act.

4.1 Acquisition of Motor Vehicles

The County Government of Kitui procured motor vehicles for its senior officers, without adherence to the policy guidelines given by SRC. The vehicles exceeded the approved engine capacity of 1800cc. The management procured two (2) new Nissan Pathfinder 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.

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 30th 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.

Management Response

The governor presented as follows:

1. That the county did purchase double cab pickup for use by the county CEC members;
2. That the fact that the vehicles have a high cc rating compared to the rating provided by the SRC circular ref SRC/TS/CGOVT/3/61 dated 20th August, 2013;
3. That the County had purchased the vehicles before the circular was issued;
4. That Local Purchase Order number 1740537 for purchase of these vehicles was issued on 12th June, 2013 long before the SRC Circular was issued;
5. That it was true that open tender was not used;
6. That during the procurement period, the Mitsubishi Fuso tipper trucks were new in the local market and Simba Colt Motors had applied for their inclusion in the Supplies Branch contract which had not been approved at the time of the purchase;
7. That the County used the price the dealer had requested for approval by supplies branch for the contract and negotiated for a cheaper price; and,
8. That the county ministry of lands and infrastructure preferred the Mitsubishi Fuso Tipper trucks since they have hard body, durable and can handle the terrains in the interior of Kitui County

Committee Observations

The Committee observed that:

1. the auditors were not satisfied with the response of the Governor on both queries;
2. the SRC and supply chain circulars were issued after the purchase of the Motor vehicles had been done by the county; and
3. the county may not have received value for money by single sourcing.

Committee Recommendations

The committee recommends:

1. the county management should strictly adhere to the procurement laws and circulars issued by national government agencies and
2. The head of procurement department should be held personally liable for any loss that he/she may have occasioned.

5.1 Irregular Use of Revenue

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

However, as at 30th April, 2014, revenue continued to be banked in the former local authority's 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 had 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.

Management Response

The Governor presented as follows:

1. That it was true that a total of Kshs.7,158,322.00 was collected and banked to defunct Local Authorities Account but not as late as April 2014 as stated by the auditor's report;
2. That this was caused by the delay in opening of the County Government Revenue Account as the guidelines for opening and management of County Bank accounts from the Central Bank of Kenya were issued in April 2013;
3. That the Town clerks through circular Ref. MLG/1328/A/ (3) of 7th March, 2013 were under strict instructions to fully implement the 2012/2013 FY budget until new

budgets of decentralized units were approved by the respective county assemblies to ensure seamless transition to the new dispensation;

4. That revenue was to be collected and banked in the Councils respective accounts and hence all collections by the Council were banked in either General Rate Fund Accounts (GRF) or Local Authorities Transfer Fund Account (LATF);
5. That the figure of Kshs.5,762,456.00 withdrawn and not accounted for was reported to the Criminal Investigation Department (CID) Kitui for investigation; and,
6. That the balances in the bank Accounts of the defunct local authorities' were transferred to county revenue account.

Committee Observations

The Committee observed that:

1. The annexures referred to in the submissions had not been provided and hence the query was not responded to satisfactorily
2. The transition from LATIF to CRF was haphazard and could have occasioned financial loss
3. The two cases were referred to the CID Kitui for Investigation.

Committee Recommendations

1. The CEC finance to liaise with DCI and report on the progress of the alleged loss of funds
2. The committee encourages the County to automate its revenue collection
3. The CEC finance should designate a receiver of revenue as established under the PFM Act, who should ensure full accountability for all revenues that have been picked as unreconciled by the Auditor general.
4. ITGRC should fast track the process of verification and identification of assets and liabilities of the defunct local authority.
5. The matter remains unresolved.

5.1.1 Former County Council of Kitui.

According to the records availed for audit review, the revenue banked into the LATF bank account 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 account through cheques as follows:

Date	cash cheque no.	Amount Kshs
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	510,000
TOTAL		**5,060,000**
Balance		
1-11-2013	KT./000692	722,635
TOTAL		**5,782,635**

Revenue totaling to Kshs.5,060,000 as shown above withdrawn from this account has not so far been accounted for. Revenue totaling to Kshs.597,477 banked between 2nd May, 2013 and 15th May, 2013 to GRF account number 2151895900 in National Bank of Kenya together with the unspent credit balance in that account as at 2nd 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 had 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.

Management Response

The Governor presented as follows:

1. That the Town clerks through circular Ref. MLG/1328/A/ (3) of 7th March, 2013 were under strict instructions to fully implement the 2012/2013 FY budget until new budgets of decentralized units were approved by the respective county assemblies to ensure seamless transition to the new dispensation;
2. That revenue was to be collected and banked in the Councils respective accounts and hence all collections by the Council were banked in either General Rate Fund Accounts (GRF) or Local Authorities Transfer Fund Account (LATF);
3. That the expenditure through the period was in form of casual wages, furniture for the office of the interim County Secretary and office of the Governor and allowances paid to the county staff while on induction course in Naivasha;
4. That this was done before the existence of the County Government structures and later with the approval of the Interim Principal Finance Officer;
5. That the figure of Kshs.5,060,000.00 withdrawn and not accounted for was reported to the Criminal Investigation Department (CID) Kitui for investigation

Committee Observations

The Committee observed that:

1. some aspects were under the purview of the police and investigations should proceed;

2. the response and evidence adduced was not adequate.

Committee Recommendations

The CEC Finance to liaise with DCI and report on the progress of the alleged loss of funds that was referred to them and the matter be reviewed in subsequent financial years.

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 (from1 May 2013 to 30 May 2013)
0590293112626	Equity-bank- GRF account-	325,430	May 2013 bank statements not made available (from 1 May 2013 to 30 May 2013)
0590293883683	Equity-bank-LATF account	23,186	,,
TOTAL		**633,330**	

- No documentary evidence was made available for audit review to show how the revenue 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 12th 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 3rd May, 2013 had not been accounted for.
- As at 2nd June, 2013, this account had a credit balance of Kshs.1,224,043 which was withdrawn by way of cheques for undisclosed reasons.

Management Response

The Governor presented as follows:

1. That the expenditure during the period under review was in form of salaries, operational expenses and capital outlays;
2. That this was done before the existence of the County Government structures and later with the approval of the Interim Principal Finance Officer; and,
3. That the County government had no accounts in place or funds to meet operational costs as late as May, 2013.The Council subsequently closed all the accounts and transferred the balances to the Kitui Government Account no. 01141301351200 held at Cooperative Bank.

Committee Observations

The Committee observed that:

1. The auditors were not satisfied with the documents submitted as only one bank statement was availed for verification;
2. the vouchers presented to the auditors had no supporting documents.

Committee Recommendation

The matter remains unresolved.

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	271,825	Bank statements not made available
TOTAL		**579,245**	

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

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

Management Response

The Governor presented as follows:

1. That the former Town Council of Mwingi deposited revenue in bank account number 1103061577 and account number 1103061510 held at Kenya Commercial Bank of Kshs.307,420.00 and Kshs.271,825.00 respectively between 2 May 2013 and 30th May, 2013;
2. That the clerk's vide circular Ref. MLG/1328/A/ of 7th March, 2013 were under strict instructions to fully implement the 2012/2013 FY as budgeted until new budgets of decentralized units were approved by the respective county assemblies to ensure seamless transition to the new dispensation;
3. That revenue was collected and banked in the Council respective accounts; and,
4. That the money was spent on operations for service delivery as per the approved budget for 2012/2013.

Committee Observations

The Committee observed that:

1. The auditors had seen and verified the bank statements;
2. Noted that the County had not submitted evidence showing how the funds were accounted for.

Committee Recommendation

The matter remains unresolved.

5.1.4 Former Municipal Council of Kitui

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

a) 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.

b) 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 note numbers and dates were not indicated in the CRB registers.

Management Response

The Governor presented as follows:

1. That the former Town Council of Mwingi deposited revenue in bank account number 1103061577 and account number 1103061510 held at Kenya Commercial Bank of Kshs.307,420.00 and Kshs.271,825.00 respectively between 2nd May, 2013 and 30th May, 2013;

2. That the clerks vide circular Ref. MLG/1328/A/ of 7th March, 2013 were under strict instructions to fully implement the 2012/2013 FY as budgeted until new budgets of decentralized units were approved by the respective county assemblies to ensure seamless transition to the new dispensation;
3. That revenue was collected and banked in the Council respective accounts;
4. That the interim principal finance officer wrote to all banks to close the accounts held by the defunct local authorities through letters dated 16th and 20th May, 2013 and copied to the clerks and treasurers who assumed that the banks will effect the instructions as directed by the finance officer but later noted that the accounts were not closed as banks could not take instructions from non-signatories to the accounts;
5. That the clerk and treasurer wrote to the banks to close the accounts through letter dated 11th October 2013. The accounts were closed and cash transferred to Kitui County Revenue Account No. 1140752855 held with Kenya Commercial Bank as reflected in the bank statements

Committee Observation

The Committee observed that the bank statements were availed for verification to the auditors but were not satisfied with the response of the Governor.

Committee Recommendation

The matter remains unresolved.

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.

	Name of former Local Authority	Revenue collected during the period 1 May 2013 to 30 April 2014	Revenue banked in the same period	Deficit-under banking	Surplus-overbanking
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	69,561,508.00	58,374,378.00	11,187,130.00	
	Totals	**244,471,889.00**	**232,280,873.00**	**12,191,016.00**	**634,257.00**

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.

Management Response

The Governor presented as follows:

1. That the under banking of revenue amounting to Kshs.12,191,016 for the period May 2013 to April 2014 reported by the auditor was an omission by the auditor by failing to consider the direct banking by the municipal council of Kitui staff and clients during the period;
2. That the revenue receipted in the period was banked; and,
3. That the under banking of Kshs.1,148,854 resulted due to delays in revenue collectors reimbursements which were later recovered and the cash banked in county revenue account.

Committee Observation

The Committee observed that the auditors had verified the documents but were not satisfied as almost Ksh.1,000,000 had not been accounted for.

Committee Recommendation

The matter remains unresolved.

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 at 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.

Management Response

The Governor presented as follows:

1. That it was true that the hospital revenue was not banked into the county government revenue collection account because the hospitals operations and maintenance had not been budgeted for in the 2013/14 financial year;
2. That the hospitals continued operating the Facility Improvement Fund (FIF);
3. That this had since been corrected in the 2014/15 financial year supplementary budget and the FIF is now being administered by the County government;
4. That measures had been put in place to ensure all the county revenue collected is banked into the county government revenue collection ; and,
5. That funds (1,011,304.20) held in the cost sharing accounts were transferred into the county government revenue collection account after closure of those accounts.

Committee Observation

The Committee observed that the auditor had noted that the County had since rectified the situation in the subsequent financial year.

Committee Recommendation

The committee agrees with the findings of the auditor general and takes note on the mitigation measures taken by the county and recommends that the query be cleared and that the CEC Finance to update the Senate and confirm whether the county received the refund from National Treasury.

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 30th June, 2014.

Out of the unreleased funds, an amount of Kshs.478,377,884 was released in two tranches on 3rd and 9th 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.

Management Response

The Governor presented as follows:

1. That it was true that an amount of Kshs.11,307,634 was deducted from County exchequer release by the National Treasury. This amount was allegedly deducted from the exchequer releases to cater for salary disbursements which had already been paid in full;
2. That the County Government noted the anomalies and had made efforts through letters to the National Treasury to seek refund of these funds;
3. That the refund had not been made. The National Treasury through a letter dated 11th September 2015, stated that the national treasury deduction was justified; and,
4. That the National Treasury was making necessary arrangements to refund the amount after a fresh reconciliation was done.

Committee Observations

The Committee observed that-

1. the matter was a cross cutting issue affecting many counties; and,
2. the decision by treasury to deduct funds meant for County government was in breach of Article 219 of the Constitution of Kenya that requires funds to be transferred without delay.

Committee Recommendation

The committee recommends that the accounting officer should report and confirm whether the refund due to the county has been received.

6 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.

Management Response

The Governor presented as follows:

That at the time of audit the Bulk Fuel Register, work tickets, detail orders and the suppliers' delivery notes were not updated, but subsequently,

1. Detailed fuel orders used in the county are properly authorized by ensuring requisition forms are approved by all the required section and ministry heads;
2. The fuel drawn was properly accounted for by ensuring all fuels are recorded in the work tickets and drivers in some instances are accompanied by the transport officer to ensure fuel requested is drawn;
3. The County maintains each vehicle work ticket in individual vehicle files and vehicle performance analysis per month was done within the work ticket details;
4. The reconciliation of fuel is done on LPO basis (reconciliation of county record and the statement from the supplier); and,
5. Fuel registers are updated as fuel is drawn and reconciliation done.

Committee Observations

1. The committee agrees with the findings of the auditor general on the matter
2. The committee notes the mitigation measures taken by the county to close the issue and the auditor general had acknowledged that the corrective measures have been taken by the county to clear the query.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

6.2 Imprests

The Government Financial Regulations and Procedures and the Treasury Circular No. 14/2013 of 19th 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

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.

Management Response

The Governor presented as follows-

1. That these were community trainings held at various zones and as such use of imprest was the most appropriate way of facilitating the activity because of the factors outlined below-:
    a) Nature of material: materials being purchased had to be sourced from the areas of training as it was easier, convenient and cheaper. These included sand, appropriate soil, cement, ballast and timber.
    b) Uneconomical to transport materials: It would have not been easy to transport building/training materials from central store/place, other than purchasing them at source/training zone.
    c) Community development: one sole purpose of these trainings was to
    d) Develop the community technical skills; as such it was of paramount importance to involve them through purchases and supplies of various local materials.
    e) Technical training: this being a new building technology, required utmost scrutiny of materials specifically sand, soil, cement, water(testing required) among others as a result a need to involve a staff/trained personnel in the purchases.

2. That Allocation for this program for the year 2013/2014 was 2.8M and for the purchase of machines was 8.4M which broken down, had training and commissioning as an item;
3. That the Kshs.2,277,800 was not part of the Ksh8.4 M; and,
4. That the training for the groups was meant to be done using mechanized hydra form machines which have always been available and not the new manual machines.

Committee Observations

1. the auditors had received relevant documentation and verified them and concluded that the Public Procurement and Disposal Act had been flouted; and,

2. the county government of Kitui utilized imprest for purposes and in a manner inconsistent with PFM Act.

Committee Recommendation

The CEC Finance should ensure that imprests are used for only intended purposes and are surrendered within the timelines as provided for under regulation 93 of PFM regulations.

6.2.2 Irregular Procurement of ECDE Training Materials

An officer was issued with two imprests of Kshs.3,863,280 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 not determined 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
- It could not be established that the assets (laptops, printer, camera, external hard disk, footballs, textbooks, calculators, dictionaries, blackboard rulers etc) were taken on charge and recorded in the County Government's assets registers.
- Further, there was 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.

Management Response

The Governor presented as follows:

1. That training materials were purchased using cash;

2. That the process of identifying the serving ECDE teachers took a long time and on identification it was clear they needed to be trained before schools opened in January 2014;
3. That there was urgency therefore in the procurement of the training materials as the training for ECDE teachers was to start early December 2013 and there was not adequate time to process through the normal procurement process;
4. That the County consulted the administration of Kitui teachers training college, which had a similar program;
5. That the trainers/facilitators used for the program were those who had been approved and contracted by the college administration; and,
6. That by the time of the audit, the asset registers and consumables register were not fully updated but were later updated.

Committee Observation

1. The committee noted that the auditors had not received the list of trainers and minutes and hence the query was unresolved;
2. The explanation on mitigation measures by the Governor to purchase the ECDE materials using cash instead of the normal procurement process was not satisfactorily.

Committee Recommendation

The audit query remains unresolved

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 5th March, 2014 for medical care. This imprest was issued on the strength of an internal memo from the County Secretary Ref CG/KTI/Internal Memo. /120 of 26th 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.

Management Response

The Governor presented as follows:

1. That an imprest was issued to H.E Deputy Governor for medical care on 5th March, 2014;
2. That the County medical scheme was not operational at the time of issuing the imprest; and,
3. That the amount was fully recovered by the officer depositing the full amount to county standing imprest account on 30th June, 2014 upon refund by the medical scheme.

Committee Observations

The Committee observed that the auditors were satisfied with the submitted documents and the response of the Governor.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

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 an unnumbered voucher on 6th November, 2013 as summarized in *appendix IV* attached.

However, it was observed that:

- Procurement procedures were flouted. Services acquired were rendered without adhering to governing regulations.

- Payment schedules were fraudulently altered so that original figures signed for were changed.
- Payments were made for non-existence or unsupported services.
- Goods were obtained from suppliers whose line of business did not match the goods/products delivered.

Management Response

The Governor presented as follows:

That when the matter was raised by the auditor the officer was asked to give an explanation on the issues raised. The Governor concurred that some of the documents seemed forged.

Committee Observation

The committee observed that the County government utilized imprest contrary to the provisions of the existing laws.

Committee Recommendation

CEC responsible to recover the imprest in line with regulation 93 of the PFM (County Governments) Regulations, failure to which he/she should be held responsible for the un-surrendered imprest amounting Kshs.1,090,950.

6.2.5 Unaccounted for Imprests

Temporary imprest of Kshs.625,000 was issued on 31st March, 2014 through warrant 1958919 to an officer to pay accommodation allowance to ten (10) executive members who were attending the 1st 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 were attached to the budget and the warrant.

Management Response

The Governor presented as follows:

1. That the imprest taken was to facilitate a group of senior officers to attend the 1st Devolution conference in Kwale and that to fast track the payment process and ease the surrender process, the imprest was issued to one senior officer (county chief officer);
2. That by the time of the audit , the imprest was not surrendered through the IFMIS system though the documents had already been submitted to the treasury as the county was using a centralized financial system for all departments. The surrender was done on 23/6/2014 as per voucher 2210402;
3. That Notification for the devolution conference was to Counties and not to individuals.

Further; two imprests amounting to kshs.2,600,000 as tabulated hereunder were issued from the office of the governor's vote during the year. However, no documents in form of imprest warrants or surrender documents or payment voucher 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		"
			2,600,000	**Total**		

The Governor further presented that:

1. the amounts were not clear and as such a conclusive response could not be provided; and,
2. That the GPAY no 1244 for that period was not an imprest but was a payment to ministry of roads and public works mechanical and transport department and its was worthy kshs.9000.

Committee Observation

The Committee observed that:

1. the auditors had only verified and cleared Kshs.240,000 of the Kshs.625,000 queried;
2. the Kshs.2,600,00 was still unaccounted for.

Committee Recommendation

The audit query remains unresolved

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

An application for imprest was made on 17th 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 22nd 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	23,500
	TOTAL	**1,013,000**

Consequently, an imprest of Kshs.1,013,000 was issued through warrant no 1958706 on 17th April, 2014 through cheque 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 professional on 28 April 2014.
Payment Schedule	98,500	accommodation allowances for eleven (11) county 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 4221488 on 21/4/2014 and 22/4/20144 respectively	220	Parking fees
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 18No padlocks
Official Receipt	126	balance receipt of unused balances
Bank deposits slip	563,000	cash deposited in the Kitui County standing imprest account on 25 April 2014.

TOTAL **1,013,220**

The following observations were made:

a. 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.

b. The imprest applied was approved at all stages as set in the application from by the applicant himself. There was need for approval to be done by a different person or atleast be endorsed.

c. 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.

d. No justification has been offered on whether this expenditure is a proper charge on public funds.

Management Response

The Governor presented as follows;

a) That the county did participate in the funeral arrangements of the late Arch Bishop Lele in line with a cabinet decision. An imprest of kshs.1,013,220.00 was issued in line with the initial budget for the funeral. However, the Catholic Church sourced for the buses and requested for support in fueling the buses only. In this regard the County contributed a lump sum of Khs.250,000 for fueling the buses. After the change in logistics, the initial budget which had already been facilitated significantly dropped and the applicant banked kshs.563,000.00 to the Kitui County standing imprest Account. Due to urgent issues which arose before the county secretary surrendered the balance, some amount was used to cater for other County expenses. Ideally the amount should have been used for this specific function. (see annex 6.2.6 imprest surrender)

b) That there was an oversight on approval of the imprest as this should have been ideally approved or endorsed by different officers.

c) That half of the imprest amount was returned because the Catholic Church revised their request to the county government from hire of buses and fueling the same to fueling the buses only

d) That the Kitui County Government had a policy to participate in giving decent send offs to persons who have a significant contribution to the County. The late Arch Bishop Lele had significantly contributed in the County in his spiritual career from the time he was a catholic priest until his demise as an Arch Bishop. This was therefore a proper charge on public funds.

Committee Observation

The Committee Observed that the auditors were not satisfied with the response by the Governor.

Committee Recommendation

The audit query remains unresolved

6.2.7 Issue of Multiple Temporary imprests

Several officers have been issued as indicated in appendix Ill with additional imprest without accounting for or surrendering the previous ones. This is in breach of the regulations cited above. A total of Kshs.223,000 had been issued under this normally. The purpose for which the imprests were issued too is not in conformity to the existing regulations.

Management Response:

It is true that multiple temporary imprests were issued to several officers. However, all un-surrendered imprests have been recovered. Correspondence dated 5th August, 2014 to the payroll Manager was provided, to recover the outstanding imprest. Provisions of Financial regulations and procedures together with the provisions of Public Procurement and Disposal Act 2005 and its regulations (2006) were being adhered to.

Committee Observation

The Committee observed that the Auditor General had verified and cleared the recovery process had been undertaken, but took issue with the multiple imprests being issued

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

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 the absence of the above, we could not confirm that the regulations were adhered to.

Management Response

The Governor presented that:

An imprest of Kshs.2,496,689.00 remained outstanding as at 30th June, 2014. A letter from chief officer –finance and economic planning to payroll manager to recover the stated amount was issued. The payroll manager did effect the recovery of the outstanding imprest as per attached payroll by product.

Committee Observation

The Committee observed that:

1. The Auditor General had verified that the imprest was recovered. Final recovery was completed in July 2016, one year after the Audit process;

2. The Imprest was used to procure goods in contravention of the the provisions of the PFM Act in issuance and surrender of imprest.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared. The Committee further recommends that the county government should institute proper mechanisms to manage imprest issuance and surrender as per the provisions of the PFM Act,2012.

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.

Management Response

The Governor presented that:

The initial payment was reimbursed using schedules from the National Treasury and the ministry of planning and devolution. The schedules were showing the amounts to be refunded per ministry. It is on this basis that the County did the refunds.

Committee observation

The committee observed that the county and National government did not provide adequate supporting documents for the deduction on reimbursement made to the National government for salaries to staff forwarded from the National Government.

Committee Recommendation

The committee recommends that the CEC Finance to provides an update on the basis upon which the re-imbursement of the salaries to staff forwarded from the National Government to the County government was done.

6.4 Non Compliance to Procurement Regulations

6.4.1 Unverified Expenditure

The 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.

Management Response:

The Governor presented as follows:

1. 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. The fund was meant to help the county to set up urgently required infrastructure to facilitate County operations during the initial weeks/months following the establishment of Counties.

2. The said expenditures were proper charge on public funds as confirmed by County Tender Committee minutes, quotation opening/evaluation minutes, inspection and acceptance reports
3. Most of the works were renovation and refurbishment of offices since during the initial transition period there was shortage of office space. The renovation/refurbishment works were procured through quotations and restricted tendering taking into consideration the applicable contract sum thresholds due to urgency.

Committee Observation

The committee takes note that the auditor had received documentation and verified them. It however takes exception to the late submission of documents.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

6.4.2 Irregular Procurement Procedures

During the period under review, the County Government procured the following items totaling Kshs.12,387,950 suing 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	2,643,200
	TOTAL	**12,387,950**

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.

Date	Description of Item	Amount (Kshs.)
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	1,081,000
	TOTAL	**6,337,300.00**

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

Management Response

The Governor presented that:

On the onset of the County Governments, the Transition Authority posted staff to the County Governments. The County Government also recruited new staff. There was urgent need to facilitate these officers to settle. To achieve this urgent purchase, the County used a list of prequalified suppliers from SRC (salary Remuneration Commission) and term contracts from Kitui Municipal Council and County Commissioner's office Kitui. The table below is a summary of suppliers of the goods purchased.

SUPPLIER	ITEM DESCRIPTION	AMMOUNT	REMARKS
Business equipment and cons	Chairs and safes	965,000.00	Bought through request for quotations invited from list of prequalified suppliers at County Commissioners Office
Great grace agencies	Executive tables	822,500.00	Bought through request for quotations invited from list of prequalified suppliers at County Commissioners Office
Safeline enterprises	Executive tables	967,000.00	Bought through request for quotations invited from list of prequalified suppliers at County Commissioners Office
Oakrate office supplies	Chairs	905,000.00	Bought through request for quotations invited from list of prequalified suppliers at County Commissioners Office
Adroise enterprises ltd	Photocopier	960,000.00	Bought through request for quotations invited from list of prequalified suppliers at County Commissioners Office
Print options	Receipt books	383,000.00	Bought by use of annual contract from kitui municipal council
Print options	Receipt books	253,000.00	Bought by use of annual contract from kitui municipal council
Luman enterprises	LAIFOMS servers	1,081,000.00	Bought by use of annual contract from kitui municipal council

Committee Observation

The Committee observed that:

1. Procurement procedure was not followed;
2. The documentation provided to the Auditor General had no signatures and could not be authenticated;

Committee Recommendation

The committee proposed that the query be cleared with strict compliance with the PP&DA.

6.4.3 Unaccounted Stores/Goods

During the period under review, the County Executive procured 10 typist chairs ad 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.

Date	Gpay No.	P.V No.	Payee	Amount	Particulars
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**	

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.

Management Response

The Governor presented as follows:

The items were actually delivered in full and received by records in Counter receipt Vouchers (S13), recorded in the appropriate Stores Ledger Cards and issued to various User

Departments as requisitioned through Counter Requisitions and Issue Vouchers (S11) on various dates as shown below;

The tables below is a summary of the store ledger accounting for the goods purchased.

1. Tyres (various sizes) and tyre rims procured from M/s Complete Auto Centre Ltd at a total cost of Kshs.328, 500.00

LPO No	**Date Received in stores/S13**	**Item Description**	**Q'ty**	**Unit Price**	**Total cost**	**Record in S3 Card**	**User, date of issue & S11 No.**	**Remarks**
2088757	16/04/2014 S13 No. 6570051	Tyres size 225/70R16	5	34,500.00	172,500.00	095510 dated 16/04/2014	Admin & coordination (KBU949T), S11 No. 6463531 dated25/04/2014	See annexes 1 (S13), 2 (S3), & 3 (S11)
2088757	16/04/1014 S13 No. 6570051	Tyres size 225/75R15	4	25,500.00	102,000.00	095511 dated 16/04/2014	Markets/Revenue Unit (KBG228C) S11 No. 6463515	1 (S13), 2A (S3) & 2B (S11)
2088757	16/04/1014 S13 No. 6570051	Tyre size 265/75R15	1	40,000.00	40,000.00	095512 dated 16/04/2014	Enforcement (County Secretary) – S11 No. 5928093 KAV821E	1 (S13), 2C 4 (S3)

20887 57	16/04/1014 S13 No. 6570051	Tyre Rim size 265/75R 15	1	14,000.0 0	14,000.00	095513 dated 16/04/201 4	Enforceme nt (County Secretary) – S11 No. 5928093 KAV821E	1 (13), 5 (s3), 2C (S11)

2. **Various Office Stationary procured from M/s Cyber base at a total cost of Kshs.2,480,000.00**

Date Received in stores /S13	Item Description	Q'ty	Unit Price	Total cost	Record in S3 Card	User, date of issue & S11 No.	Remarks
18/6/2014 S13 No. 6570075	Toner HP80A	300	7,300.00	2,190,000.0 0	095664 dated 18th June, 2014	Issued on various dates as shown in the S3 card. S11 Nos & User Requisition ers are as shown in S3 cards	Samples of some of the Counter Requisition & Issue Vouchers are attached for your information since they were numerous and issued in bits as and when required.
	Toner Kyocera TK410	20	7,000.00	140,000.00	095643 dated 18th June, 2014	Issued on various dates as shown in the S3 card. S11 Nos & User Requisition ers are as shown in S3 cards	Samples of some of the Counter Requisition & Issue Vouchers are attached for your information since they were numerous and issued

							in bits as and when required.
	Toner HP049A	20	7,500.00	150,000.00	095744 dated 18/6/2014	Issued on various dates as shown in the S3 card. S11 Nos & User Requisition are as shown in S3 cards	Samples of some of the Counter Requisition & Issue Vouchers are attached for your information since they were numerous and issued in bits as and when required.

3. **Various office Equipment at a total cost of Kshs.576,000.00**

LPO NO	**Date Received in stores/S13**	**Item Description**	**Q'ty**	**Unit Price**	**Total cost**	**Record in S3 Card**	**User, date of issue & S11 No.**	**Remarks**
2088787	26/06/2014 dated 6570092	Mops with wooden handles	300	520.00	156,000.00	095762 dated 26/06/2014	Issued on various dates as shown in the S3 card. S11 Nos & User Requisitioners are as shown in S3 cards	Samples of some of the Counter Requisition & Issue Vouchers are attached for your information since they were numerous and issued in bits as and when required.
	26/06/2014 dated 6570092	Soft brooms with soft bristles	300	600.00	180,000.00	095736 dated 26/06/2014	Issued on various dates as shown in the S3 card. S11 Nos & User Requitioners are as shown in S3 cards	Samples of some of the Counter Requisition & Issue Vouchers are attached for your information since they were numerous and issued in bits as and when required.
	26/06/2014 dated 6570092	Table towels	200	400.00	80,000.00	095660 dated 26/06/2014	Issued on various dates as shown in the S3 card. S11 Nos & User Requisitioners are as shown	Samples of some of the Counter Requisition & Issue Vouchers are attached for your information since they were numerous and issued in bits as and when

							in S3 cards	required.
	26/06/2014 dated 6570092	Mop buckets Plastic	200	800.00	160,000 .00	095733	Issued on various dates as shown in the S3 card. S11 Nos & User Requitioners are as shown in S3 cards	Samples of some of the Counter Requisition & Issue Vouchers are attached for your information since they were numerous and issued in bits as and when required.

Committee Observation

The Committee observed that Inspection, requisition and acceptance documents were missing for tyres and stationery and office equipment as required by Article 60 of the PP&D Act, 2005;

Committee Recommendation

The committee recommends that the head of procurement department should take responsibility for the loss occasioned.

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 or replacements. No job cards detailing these repairs were made available during audit.

GPAY NO Date	PV NO Date	Invoice Date	Payee	Amount	Remarks
1766 8/6/2014	01872 6/6/2014	7010960 2 4/6/2014	Toyota Kenya Ltd	181,116	Service and repair KBQ 181D
1344 13/5/2014	01281 13/5/201 4	3000383 800 12/5/201	Toyota Kenya Ltd	248,519	Service KBU 654T

		4			
1878 11/6/2014	01748 3/6/2014		General Motors East Africa	196,399	Repair and service GKB 085A
1815 30/6/2014	01556	3000381755 5/05/2014	Toyota Kenya Ltd	319,289	Repair & service GKA 466P
			Total	**945,322**	

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

Management Response

The Governor presented that:

The county incurred kshs 945,321.99 on maintenance of various motor vehicles. However, the payment was done against the job cards of work done on the vehicles. The vehicles were repaired by recognized dealers upon coverage of the required millage.

As a normal procedure

a) the vehicles are taken to the dealers who inspect and give a proforma invoice against which an LSO is issued.
b) The vehicles are repaired and a job card detailing the works done in issued to the County.
c) Payments are made against these documents.

Further the county has established a transport section headed by transport officer who has been charged with the duty to maintain proper records on the transport.

Committee Observation

The Committee observed that the Auditor General verified the Job cards in 2016, and the Query should be cleared.

Committee recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

7.0 Unsupported Expenditures- Seminars and Workshops

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

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.

Management Response

The Governor presented as follows:

County event files are maintained by each County spending unit where the minutes, list of participants, invitation letters and work plans are normally contained.

Committee Observations

The Committee observed that the Auditor General had seen the documents on the expenditure being queried, however 1,577,500 has not been fully supported.

Committee Recommendation

The CEC Finance should ensure the County Secretary fully accounts for the total expenditure, failure to which he/she should take responsibility for any loss that may have been occasioned.

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.

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 comprises 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.

Management Response:

The Governor presented as follows:

Budget performance

The County spent 17.6% of its development budget in 2013/14 FY. This was due to the fact that the county Government was in transition period and it lacked the required capacity in terms of human resources due to lengthy recruitment procedures to employ and induct the Chief Officers and other senior officers. The County also lacked adequate equipment and machinery such as graders, crawlers, dozers, rig machines which are used to implement major infrastructural projects.

However, the County has recorded an improved over the years. In the 2014/15 report from the Office of the Controller of Budget the Development Absorption improved to 58.3 %. This has improved to 70% in the 2015/16 FY.

The County did not manage to collect its revenues as budgeted due to the fact that it did not have a valid finance Act and was collecting revenues based on the defunct local Authorities fees and charges which did not cover the revenue streams of the devolved functions. The county had budgeted to collect money for liquor licensing but nothing was collected due to lack of legal provisions at county level.

Committee Observation

The Committee Observed that:

1. The issue remains unresolved as the revenue targets from local services are still outstanding.

Committee Recommendation

The committee recommends that:

1. **Receiver of revenue to come up with optimization of collection of revenue in the county.**
2. **The county should set realist and achievable revenue targets.**
3. **Recommends the county to allocate at least 30% for development in line with the PFM Act.**

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.278,071,720.00 in the same period. The cumulative total revenue was therefore Kshs.5,103,696,075.00 against a total cumulative expenditure of Kshs.3,528,046,674.00 occasioning an unspent exchequer release of Kshs.1,575,649,401.00 in the financial year.

Evidence availed for audit shows that the County Government of Kitui did not refund unspent amount of Kshs.49,697,670.00 to the county exchequer account on closure of that financial year.

Management Response

The Governor presented as follows:

There was un-spent amount of kshs.1,575,649,401 at the end of year i.e. 30th June 2014. The County made payments for 2013/14 FY up to the First week of July 2014. The National treasury had enabled both The Integrated Financial Management System (IFMIS) and GPay systems during this period to clear pending payments. Part of the Exchequer releases for 2013/14 FY amounting to kshs.478,377,884, were received after 30th June 2014, (*that is Kshs.264, 043,684 on 3rd July 2014 and Kshs.214,334,200 on 9th July 2014.*) However after clearing the pending payments for the works/ services rendered during the 2013/14 FY, the unspent amount at the end of the financial year was swiped back to the County Revenue Account within the month of July 2015.

The amount which was not swept back to the County Revenue Account was kshs.49,955,923.55. This balance was meant to cater for payments made to the KEMSA which had not cleared at the end of the financial year.

Committee Observation

The Committee Observed that:

1. money that was returned on July 2016, should have been returned in June 2015 according to the PFM Act
2. The county government was in breach of section 136 (2) of PFM Act

Committee Recommendation

The committee recommends that the accounting officer be reprimanded for the action.

9.0 Unsupported Creditors Kshs.528,995,466

The county Government availed a list of creditors amounting to Kshs.528, 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 etc were not made available for audit verification to confirm the accuracy and completeness of creditor balance of Kshs.528,995,466.

Further, without an-updated creditor's ledger, audit was unable to establish the authenticity of the list of creditors availed for audit. In addition, no other supporting documents (invoices, LPOs, LSO, contracts, S13 forms and completion certificates) were provided for audit review to ascertain that the credits were incurred procedurally.

Management Response

The Governor presented that:

The County Government wishes to correct the observation by the Auditors that khs 528,995,466 constituted a creditors list. This amount relates to undone work and not unpaid certificates of work done. The Amount of kshs.528,995,466 which was obtained from the IFMIS Sytem was a list of balances of committed LPOS/LSOS for incomplete contracted works and services and did not actually represent a creditors list. This is not a debt or pending bills.

The Kitui County Government uses the Integrated Financial Management System (IFMIS) to process all its payments. Our supplier payments are all processed through this system. Upon issuing an LPO or LSO to a supplier, this is normally committed in the IFMIS sytem through the procurement module. After works or services have been delivered, then a physical inspection is done to verify the works done. During payment, inspection is again done electronically through the IFMIS and the payment accountant can only invoice and subsequently pay a supplier for the value of works which match the inspected amount only. As such the creditors/ suppliers payments are controlled and updated through IFMIS. The

creditors ledgers' are maintained electronically through IFIMIS and are available for inspection.

Committee Observation

1. The Committee observed that the documents provided were for January 13th – June 20th 2016 and were therefore not applicable
2. The committee notes that the document from the county government does not provide clarity on the issues raised.

Committee Recommendation

The committee recommends that:

1. **The county government must maintain an up to date creditors ledger**
2. **The CEC Finance should account for the 528 million flagged by the Auditor general**
3. **The county to undertake an audit on the Authenticity of the creditors**

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.

Management Response

The Governor presented that:

1. Internal audit service charter

   The internal audit department did not have an approved service charter, however a draft service charter as been developed and is awaiting for the composition of the internal audit committee to deliberate on its approval.

2. Annual audit plan and Allocation of resources

   The Audit department has developed its annual audit plan for the year 2014/2015. To ensure that the department has adequate resources for operations, it has been allocated a distinct budget within the Ministry of Finance and Economic planning.

3. Audit staff

   Two qualified Accountants were deployed to build capacity in this section. The County Government of Kitui is however in the process of recruiting additional staff to bridge the capacity gaps in this section. The recruitment process has already started.

4. Audit committee composition

   It is true that audit committee has not been composed. This has been due to delay in passing of the public finance management regulations by the national assembly which is supposed to give the composition and responsibility of the Audit Committee as per the PFM Act 2012. However plans are under way to establish an audit committee in reference to the guidelines gazetted on 15th April 2016

Committee Observation

The Committee observed that the Auditor General had not received all supporting documents.

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Committee Recommendation

Governor of Kitui to ensure guidelines contained in the Gazette notice of No 40 of April 2016 on establishment of Audit committees are fully implemented

CHAPTER SIXTEEN

LAMU COUNTY REPORT 2013/2014

The Committee invited the Governor of Lamu, Hon. Issa Timamy, and he appeared before the Committee on Tuesday 26th July, Wednesday 27th July and Thursday 1st September, 2016. The Committee considered the audit queries against the Governors response and made recommendations accordingly:

1.0 Budgetary Control and Performance

The Appropriation Act approved by the County Assembly and assented to by the Governor revealed that the Budget Estimates for the financial year (FY) 2013/2014 was Kshs.1,648,526,161 comprising of Kshs.1,500,755,102 as transfers from National Government, Kshs.96,986,323 from local sources and Kshs.50,784,736 from other Government agencies. However, a review of a report from IFMIS revealed that the allocation for financial year 2013/2014 was uploaded as Kshs.1, 628,526,161 resulting in an unexplained difference of Kshs.20, 000,000.

The County Executives financial performance during the financial year ending 30 June 2014 was as detailed below:

RECURRENT VOTE

DEPARTMENT	BUDGET	RECEIPTS	EXPENDITURE	BALANCE
County Assembly	201,955,701.00	150,277,217.00	97,944,920.00	52,332,297.00
County Executive	235,642,038.00	126,220,992.00	239,428,230.00	(113,207,238.00)
Finance, Economic	104,512,276.00	66,349,303.78	35,361,549.00	30,987,754.78

& Strategic Planning				
Health & Sanitation	321,367,412.00	252,844,574.32	134,756,136.00	118,088,438.32
Trade, Culture & Tourism	10,372,436.00	7,664,431.14	4,084,838.00	3,579,593.14
Communication, E-Government	12,192,624.00	4,317,975.90	2,301,310.00	2,016,665.90
Agriculture & Irrigation	57,094,292.00	55,715,214.65	29,694,001.00	26,021,213.65
Fisheries, Livestock & Coop	64,367,231,00	51,239,112.55	27,308,416.00	23,930,696.55
Lands, Physical Planning Infrastructure, Water & Nat. Resources	70,327,620.00	26,763,459.35	14,263,863.00	12,499,596.35
Education, Gender, Youth & Sports	70,228,148.00	26,510,656.31	14,129,129	12,381,527.31
TOTAL	1,148,059,778.00	767,902,937.00	599,272,392.00	168,630,545.00

DEVELOPMENT VOTE

DEPARTMENT	BUDGET	RECEIPTS	EXPENDITURE	BALANCE
County Assembly	66,522,443.00	33,261,000.00	7,321,600.00	25,939,400.00
County Executive	42,293,940.00	5,000,000.00	-	5,000,000.00
Finance, Economic & Strategic Planning	-	-	-	-
Health & Sanitation	105,700,000.00	51,000,000.00	43,221,600.00	7,778,400.00
Trade, Culture & Tourism	22,750,000.00	6,000,000.00	-	6,000,000.00

Communication, E-Government	7,000,000.00	3,500,000.00	3,101,360,00	398,640.00
Agriculture & Irrigation	35,000,000.00	25,000,000.00	30,794,600.00	(5,764,600.00)
Fisheries, Livestock & Coop	30,000,000.00	23,500,000.00	5,409,312.00	118,090,688.00
Lands, Physical Planning Infrastructure, Water & Nat. Resources	126,800,000.00	34,000,000.00	25,466,520,00	8,533,480.00
Education, Gender, Youth & Sports	44,400,000.00	18,500,000.00	450,000.00	18,050,000.00
TOTAL	480,466,383,00	199,761,000.00	115,764,992.00	83,996,008.00

It is evident that the County Executive Vote reflects recurrent receipts of Kshs.126, 220,992 against expenditure of Kshs.239, 428,230 thus incurring unauthorized excess vote of Kshs.113, 207,238.

Likewise in the Development Vote, Agriculture and Irrigation department reflects an excess of Vote of Kshs.5, 794,600.

No documentary evidence was availed to support the approvals of the reallocations done in order to fund the excess expenditures. It is also not clear where the reallocated funds were sourced from.

MANAGEMENT RESPONSE

The County Executive responded that-

i. In the FY 2013/2014 the county treasury prepared budget of Kshs.1,648,526,161 and was assented to by the Governor on 6th February, 2014 as per the Supplementary Appropriations Act 2014 which comprised of Kshs.1,148,059,778 for recurrent expenditure and Kshs.500,466,383 for Development expenditure.

ii. The county prepared form A and Form B for Recurrent and Development expenditure and then forwarded to the National Treasury for uploading to IFMIS as the county did not have the capacity to do this.

iii. During the uploading of the budget, the National Treasury uploaded with a deficit of Kshs.20 million from the health development vote.

iv. Since the funds were not utilized in the FY 2013/2014 the amount was re-budgeted in the FY 2014/2015.

v. The amount of Kshs.113, 207,238 in the County Executive vote was a mis-posting to Executive Vote. It is noted that most of the expenditure was posted to the Executive.

vi. Additionally, there was no over expenditure in the department of Agriculture, however, there was a mis-posting of figures Ksh.7, 698,650.00 for the two tractors for department of Health and Sanitation.

COMMITTEE OBSERVATIONS

The Committee observed that-

i. The documents were not availed in time for the Auditors' comment;

ii. The auditors were satisfied after verification of the submitted document.

Committee Recommendation

Having considered and deliberated on the audit query and the response by the County Executive extensively, recommends that the audit query be cleared.

2.0 Revenue

2.1 Collection of Uncollected Land Rates

An audit sample of land rates collection selected for review for two (2) (blocks, blocks 2 and 3) showed that a total Kshs.4, 297,352 had not been collected and thus remain uncollected. Some of these rates date back to the year 2005, which casts doubt on the capability of the County Government to collect them. The County Executive was and is still using manual

systems to record its revenue transactions hence it was not possible to confirm the total figure of all outstanding rates as at 30 June 2014.

Enquiry into the basis of charging land rates did not yield any results. A scrutiny of the list of fees and charges issued by the defunct County Council of Lamu did not indicate any basis for charging land rates.

Further, there was no evidence that the land rates being charged had been communicated to the property owners hence an indication that there was effort to collect rates by the County Executive.

MANAGEMENT RESPONSE

The County Executive responded that-

i. The query on land rates raised related to previous financial years under the defunct County Council of Lamu which lacked the capacity in personnel and connectivity and collection was done manually.

ii. The inherited valuation roll was outdated but the system was undergoing automation.

iii. Upon enactment of Lamu County Finance Act 2014, the County Executive had put in place measures to collect the outstanding land rates.

iv. There was a copy of notice of waiver of interest to entice rate payers to clear the outstanding land rates.

v. Of the reported uncollected land rates for blocks II and III of Kshs. 4,297,352.00 a total of Kshs. 4,007,475.00 was collected leaving a balance of Kshs. 289,877.00 as uncollected.

vi. It had also contracted for an updating of the Valuation Roll and the process was ongoing.

vii. The enforcement officers were also going round with the revenue collectors in an effort to enforce the collection.

viii. Following automation of revenue collection, the outstanding rates as at 25th July, 2016 for each of the five blocks had been established as per the table below.

Block No.	Uncollected Rates/Charges Kshs.	Amounted collected Kshs.	Balance Kshs.
Block 1	18,403,857.00	11,203,394.75	7,200,462.25
Block 2	1,667,399.60	742,775.00	924,624.60
Block 3	9,289,975.50	6,604,323.00	2,685,652.50
Block 4	20,850,732.90	9,651,710.00	10,850,272.90
Block 5	8,088,957.00	3,439,366.00	4,649,591.00
TOTAL	**58,300,922.00**	**31,641,568.75**	**26,310,603.25**

ix. The Lamu County Government had enacted the three fundamental mother Bills into Acts for the purpose of revenue administration, these are:

a) The Trade License Act,

b) The Revenue Administration Act and

c) The Valuation and Rating Act

x. Other mitigating factors included the automation process which was then ongoing and recruitment of enforcement and revenue collection officers.

xi. In FY 2012/2013 the defunct Lamu County Council collected Kshs.12M in revenue, whereas in FY 2013/2014 Lamu County Government collected Kshs.23M and Kshs.61M in FY 2014/2015.

COMMITTEE OBSERVATIONS

The Committee observed that-

i. The documents were not availed in time for the Auditors' comment;

ii. The auditors were satisfied after verification of the submitted document.

Committee Recommendation

Having considered and deliberated on the audit query and the response by the County Executive extensively, recommends that the audit query be cleared.

3.1 Renovation and Rehabilitation of District Information and Documentation Center (DIDC)

Contract records availed for audit review indicate that the County Executive spent an amount of Kshs.24,891,159 on renovation and rehabilitation of the District Information and Documentation Center (DIDC) to convert it into the County Headquarters. However, the contractor appointed to undertake the works was procured through selective tendering and the contracts signed on 14 August 2013. It was noted that there was no authority from the tender committee to use selective tendering process as required by Public Procurement and Disposal Act, 2005. Due diligence was however not observed in this procurement process, and the capacity of contractor was not assessed leading to their inability to complete the work. The contracted firm subcontracted the job to other firms under unclear circumstances and also without a clear contract agreement which has resulted in legal proceedings.

In the process, it was observed that the County Head of Procurement requested for and was provided with a list of seven (7) firms from whom bids were invited where only four (4) firms responded. The Bid documents, company profiles, with copies of relevant certificates and licenses from the respondents were not availed for audit review.

On scrutinizing the Evaluation of Tender Responsiveness documents, one firm was found to be non-responsive since they had not submitted a Bid Bond, while another was declared non-responsive as they did not submit a Bid Bond and Tax Compliance Certificate.

The evaluation committee recommended award of the tender to the second lowest bidder at a tender price was Kshs.24, 891,159.36. The lowest evaluated bidder at Kshs.23, 502,238 was not recommended for award because their rates for Hunter Douglas suspended ceiling and IT5 roofing sheets was below the market price.

The winning Contractor was informed of their success on 31 July 2013 and the Contract Agreement was signed after fourteen (14) days on 14 August 2013 with a contract delivery period of 26 weeks.

An undated LSO No.0198206 for the Kshs.24, 891,159.36 was subsequently issued. In February 2014, the contractor requested for an extension of the contract by the five months which was not granted.

Although the contract did not factor in subcontracting, the Contractor subsequently entered into a sub-contract agreement with other 9 firms and individuals.

At the time of the audit, which was one and half (1½) years after the contract had been awarded, the renovation was yet to be completed as per the contract specifications. The County Executive did not provide justification for the irregular procurement.

MANAGEMENT RESPONSE

The Governor presented as follows:

1. That *Force majeure* set in due to insecurity. No extension costs were incurred as a result of the delay;
2. That the offices are completed and are already occupied by County staff.
3. That the County relied on the prequalified list from the County Commissioner's office in Lamu;
4. That restricted tendering was used because the county government was stranded due to lack of operational offices.

Committee Observations

The Committee observed that the auditors were not satisfied as the law was broken when the County used restricted tendering.

Committee Recommendation

Noting the mitigating factors 1, 2, 3 and 4, the Committee recommends that query be cleared.

3.2 Procurement of Financial Information System

The County Executive engaged and paid a firm for installing, commissioning and training staff for a County Integrated Financial Information System (CIFMIS) at a cost of Kshs.550,000. The request for quotations forms which had no details of what was to be quoted for were sent to three firms with submission deadline of 27th September 2013, 9.30 a.m. The quotation for the lowest evaluated bidder and 3rd lowest bidder were dated 27th

September 2013 which was within the submission timeline while the form for the second lowest bidder was dated 28th September 2013 which was outside the submission timelines. Scrutiny of the bidding documents revealed that the lowest evaluated bidder and the third lowest bidder shared the same phone address, an indication that there was a possibility of collusion to prevent fair competition. A further scrutiny of the firms' invoices revealed that lowest evaluated bidder and third lowest bidder shared one mobile phone line number which clearly indicates a likely collusion and fraudulent practice to circumvent fair competition in the procurement process. The venue of the training was also not disclosed, and its occurrence could not be confirmed. The payment which was paid in full before delivery and installation of the system was to cover the user training which would only be done once the system is installed and running.

The authorized financial management system that is in use in all public treasuries is the Integrated Financial Information System (IFMIS).

The relevance and purpose of the system being procured was not explained. There is no evidence of its installation and commissioning, or even signs of its having been used. However, up to and until the time of the audit the system had not been supplied and therefore no installation and training took place even though the amounts were paid in full.

MANAGEMENT RESPONSE

The Governor presented that the County Secretary has initiated measures to recover the funds as per the audit recommendation.

Committee Observations

The Committee observed that it was a case of criminality and the County Executive should report to the Police for further action.

Committee Recommendation

The Committee recommends that-

1. EACC and DCI to investigate the matter and that the DPP prosecutes all parties found culpable.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

3.3 Programme Based Budgeting Preparation Training

The County Executive engaged and paid a consulting firm to provide a 5-day Programme Based Budgeting Training for 20 Staff at a cost of Kshs.730, 000. However, the procurement made did not comply with Public Procurement and Disposal Act, 2005 since there was no request for quotation or expression of interest or any form of tendering. No documentation was provided for audit review to show how the trainer was identified, selected and awarded the contract. In addition, training was initiated by the trainer and was not based on identified user needs from the County Executive. The venue was not identified and the participants' attendance registers were not availed for audit verification. It was observed that the firm initially issued a Pro-forma Invoice for a 5-day budget Preparation: Programme Based Budgeting Training at a cost of Kshs.1, 110,000, which was downscaled to Kshs.730, 000 without any justification.

There was no documentary evidence provided to demonstrate that the training actually took place.

MANAGEMENT RESPONSE

The Governor presented as follows:

i. That upon inception of the County Government, the County Treasury inherited low cadre staff that had no experience in Programme Based Budgeting;
ii. That it was requirement by the National Treasury that Counties were to come up with Programme Based Budgets (PBB) for FY 2013-14
iii. That this necessitated the training.

Committee Observations

The Committee observed that-

1. The auditors were not satisfied as procurement process was not followed.
2. The law was broken by not following tendering procedures and noted that it was irregular for the consultant to initiate the training.
3. There was no documentation to confirm the event

Committee Recommendation

The Committee recommends that-

1. EACC and DCI to investigate the matter and that the DPP prosecutes all parties found culpable and further recovers the lost funds.
2. KRA confirms whether any taxes were paid by the consultants within three months from the adoption of this report.
3. That the matter remains open and the Committee to review implementation of its recommendations.

3.4 Motor Vehicle Insurance

Records availed indicate that the County Executive procured and paid for insurance service in respect of motor vehicles amounting to Kshs.2,474,016.25 through an Insurance Broker. However, it is not clear how provision of this service was procured as it was not tendered for. In addition, there was no list of prequalified suppliers to provide the service and no request for quotations were made to any of the suppliers. There was no documentation availed for audit review to support. The process used to identify, select, and award the contract to the broker.

There was no contract agreement, and the criteria used to determine the rates charged could not be established. No valuation report for the vehicles being insured was provided as a basis of determining the insurable value of the vehicles and also the basis of the premium. In all these cases, no completion for services certificate was issued to support the payment.

MANAGEMENT RESPONSE

The County Executive responded that-

i. At inception of devolution, the county government did not have a Functional Procurement Entity and relied on the County Commissioner's prequalified list which did not have a prequalified supplier on insurance services.

ii. At the time, the County Government of Lamu had only one unserviceable double Cabin vehicle that belonged to the defunct County Council of Lamu.

iii. There was an urgent need for the vehicles to enable the County Government to commence operations.

iv. In order to facilitate operations, the newly bought vehicles were insured through a well-established insurance company which accepted to issue the policies at a very competitive rate of 5.7% which compares favorably with other providers in the market.

v. It is worth noting that the vehicles were new and needed no valuation, therefore they were initially insured at cost value.

Committee Observations

The Committee observed that-

1. The auditors were not satisfied after verification of the submitted documents.
2. Procurement was not in accordance with the law/irregular
3. There was no mechanical report for the vehicles prior to the insurance.
4. The Committee could not ascertain value for money

Committee Recommendation

The Committee recommends that-

1. Disciplinary action should be taken against the officers responsible for the flawed tendering process.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

3.5 Water Trucking

A merchant was contracted to carry out Water Trucking of $20m^3$ of water for 30 days at a cost of Kshs.999,600. However, the quotations which were purported to have determined the selection of the supplier were opened a month after the deliveries had commenced and there was no requisition letter indicating the distribution points, time and quantity required. It is therefore, not clear how the firms that quoted to provide the service were identified and their ability assessed.

There was no documentary evidence to support or confirm this procurement. Water trucking was not a contracted item, and therefore no firms had been prequalified for provision of the services. The County Executive did not provide justification for this irregularity.

MANAGEMENT RESPONSE

The County Executive responded that-

i. This service took place during a drought that had already reached an emergency situation and action was required immediately to arrest the situation.
ii. It used County Commissioner's list of prequalified suppliers to award the contract.
iii. The distribution of water was done in the following areas: Bargoni, Mswakini, Ndununi, Mrendeni, Bothei, Baragon Primary School Ngini, Kwasasi in Hindi, Pandanguo, Sendemke, Maisha Masha and Nairobi area in Witu Division.
iv. The quotations were opened later to determine whether the prices were competitive for future use.
v. The County Government of Lamu is endeavoring to supply the areas with piped water. Pandanguo area had at the time already been supplied with piped water and a delivery note was by then being signed by Village Elders and endorsed by a Ward Administrator to confirm delivery.

Committee Observations

The Committee observed that-

i. Noted that the County Government issued the letter of award before opening the tender.

ii. Noted that the Auditors were not satisfied after verification of the submitted documents.

iii. Procurement was not in accordance with the law/irregular.

iv. The Committee could not ascertain value for money/there was possible loss of public funds

Committee Recommendation

The Committee recommends that

1. EACC investigates the matter and recovers the lost funds. The Committee further recommends that the Governor recovers any actual loss.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

3.6 Procurement of Pipeline Survey and Design Service

An Engineering and Construction firm was engaged and paid Kshs.1, 890,000 to conduct a Survey, Design and prepare Bills of Quantities for the 42km Bargoni and Pandanguo pipeline extension project.

The procurement was done through request for quotation even though there were no firms that had been prequalified to offer this service.

However, the Request for Quotation forms for the procurement did not indicate the deadline for submission of the bids, and it is not clear how the firms quoting knew of the date to return their bids. Profile documents for the firms invited to quote were not availed, and it is not clear how their capacity to quote for provision of such technical service was assessed. There were no minutes of the tender evaluation committee to select and award the tender. The County Executive did not provide justification for this expenditure.

MANAGEMENT RESPONSE

The County Executive informed the Committee that-

i. 2013/2014 was the first financial year under the devolved government dispensation.

ii. The County did not have a functional procurement office and there was urgency to do away with water trucking.

iii. The development vote was not passed until February 2014.

iv. The project was initiated late in but was completed.

v. Survey and design services were not among the prequalified services.

vi. The projects were done in Witu and Hindi Ward.

vii. Residents in the two wards which are prone to insecurity were benefiting from the project.

viii. The Omission of the dates of quotation was an oversight.

Committee Observations

The Committee observed that-

i. The County Government flouted the public procurement laws by not availing the profiles of the Companies in the pre-qualified list.

ii. The auditors were not satisfied after verification of the submitted documents.

Committee Recommendation

The Committee recommends that-

1. The Auditor should verify whether the project was indeed carried out to confirm value for money.
2. EACC investigates the matter and recovers any lost funds.
3. The Governor recovers any actual lost funds.
4. Disciplinary action should be taken against the officers responsible for the flawed tendering process.
5. That the matter remains open and the Committee review to confirm compliance and implementation of its recommendations.

3.7 County Integrated Development Plan

Information available indicates that the County Executive engaged a firm of Consultants in the preparation of the County Integrated Development Plan (CIDP), at a cost of Kshs.3, 958,400. No documentation was availed to show how the consultant was identified, selected and awarded the contract. The Consultant later requested for variation of the cost by Kshs.575, 000, citing additional activities thus increasing the cost to Kshs.4, 533,400.

However, there was no contract availed to show detailed terms of engagement including timelines, deliverables and the total cost. No report was provided to demonstrate that the CIDP was delivered to the County Executive and that the intended outputs were actually achieved. No documentation was availed to show how the consultant was identified, selected and awarded the contract. There was no evaluation done to ensure that the County Executive received value for money. In addition, no documents were availed to support the basis on which extra charged coverage of Kshs.575, 000 was arrived at as the original scope had no documented contract spelling out the scope and deliverables.

MANAGEMENT RESPONSE

The County Executive informed the Committee that-

i. Upon onset of devolution it was a requirement for Counties to develop County Integrated Development Plans (CIDPs) to enhance budget making process.
ii. The County did not a have a prequalified list for consultants' services of the same and there was no functional procurement unit.
iii. The Contractor delivered the CIDP both in hard and soft copy.
iv. A copy of the CIDP was given to the auditors.
v. The CIDP was prepared after public participation was done and the public was fully involved. The CIDP was a five (5) year document that was being used for development of County Budgets.
vi. The cost variation was caused by the inclusion of Mombasa and Malindi as meeting venues. Most of the professionals in Lamu live in the two towns and their inclusion was considered crucial in the document preparation.
vii. The meetings were held on 9th January, 2014 at Mombasa Nyali International Hotel for Lamu and Malindi Professionals and other stakeholders based in Mombasa and

Malindi respectively. In Malindi, two meetings were held on the 17th January, 2014 for the Lamu County Assembly Members at Mwembe Resort Hotel and on 31st March, 2014 at Lawfords Hotel in Malindi for Lamu County Government and National Government Officers.

viii. The contract document sets outs the terms of engagement, timeline, deliverables and total costs.

Committee Observations

The Committee observed that-

i. The process of identifying the Consultant and the terms of reference (TORs) was not clear.

ii. The Auditors were not satisfied after verification of the submitted documents.

Committee Recommendation

The Committee recommends that-

1. EACC and DCI to investigate the matter and that the DPP prosecutes all parties found culpable and further recovers the lost funds.
2. That the matter remains open and the Committee to review to ascertain the implementation of its recommendations.

3.8 Procurement of Ambulances

The County Executive procured three (3) ambulances from a supplier at a cost of Kshs.15, 600,000. However, tender documents and prequalification lists for goods and services were not availed for audit review to support the identification and selection of the supplier.

Information available indicates that the supplier was selected by the executive without any form of evaluation of the user specification, capacity and the marked price of the vehicles. In addition, the procurement process was initiated by the Executive, without involvement of the technical departments of Health, Procurement and Transport as there was no requisition from the user department detailing the specifications.

Further, there were no documents availed in support of how the two user departments carried out the pre-delivery inspection of the vehicles to ascertain that the vehicles met user requirements and there was no inspection and acceptance committee to confirm delivery and the underlying documentation such as user manuals, guarantees and warranties.

MANAGEMENT RESPONSE

The County Executive responded that-

i. The procurement entity did not have a pre-qualified list for supply of Ambulances and therefore used the list of registered Entities from the Kenya Government Supplies Branch Nairobi.
ii. The ambulances were procured from CMC noting that it was allowed under section 32 of the Public Procurement and Disposal Act, 2005.
iii. The inspection and acceptance process was duly conducted and a certificate was issued in line with Section 49(1) of the Public Procurement and Asset Disposal Act 2005.
iv. Proof of ownership of the ambulances by the County Government of Lamu was confirmed and copies of logbooks and extracts of the Assets Register were available for scrutiny.
v. A post-delivery inspection was done and the report on the same is available.

Proof of ownership of the vehicles by the County Government of Lamu is confirmed by the attached copies of logbooks and asset register extract.

Committee Observations

The Committee observed that-

i. Noted that there was no approval of the tender committee to use list of pre-qualified suppliers from another government institution.
ii. Noted that the Auditors were not satisfied after verification of the submitted documents.

Committee Recommendations

1. The executive took over the role of the tender committee and the Committee recommends that the county executive be reprimanded.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

3.9 Procurement of Tractors

Information available indicates that the County Executive purchased eight (8) tractors from a supplier at a cost of Kshs.30, 794,600 contrary to Public Procurement and Disposal Act, 2005. There was no tendering process done before the selection of the supplier. Indications are that the supplier was selected by the executive without any form of evaluation of the user specification, capacity to supply and competitiveness of the pricing. No documents were availed for audit review to demonstrate how the supplier was identified, selected and awarded the contract without involvement of the technical departments of Agriculture, Public Health, Procurement and Transport. There was no requisition from the user departments detailing the desired specifications.

Further, no documentation was provided to confirm that the relevant departments were facilitated to carry a pre-delivery inspection of the tractors to ascertain that the machinery met the user requirements, contrary to the Procurement Regulations of 2006. There was no evidence of there being an inspection and acceptance committee during the delivery of the tractors.

RESPONSE

The County Executive responded that-

vi. The procurement entity did not have a pre-qualified list for supply of tractors and therefore used the list of registered Entities from the Kenya Government Supplies Branch Nairobi.

vii. The tractors were procured from CMC noting that it was allowed under section 32 of the Public Procurement and Disposal Act, 2005.

viii. The procurement was initiated by the Department of Agriculture since by then it did not have an operational transport unit.

ix. The inspection and acceptance process was duly conducted and a certificate was issued in line with Section 49(1) of the Public Procurement and Asset Disposal Act 2005.

x. Proof of ownership of tractors by the County Government of Lamu was confirmed and copies of logbooks and extracts of the Assets Register were available for scrutiny.

xi. There was a budgetary allocation for procurement of the tractors for F/Y 2013/14.

Committee Observations

The Committee observed that-

i. Noted that there was no specifications for the tractors requisitioned

ii. Noted that the Auditors were not satisfied after verification of the submitted documents.

COMMITTEE RECOMMENDATION

1. The executive took over the role of the tender committee and the Committee recommends that the county executive be reprimanded.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

3.10 Procurement of Motor Vehicles

The County Executive entered into a contract with a motor vehicle dealer for the supply and delivery of seven (7) vehicles at a cost of Kshs.52, 362,814. However, Public Procurement and Disposal Act, 2005 was not complied with. There was no tendering process done before the selection of the supplier.

There was no requisition of the vehicles from the user department produced for audit review and it is evident that the supplier was selected by the executive without any form of evaluation of the user specifications, capacity of the supplier and competitiveness of the price. In addition, no documentation was availed to support how the supplier was identified,

selected and awarded the contract. There was also no indication that an inspection and acceptance committee was in place to receive the vehicles and that underlying documentation like user manuals, guarantees and warranties were verified.

There were no records being maintained showing of the vehicles as assets of the County Executive of Lamu.

The responsible officer should be held responsible for acts of non-compliance with the law and should be surcharged for any loss suffered by the County Executive in relation to the procurement of the Motor vehicles.

MANGEMENT RESPONSE

The County Executive responded that-

i. The procurement entity did not have a pre-qualified list of entities for supply of motor vehicles and therefore used the list of registered entities from Kenya Government Supplies Branch Nairobi.
ii. The Motor vehicles were procured from Toyota (K) LTD which was prequalified by Kenya Government - Supplies Branch Nairobi, noting that it was allowed by section 32 of the Public Procurement and Disposal Act, 2005.
iii. The inspection and acceptance process was duly conducted.
iv. Proof of ownership by the County Government of Lamu is confirmed by copies of logbooks and extract of the Assets Register submitted.

Committee Observations

The Committee observed that the auditors were not satisfied after verification of the submitted documents.

Committee Recommendation

1. The executive took over the role of the tender committee and the Committee recommends that the county executive be reprimanded.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government

3.11 Purchase of Office Equipment

Information available indicates that the County Executive spent a total of Kshs. 2,005,520 on procurement of various office equipment without following due process as prescribed in the Public Procurement and Disposal Act, 2005.

The procurement are detailed as below;

i) A supplier was paid Kshs.182, 120 to supply two (2) Laptop HP. However no records were availed as evidence of receipt of the laptops. Their serial numbers and other specification details were also not provided for audit verification. No information was availed for audit review on how the supplier was selected to supply the items as no quotations were availed as a basis of the procurement.

ii) A supplier was paid Kshs.638,400 for supply of a lamination machine, Desktop HP service machine and a Desktop computer. However, no records were availed as evidence of receipt of the machines. Additionally, no information was availed for audit review on how the supplier was identified and selected to supply the items as no quotation were availed as the basis of the procurement.

iii) Another supplier was paid Kshs.575,000 for supplying 5 Desktop computers each at Kshs.115,000. There were no records availed to evidence receipt of the computers. The serial numbers of the equipment supplied or any other identification details were also not provided. No records are available as evidence of recording of the computers as assets of the County Executive.

There was no information on how the supplier was identified and selected to supply the items since no quotation were availed to show how the procurement process was initiated.

iv) A supplier was paid Kshs.609,000 for supply of 6 MD527x/iPads and a Wi-Fi cellular 64GB, each at Kshs.101,500. However, no records were availed for audit review as evidence of receipt of the iPads. Their serial numbers and other specification details were also not provided. No distribution list and records were availed to identify the users and as evidence of recording of the iPads as assets of the County Executive.

No procurement records were availed for audit review to show how the supplier was identified and selected to supply the iPads.

In view of the above the County Executive was in breach of the Public Procurement and Disposal Act, 2005 and the Regulations of 2006.

MANAGEMENT RESPONSE

The County Executive responded that-

i. Two laptops.

a) The County Executive had challenges regarding office space which prompted shifting of offices and in the process some files and documents were misplaced.

b) At the time of the audit the information could not be provided.

c) Request for quotation was made where 3 suppliers quoted and the lowest bidder was selected to supply the two laptops whose serial numbers are 4e104872p and 40105789b. The laptops were HP ProBook 4340s- notebook PC.

d) The two laptops were issued to the Chief Officer Trade and Tourism and the Chief Officer Lands and Infrastructure.

e) The quotation and the inspection and acceptance certificate are available.

ii. Lamination machine, desktop HP server and desktop computer.

f) Of the Kshs. 638,400, payment of Kshs 380,000 was traced for the supply and installation of desktop HP server machine.

g) Three (3) quotations were obtained and the tender was awarded to the lowest bidder at Kshs. 380,000.

h) Information on details of the lamination machine and the HP desktop computer were still being sought for.

iii. Five desktop computers

i) Three (3) quotations were obtained for the supply of five (5) desktop computers and the lowest bidder was awarded.

j) The computers were delivered with the following serials numbers:

1. VNH5900808
2. TRF3190LB6
3. TRF42306Z7
4. TRF42307F2
5. SG402P3DX/1

k) The computers are listed in the asset register.

iv. Six Ipads

l) Three (3) quotations were obtained for the supply of 6 IPads.

m) The tender committee held a meeting and the lowest bidder was awarded.

n) The IPads were received and were distributed to the following persons;

1. The Governor
2. The Deputy Governor
3. The County Secretary
4. CEC Finance
5. CEC Lands.
6. CEC Health.

Committee Observations

The Committee observed that noted that the Auditors were not satisfied after verification of the submitted documents.

Committee Recommendations

1. The Committee recommends that the Auditor should verify whether the items listed were procured to confirm value for money.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government

3.12 Purchase of Office Furniture

Records availed indicate that a supplier was contracted to supply office furniture worth Kshs.1,040,000 for the Lamu County Executive. However, no documents were availed for audit review to show how the 8 executive tables bought at Kshs.130,000 each were received by the County Executive and distributed to the users. No information was provided to show how the supplier was identified and selected the items as no records were availed indicating that the procurement was subjected to a competitive process.

MANAGEMENT RESPONSE

The County Executive responded that-

i. The procurement entity used request for quotation to procure the office furniture which was in line with Section 92 (f) of the Public Procurement and Disposal Act, 2005.

ii. The items were received vide S13 No.6153435.

iii. Quotations No. 02 and 03 of 28th March, 2013 were registered and opened on 15th May, 2013. The recommendations to award the tender was made in line with Section16 (9)(f) of the Public Procurement and Disposal Regulations 2006 where the lowest quoted price at each item was approved for the supply.

iv. Inspection and acceptance exercise was undertaken as is evidenced by a certificate.

Committee Observations

The Committee observed that the Auditors were not satisfied after verification of the submitted documents.

Committee Recommendations

1. The Committee recommends that the Auditor should verify whether the items listed were procured to confirm value for money.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

3.13 Purchase of Hospital Equipment

The County Executive contracted two suppliers to supply and deliver hospital equipment at a cost of Kshs.27, 125,000. There were no request for quotations, expression of interests or tendering done for these supplies. Also, no information was provided to show how the two suppliers were identified, selected and awarded the contract.

In addition, there was no indication of initiation of the purchase by requisition from the user department and not the specific user requirements were indicated. Further and also though part of the equipment valued at Kshs.6, 180,000 was said to have been received, there was no evidence in support of this.

Management Response

The County Executive responded that-

i. The County Executive did not have a pre-qualified list of suppliers for specialized medical equipment's in the year 2013/2014.
ii. There was urgent requirement for theatre and diagnostic equipment.
iii. The hospital acknowledged receipt of the medical equipment..
iv. Approval for emergency procurement to use direct procurement method was given.
v. The approval to use direct procurement method was available for presentation.

Committee Observations

The Committee observed that the auditors were not satisfied after verification of the submitted documents.

Committee Recommendations

1. The Auditor to verify the equipment vis a vis what the National Government provided thereafter.
2. The Governor to also verify whether the equipment was procured to confirm value for money.
3. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

3.14 Purchase of Water Pipes

The County Executive purchased pipes at a cost of Kshs.11, 415,000 whose procurement process was not in line with requirements of the Public Procurement and Disposal Act, 2005 and Regulations of 2006 as there was no request for quotations, expression of interest or tendering for the supply. No documents were availed for audit to support how the supplier was identified, selected and awarded the contract. There were also no records availed through which these goods could be traced to the point/sites of use as there were no issue notes provided.

Additionally, no information was provide to show the areas where the pipes were utilized and physical balance, if any, remaining at the time of audit.

Management Response

The County Executive responded that-

i. The suppliers were sourced from the knowledge of the market. These were suppliers with a sound track record and the pipes were urgently required due to severe water challenges.

ii. The exercise was conducted and pipes were received and taken charge.

iii. The pipes were for Pandanguo and Bargoni water projects.

iv. The pipes were issued to Pandanguo project and the work is completed.

Committee Observation

The Committee observed that the auditors were not satisfied after verification of the submitted documents.

Committee Recommendations

1. The Committee recommends that the Auditor should verify whether the piping was done to confirm value for money.
2. The Governor to also verify whether the equipment was procured to confirm value for money.
3. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government

3.15 Purchase of Out Board Engines

Records availed for audit review indicates that the County Executive contracted a supplier to supply 21 Yamaha Outboard Engines at Kshs.5, 950,243. However, the Public Procurement and Disposal Act, 2005 was not complied with as there were no requests for quotation, expression of interest or tendering done for this procurement. Details on how the supplier was identified, selected and awarded the contract to supply the engines were not availed for audit review. There was no evidence that the sourcing of the engines was carried out in a competitive manner. Additionally, the engines were not identified by either serial numbers or asset numbers, nor were there any document recording them as property of the County Executive.

Although the engines were paid for and received before the end of the financial year 2013/2014, as at March 2015, the engines were yet to be issued to the intended beneficiaries or users. Further, the County Executive had earmarked to issue the engines to fishermen but

there was no legal framework spelling out the criteria neither was there any budgetary provision for the engines.

Management Response

The County Executive responded that-

i. The quotations to procure the engines were raised on 6/03/2014 and opened on 13/03/2014
ii. Twenty (20) pcs of the engines were quoted for at 270,465/= being the lowest bid price per engine.
iii. Three firms M/s Marine, Captain Andy and Yumma Marine bid for the supply of engines.
iv. The prices submitted by each bidder were compared and the lowest quoted price was tagged.
v. Inspection and acceptance exercise was done and a certificate issued.
vi. The engines were received and distributed to beneficiaries after the County Assembly passed an Act on Fisheries Development in year 2015 and a Policy Framework for County Fisheries.
vii. There was a budgetary provision for this procurement.

Committee Observations

The Committee observed that the Auditors were not satisfied after verification of the submitted documents.

Committee Recommendation

1. There is need to verify whether the expenditure was in the CIDP and the budget.
2. The Committee recommends that the County Government provides an asset register for verification.
3. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government

3.16 Purchase of Booster Plant

Records availed indicates that a supplier was contracted to supply two 5.5KW Booster Plant (pumps) at a cost of Kshs.1, 150,000. However, the Public Procurement and Disposal Act, 2005 was not complied with as there were no requests for quotation, expression of interest or tendering done for this procurement. No details of how the firm was identified, selected, awarded the contract to supply the items were availed for audit review. In addition, the supplier had not been prequalified for the supply of this class of goods.

Further, all the documents including LPOs, Invoice and S13 to support the procurement did not bear the transaction dates, making it difficult to confirm the occurrence of this expenditure. No documents were availed for audit to show where the two pumps are or were delivered.

Management Response

The County Executive responded that-

i. The procurement department at the time was not well established and was thus not fully operational.
ii. The booster pumps were delivered as per the LPO specifications and the delivery order signed as proof of delivery.
iii. The pumps were installed at Mokowe water supply and are operational.
iv. The serial numbers for the pumps are R100928004 and R1025839.

Committee Observation.

The Committee observed that the Auditors were not satisfied after verification of the submitted documents.

COMMITTEE RECOMMENDATION

The Committee recommends that-

1. The County Government provides an asset register for verification/ asset verification by the Auditor.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government

3.17 Purchase of Submersible Pumps

The County Executive engaged a supplier to supply 8 units 1.5KW Submersible Pump at a cost price of Kshs.232, 000 and total value of Kshs.1, 856,000. There were no requests for quotations, expression of interest or tendering for this procurement as required by the Public Procurement and Disposal Act, 2005. The supplier was not listed as pre-qualified for supply of submersible pumps, and additionally no documents were availed for audit review to show how the supplier was identified, selected and awarded the contract. No documents or records were availed to confirm that the pumps are recorded as assets of the County Executive, including the site in which they are installed.

MANAGEMENT RESPONSE

The County Executive responded that-

i. The supplier was pre-qualified by the Lamu County Commissioner's Office.
ii. The submersible pumps were operational and were being used at Shella water wells.
iii. The serial numbers are **1**. 2008400 **2.** 5064483 **3.** 2008399 **4.** 5247637 **5**. 2008401 **6**. 5247577 **7**. 1601547 **8**. 2008403

Committee Observation

The Committee observed that the Auditors were not satisfied after verification of the submitted documents.

Committee Recommendation

1. The Committee recommends that the County Government provides an asset register for verification/ asset verification by the Auditor.
2. That the matter remains open and the Committee to review implementation of its recommendations.

4.0 Expenses

4.1 Expenditure on Fuel

Examination of expenditure records revealed that the County Executive spent Kshs.5,020,101.35 on fuel. The County Executive did not maintain a fuel register for the control of purchase and usage of all fuels procured. Also, work tickets for various vehicles that had drawn fuel were not availed thus making it impossible to verify the fuel expenditure incurred.

Management Response

The County Executive response was as follows-

i. In the FY 2013/2014, the County Executive did not maintain a fuel register due to staffing shortage. However, fuel was controlled by reconciling the local purchase order (L.P.O), the invoice, the supplier's statement and the detail orders for fuel which must have originated from the County Government offices and were authorized.

ii. Currently, the County is maintaining work tickets, fuel registers and detail orders are being used to control the consumption and entry in the particular vehicles' work ticket.

Committee Observations

The Committee observed that-

i. The documents were not availed in time for the Auditors' comment;
ii. The Auditors were satisfied after verification of the submitted document.

Committee Recommendation

Having considered and deliberated on the audit query and the response by the County Executive extensively, recommends that the audit query be cleared.

4.2 Repair of Motor Vehicle

The County Executive paid an amount of Kshs.254, 850 for the repair of a double cabin pick-up Registration Number KAW 250Z. Examination of the transaction revealed that the services were procured directly without approval of the tender committee. It was therefore not clear how the firm was identified and whether it qualified to undertake such works. No Local Service Order was raised in engaging the firm and the repairs were not recorded in the motor vehicle's logbook.

Inspection and acceptance committee did not verify the repairs upon completion of the service to approve payment and the attached inspection report from the Ministry of Roads, Mechanical and Transport Department had no date and identified the vehicle as KAM 250Z casting doubt as to whether it referred to the same vehicle KAW 250Z.

Management Response

The County Executive informed the Committee that-

i. The vehicle broke down while en-route from Lamu to Mombasa and it had to be towed away to avoid vandalism at night. Insecurity made the officer to act immediately without following procedures.

ii. The registration number of the motor vehicle was KAW 250Z and not KAM 250Z as indicated by the officer from mechanical and transport department.

iii. The mechanical officer made a typographical error in quoting the registration number of the vehicle.

Committee Observations

1. The Committee observed that the auditors were not satisfied after verification of the submitted documents.
2. Noted the governor mitigated on the matter.

Committee Recommendation

Having considered and deliberated on the audit query and the response by the County Executive extensively, recommends that the Query be cleared based on the mitigation.

4.3 Council of Governor's Expenditure

An amount of Kshs.4, 400,000 was paid towards the Council of Governor's Secretariat. However, there was no budget allocation for this expenditure item and no evidence was availed for audit verification to show that the reallocation of the expenditure had been approved. In addition, as per the Intergovernmental Relations Act, 2011, the expenditure is not among the expenses that are to be borne by the County Executive.

Management Response

The County Executive response was as follows-

i. The County was under pressure from the Council of Governors to honor its obligations since it was at the end of the financial year and there were unutilized

funds in the County Executive's recurrent account (transport allowance). The payment was done with the understanding that it was to be regularized.

ii. The County Government has raised the issue with the Council of Governors on the way forward.

Committee Observation

The Committee observed that-

i. Noted that the Inter-Governmental Technical Committee, National Treasury and the IBEC have not done a lot with respect to funding the Council of Governors which is a statutory body.

ii. Also noted that this is not an isolated case but it cuts across all county but there is a disparity in the amounts committed by each county due to clear policy guidelines.

iii. Noted that the Auditors were not satisfied after verification of the submitted documents.

Committee Recommendation

1. The Committee recommends that the Intergovernmental Relations Act be amended to provide a secretariat to the Council of County Governors and provide funds for it.
2. Query be cleared based on the mitigation by the Governor.

4.4: Local Travel, Subsistence and Accommodation Allowance

Examination of payment records disclosed expenditure amounts totaling Kshs5,453,562 were not supported with relevant documentary evidence, in particular:-

(1) Invitation letters for training or work plan as a form of initiating the process were not availed.

(2) Reason for travelling was not evident in some cases. No supporting documents were availed to justify travelling by the claimants. On a number of claims, officers were indicated to have accompanied the governor to various destinations without stating their role in the delegation with no evidence that they accompanied the governor.

(3) Officers also left their work stations with no evidence of express authority to travel for various duties, seminars or training.

(4) It was noted that a signature was appended on invitations letters as approval for training but it was not clear whether the officers who attended the trainings, seminars and various duties were authorized.

(5) On a number of cases, there was no evidence availed in form of report of outstation work activity, attendance registers, training programme and travel documents for seminars and training to support attendance of seminars, trainings and various duties for which officers were paid travelling, subsistence and accommodation allowance.

Management Response

The County Executive response was as follows-

i. The county treasury trained its staff members on how to deal with transactions of this type to enhance compliance.
ii. Officers only travel outside the duty station after being authorized by the administrative heads.
iii. It is quite difficult to get attendance register in seminars after it is signed by all those attending.
iv. Several payments amounting to Kshs785, 470 were made in respect expenditures related to Members of County Assembly (MCAs) of whom the County Executive has no authority over. The vouchers for these transactions were available.

Committee Observation

The Committee observed that-

i. At the time of submission 29 payments had been explained while 74 payments had not been explained out of which 23 payments were for the County Assembly.
ii. Some invitations letters were availed but were yet to be linked to the relevant transactions so as to be verified.
iii. The Committee observed that the documents were availed late and the Auditor-General needed more time to verify them.

Committee Recommendation

1. The committee noted that there was laxity in submission of documents and ruled that the Governor to be reprimand.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

4.5: Expenditure on Foreign Travel

The scrutiny of some of the payment vouchers amounting to Kshs 4,877,259 revealed that the number of requisite documents to support expenditure on foreign travel were missing. Documents such as letters of invitation, work plan, attendance registers and travel evidence like tickets and boarding passes were not availed. In a number of cases, the paid voucher did not indicate the reason for travelling and no supporting documents were availed to justify the claims. It was further noted that officers left their work station with no evidence of express authority to travel for various duties, seminars or training. In most cases, a signature was appended on invitation letters approving training, but it was not clear whether the officers who attended the training seminars and various duties were the authorized ones.

Management Response

The Committee was informed that-

i. None of the County Executive officers were involved in foreign travels during the 2013/2014 Financial Year.
ii. Payment voucher indicates that payment were in respect of foreign travel by the County Assembly members and staff.

Committee Observation

The Committee observed that-

i. In the FY 2013/2014, the Senate had not separated the accounts of the County Assembly and the County Executives and therefore the paymaster in the county at that time was the County Executive.

ii. Vouchers in relation to the Kshs4,877,259 in query related to officers from the County Assembly who had travelled had not been submitted to the auditor and it was incumbent upon the County Executive to request for those documents from the County Assembly to satisfy this query because it released the money.

Committee Recommendation

1. The committee noted that there was laxity in submission of documents and ruled that the Governor be reprimanded.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

4.6: Expenditure on Hospitality Services and Supplies

Amount totaling Kshs1, 410,792 paid on account of hospitality and supply were incurred on food drinks and refreshment. However, they were not supported with documentary evidence. The business of paying the hospitality expenses in terms of work plans for the activity necessitating buying of food drinks and refreshments were not availed. It was observed that the officers were paid meal allowances while doing their normal duties yet no justification was provided for such expenses. In some cases, the beneficiaries of the hospitality were not disclosed. While in others, the alleged beneficiaries did not acknowledge receiving the benefits.

Management Response

A sum of Kshs546, 600 was released to the County Assembly. All other payments have been accounted for by the County Executive.

Committee Observations

The Committee observed that-

i. Transactions amounting to Kshs546, 000 relating to the County Assembly had not been availed to the auditor for scrutiny.

Committee Recommendation

1. The committee noted that there was laxity in submission of documents and ruled that the Governor be reprimanded.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

4.7 -Training Expenditure

The county executive paid Kshs11, 955, 533 on training expenditure of which no documentary evidence was availed to support the expenditure.

The process of selecting those to be trained and identifying the trainers was not explained. The training proposals and programs were also not availed. There was no evidence that the training needs assessment had been done as a basis of procuring the training services. In a number of cases, paid vouchers did not specify the nature of the training and the duration.

Management Response

The County Executive response was as follows-

i. The county government employed new staff to enhance service delivery hence capacity building was inevitable at inception of devolution. This included both senior and middle level managers. Majority of these trainings were conducted by the National Treasury and the Kenya School of Government. There were emerging challenges in running the counties countrywide and the national Government and the Kenya School of Government were taking lead in capacity building for massive training at the onset of devolution. Procurement committees and Integrated Financial Management Information System (IFMIS) were completely new in most counties yet they had to be learned.

ii. Many of the expenditures which were captured in the audit report as trainings or subsistence allowance, were mispostings.

iii. There are payment vouchers relating to the Mpeketoni and correspondence plus the beneficiaries who received the amounts mainly for burial. There are also vouchers relating to the training unit.

iv. When the financial year ended, it was not possible to correct any mispostings. However, all mispostings can be corrected by journal through the National Treasury.

v. The County government did not have competent staff which was the main problem. In the first year, the former county council staff were not really familiar with the new workings of county governments. There was a big problem of staffing. Most of the items were being booked mainly under the executive.

Committee Observations

The Committee noted that-

i. Indeed there were mispostings though they had not been corrected and there was no evidence that they corrected in the financial statement.

ii. The procurement of financial information system is pending.

iii. The gates and barriers amounting to Kshs463, 664 as per the response was payment for security and was not related to training.

iv. The Mpeketoni attack expenses were not training and there was a voucher to that.

Committee Recommendation

1. The committee noted that there was laxity in submission of documents and ruled that the Governor be reprimanded.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

5.0: Management of imprest and advances

5.1: Outstanding imprest

Records availed reflect long outstanding imprest totaling to Kshs36, 809,979 which ought to have been surrendered or accounted for on or before 30th June, 2014. Out of the outstanding imprest of Kshs36, 809,979, amounts totaling Kshs35, 514, 186 was held by officers who were issued with additional imprest before having surrendered previously issued. Further, out of this amount, an amount of Kshs10, 980, 835 was held by officers

who were not on the payroll of the county executive. It was noted that most of the imprests were not supported with requisition letters and imprest warrant and the criteria for issuing them were not clear. Some of the imprest holders have left the institution raising doubt as to the recoverability of the imprest and there was no indication that the imprest holders were notified of and acknowledged liabilities indicated against their names.

The County Treasury did not maintain an imprest register hence, it was not clear the imprest payment and accountability were being controlled and reconciled.

Management Response

The County Executive response was as follows-

i. The imprests were issued on cash system while the imprest warrant represent the cashier's cash and controlled through cash analysis in the cash office.
ii. All those issued with imprests are government officers in county executive and in the county assembly. They are all in government payroll. During the financial year 2013/2014, transactions were handled at the County Treasury since the county assembly had not been given financial autonomy.
iii. Due to challenges in Integrated Financial Management Information System (IFMIS) connectivity, several surrendered imprests which were processed outside the system to a tune of Kshs27 million as at June 30th, 2014.
iv. Total outstanding imprests as per audit query were Kshs36, 809, 979. We reduced this The surrendered imprest by county executive was reduced by Kshs.27, 120, 278.
v. Imprest held by County Assembly amounted to Kshs.6, 720, 035.
vi. The balance of unsurrendered imprest by the county executive stood at Kshs2,969,666.
vii. The county executive has initiated the recovery of outstanding imprest from the concerned officers. Currently, the imprests are being issued through the system.

Outstanding imprest can be produced at the press of a key on the Integrated Financial Management Information System (IFMIS) system.

viii. Admitted that mistakes were made in the issuance of additional imprest before surrender of the previous ones, but have since corrected that.

Committee Observations

The Committee observed that-

i. The County Executive had presented a schedule of people with outstanding imprest although the auditor had not verified to confirm that the outstanding imprest had been refunded, surrendered or there was any recovery.

ii. The query on issuance of multiple imprests had not been responded to.

iii. The County Executive had not provided evidence to prove that the persons who had been given imprests were government officers who were on payroll.

iv. Every imprest warrant should indicate the personal number of the imprest holder, without which, it should not be passed.

v. The first rule on imprest is that you must surrender the initial imprest before you get a second. These things show that impunity is developing in counties.

Committee Recommendation

1. The committee noted that there was laxity in submission of documents and ruled that the Governor be reprimanded.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

6.1: Unsupported Cheque Payments

The county executive made several payments in cash by issuing cheques to various officers, some in excess of Kshs30, 000 cash procurement limit, who would then cash them and pay suppliers and beneficiaries. Most of the cheques withdrawn in cash total amounts differed with documents provided in support of the expenses.

Expenses totaling Kshs28, 775,258 were not supported by documentary evidence while vouchers or documents amounting to Kshs10, 300,254 exceeded the paid cheque amounts. The county executive did not provide justification for this irregularity.

Management Response

The County Executive responded that-

The county treasury operated standing imprest that allows payments to be made through cheques.

At inception the county treasury faced connectivity challenges, rendering the Integrated Financial Management Information System (FMIS) and the G-Pay un-operational. Therefore, to enhance continuity of service delivery, some of the payments had to be made by cheques. No suppliers' cheques were en-cashed by the county treasury.

Cash was withdrawn from the bank and entered in the cashbook as cash receipt on contra basis. Suppliers who were paid cash included Kenya Power and hotel services, where there were no credit facilities. Other cash payments included payment for airtime and drinking water.

Officers who were issued with imprest and were accounting for the same were listed together with other cash payments, hence one cheque was issued for a total amount for them to be reimbursed in cash.

The cashier accounted for amounts drawn by recording the individual payments in the cash book. Any balance which remained in the cashbook in one day was recorded and used for the subsequent day's payments.

Committee Observations

The Committee made the following observation-

i. The County Executive had admitted that there were suppliers who were paid by cash and made statements without fiscal demonstration of the variance between cheque amounts and the supporting vouchers.

Committee Recommendation

1. The committee noted that there was laxity in submission of documents and ruled that the Governor be reprimanded.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

7.1: Recruitment Process

Verifiable information and documentation indicates that there were two chief officers employed in the department of public service management and administration.

The county executive has not provided justification of having in its employment the two chief officers. Dates and details of how they were recruited and the duties allocated to each were not provided for audit review.

Records availed for audit indicates that the county executive recruited three persons for positions that had not been advertised for. Therefore, no interviews for the positions were done.

Officers were shortlisted for the position of ward administrator, but were instead recruited on affirmative action alongside the ward administrators. They were designated as administrators of headquarters, a position that was not in the staff establishment.

It was also observed that a Mr. Rufi Ali Azani who scored lowly in the interview for the post of Ward Administrator (Basuba Ward) was selected for the position with no justification provided as to why the highly ranked candidates were not appointed.

Management Response

The County Executive informed the Committee that-

There was only one chief officer in the Department of Public Service Management whose name is Mr. Hassan Haji. The position was dully advertised, shortlisted candidates

interviewed and the best candidate recruited. Mr. Haji, was one of the candidates who had gone through the process among three whose names were forwarded to the Governor by the CPSB. He was later nominated and appointed after vetting by the County Assembly. That is the only Chief Officer for Public Service that we have. He is, indeed, on contract because of his age and perhaps chief officers are also on political appointments.

Mr. Abdulqadir Abubakar Mbarak was the Chief of Staff in the Governor's Office, a position which is normally political in nature and not subjected to the usual interviews process. This was done in interpretation of the Transition Authority (TA) advice.
The two positions of Chief Officer and Chief of Staff are different with one in the public service management and the other in the Governor's office.

It was not correct that three positions of were filled by the CPSB without an advertisement because there was an advertisement made to that effect. The said positions were meant to ensure efficient and effective service at the County Government as administrative officers. The officers that were to be recruited were to be deployed to administrative units at the sub-county and wards or be deployed at the headquarters. However, it was found imperative to add three more recruits to be deployed in the headquarters. The County Secretary made the request for additional three officers to be recruited by the CPSB after the advertisement was done. However, the additional officers were recruited from the shortlisted list of applicants.

The recruitment of Mr. Mohammed Athman Mohammed for the position of Assistant Director was based on the fact that he was interviewed and found to have a degree in Natural Resource and Environmental Science and was from the minority Kenyan Arab ethnicity. He was the only Kenyan Arab employed by the County Government then. So, the consideration was made based on that and the Board relied heavily on Article 10(2) (b) and 56(c) of the Constitution of Kenya.

Two casual employees namely– Siti Ally Khamis and Kelvin Wafula – were absorbed as permanent staff. The two were among casual employees inherited from the defunct local authority. They were supposed to be given permanent status during the service, which was a common situation in all counties. Fortunately, the two had been given special training on Integrate Financial Management Information System (IFMIS) and G-pay by the finance department and were key in financial operations. The County Government felt that there was an urgent need to absorb the two on permanent and pensionable terms due to the sensitivity of the duties that they were performing.

The CPSB recruited the two casuals who are currently employees of the County Assembly. However, the CPSB did not recruit the two casual employees to run the IFMIS and G-pay as indicated in the report. The process of recruitment is such that the County Executive writes to the CPSB which then advertises the positions. In the process, the County Assembly was quicker to recruit and the two employees were recruited by the County Assembly.

The consideration of Basuba Ward administrator, Mr. Rufi Azani on Job Group N, was made to address the marginalisation factor. Basuba Ward is one of the 10 existing wards in Lamu County. It is the most marginalized Ward, characterized by insecurity, lack of infrastructure, inaccessibility and hardship and the inhabitants of the ward are mainly the Boni ethnic group. Mr. Rufi Azani is from the Boni community and there are only three employees of the County Government from the Boni Community.

Committee Observations

The Committee made the following observation-

i. The query of two Chief Officers had been addressed.
ii. The County Executive had confirmed that recruitment of Ward officers was done without advertisement they have concurred and admitted that there was no advertisement.
iii. The person recruited as the Assistant Director, Social Development was not the one who scored the highest in the interview.

iv. There was no demonstration during the advertisement for the position of Ward Administrator that it had been reserved for the minority or a target group.

v. The query on hiring of casuals, who were inherited from the defunct local authorities was satisfactory.

Committee Recommendation

Having considered and deliberated on the audit query and the response by the County Executive extensively, recommends that the audit be Query cleared based on the mitigation.

CHAPTER SEVENTEEN

MAKUENI COUNTY EXECUTIVE

1.0 County Government Policies and Procedures

The County Government of Makueni did not have any approved policies and operational manuals. However, it was noted that the following policies and procedures manuals were in draft stages awaiting approval by the executive committee: a) the financial regulations and procedures. b) the IT policy c) the community model in development projects. d) the county public service human resource manual (drafted by the transitional authority)

Management Response

The Governor informed the Committee that some policies had been finalized while others were in draft form. The Governor further informed the Committee that although the Executive was keen in finalizing all policies by 31st March, 2016, the relationship between the county executive and the county Assembly had not normalized and this has hampered the speed by which the Assembly has been taking to consider any legislative and policy proposals forwarded by the executive for consideration. The Governor further submitted that there were incidences where the county assembly had taken a year to consider legislation submitted to it by the executive. The Governor requested the committee to intervene by asking the county assembly to reconsider its stance on its relationship with the county executive.

Committee Observations

The Committee observed that there was late submission of supporting documents to the Auditor.

Committee Recommendation

The Committee recommends that the County Executive finalizes the policies that were in draft form. The Committee recommends clearance of the audit query.

2.0 Training Expenses

A temporary imprest of Kshs. 1,411,500 was advanced to the Director of Youth and Sports vide imprest no. 2012851 of 16/6/2014 to carry out "Boda Boda Riders" training in 30 wards. A budget in support of the imprest indicated the amount was to be spent as shown below;

Item	**No.**	**Rate (Kshs.)**	**Wards**	**Total(Kshs.)**
Meal allowance DYDO's	1	1,050	30	31,500
Meal allowance for county For county officers during Supervision and monitoring	2	4,000	30	240,000
Mobilizations airtime	1	2,000	30	60,000
Transport for committee members	12	3,000	30	1,080,000
Total				**1,411,500**

Payment voucher no. 3900 of 30/6/2014 was used to surrender the full amount. However, the payment voucher lacked the relevant documents in support of the 8 surrender, including payment schedules containing the names, personal numbers, respective job groups and signatures of the officers who participated in the training, daily attendance lists of the participants/ trainee and the period during which the training took place. In the circumstances, the amount remained unaccounted for.

Management Response

The imprest for the training expenses have been fully supported.

Committee Observation

The Auditor had since been supplied with the supporting documents, verified and resolved the matter.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

3.0 Cash and Bank Management

The County Government of Makueni operated the following bank accounts:

Bank	Account No.	Name
Central Bank of Kenya (CBK)	1000170557	Recurrent Account
Central Bank of Kenya	1000170573	Development account
Central Bank of Kenya	1000170937	Revenue account
Kenya Commerccial Bank (KCB)	1140778218	Imprest account
Kenya Commerccial Bank	114304953	Liquor license
Kenya Commerccial Bank	1140751719	Revenue account
Kenya Commerccial Bank	1147187010	Development account
Kenya Commerccial	1140751042	Operations account

Bank		
Cooperative Bank	01141539156001	Donor fund account
Cooperative Bank	01141539338600	

3.1 Central Bank of Kenya Account No. 1000170557- Recurrent Account

The cash book had a credit balance of Kshs. 2,342,521,619 though the bank reconciliation statements reflected a debit balance of Kshs. 69,339,729. The remitting difference of Kshs. 2,411,861,348 was not supported. The bank reconciliation statements reflected payments in cash book not yet reflected in bank statement (unpresented cheques) totaling to Kshs. 99,371,590. However, a schedule of individual payments of this total was not disclosed making it difficult to independently verify the amount.

Management Response

The matter has since been resolved and supporting documents submitted.

Committee Observation

The committee observed that the auditor has since received and verified supporting documents from the management.

Committee's Recommendation

T **The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.**

3.2. Central Bank of Kenya Account No1000170573- Development Account

The cash book had a credit balance of Kshs. 572,740,291 though the bank reconciliation statements reflected a debit balance of Kshs. 799,540,763. The resulting difference of Ksh.1, 372,281,054 was not supported or explained.

Management Response

The matter has since been resolved and supporting documents submitted.

Committee Observation

The committee observed that the auditor has since received and verified supporting documents from the management.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

3.3 Kenya Commercial Bank Account No. 1140751042- Operations Account

Reversals of payments to the tune of Kshs. 40,430,719 were made in the cash book. However, the cancelled cheques and the payment vouchers vide which the cheques were drawn were not presented for audit review.

Management Response

The Committee heard that the Kshs.40,430,719 Cheques that had been drawn to make payment during the time when the county was using the manual system of payment. However, midway in the financial year, the county government was advised to use IFMIS in making all its payment and therefore all the cheques that were drawn had to be cancelled. The cancelled cheques therefore became stale cheques. The Governor further submitted that the necessary bank reconcilliation had been prepared and submitted to the Auditor General for examination and verification. The Governor also submitted that the national treasury had issued a circular eadvising the county governments to operate only four main accounts that include an imprest account, Central accounts, revenue, recurrent, and close all other accounts.

Committee Observation

The Committee observed that the county government had many bank accounts which may have not been necessary. The Committee further observed that the the relevant documents had been submitted but the verification and examination had not been undertaken.

Committee Recommendation

The Committee recommends that the auditor validates documents supplied by the County Executive and updates them in subsequent audit reports.

3.4. Bank reconciliation statements for the following three accounts were not prepared

- Kenya Commercial Bank Account No. 1140778218
- Kenya Commercial Bank Account No. 1147187010
- Cooperative Bank Account No. 01141539338600

Management Response

The county has been able to update all the reconcilliations and the extracts of the cash book and bank statement has been attached for all the 10 listed bank reconcilliation in page 223 -263.The county did not receive management letter from the Auditor, they received the information from the Makueni Senator

Committee Observations

The Committee observed that the auditor has since received the supporting documents from the management.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

4.0 Budgetary controls and performance

4.1. Unreleased Exchequer

The revenue allocation from the National government was Kshs. 4,366,239,078 in the financial year 2013/2014, only Kshs. 3,608,416,167 was released into the Makueni County Revenue Fund leaving a balance of Kshs. 757,822,911 unreleased. Further examination of records held at the county treasury revealed that, out of the unreleased funds, Kshs.510,689,794 was withheld by

the national treasury as a refund for July 2013 to December 2013 salaries paid by the national government on behalf of the county government for the devolved staff.

Management Response

It was not the fault of the governor, but the National Treasury not releasing the money.

Committee's Observation

The Committee noted National Treasury failed to disburse Kshs.757,822,911 to the county government of Makueni without any reason whatsoever and in contravention of the provisions of Public Finance Management Act, 2012.

Committee's Recommendation

The Committee recommended that the National Treasury should adhere to the provisions of County Revenue Allocation Act by disbursing the funds as per the existing laws.

4.2. Unutilized Funds

During the financial year 2013/2014 the County Government of Makueni received funds amounting to Kshs.4,508,437,305 as detailed below;

Source	Amount
Unspent funds as at 30/06/2013	195,397,249
National treasury	4,119,105,961
Other government entities	4,746,353
Local revenue	189,187,741
Total	**4,508,437,305**

However, the draft financial statements presented by the County Government reflected total expenditure of Kshs.3,379,933,858 meaning the county government did not utilize funds amounting to Kshs.1,128,503,446 i.e. 25% of the available funds.

Management Response

The Governor informed the Committee that the County executive had a protracted disagreement with the County Assembly in the passage of the budget. This resulted in a prolonged deadlock that delayed the budget approval that was only done in February, 2014.

The Governor further urged the Senate to consider developing a law that provides for guidelines that stipulate the timelines for conclusion of the budget making processes in the counties.

Committee's Observation

The Committee observed that the animosity that existed between the County Executive and the County Assembly affected the operations of the County Government including budget processing.

The Committee further noted that the national treasury failed to disburse Kshs.757,822,911 to the county executive of Makueni without any explanation and in contravention of the provisions of the Public Finance Management Act, 2012

Committee's Recommendation

The Committee resolved to clear the audit query.

4.3 Unaccounted for Funds

As evidenced by a letter referenced CONF/NOF.51/08 'C'/ (72) of 4 April 2014, the National Treasury issued a demand invoice vide letters Ref. No. MDP/6/1/116 and MDP/6/1/116 of 22 October 2013 and 14 February, 2014 respectively to the County Government of Makueni for salaries paid on its behalf. The following issues were observed; The demand invoice, payroll data and the two letters vide which the demand invoice was lodged were not availed for audit verification. According to the letter referenced CONF/NOF.51/08 'C'/ (72) of 4 April 2014, the County Government of Makueni owed the national government Kshs. 510,689,795 as at 26

march 2014. Though the full amount was recovered from 3rd Quarter of 2013/14, exchequer releases, only Kshs. 246,401,490 was supported by payroll data leaving Kshs. 264,288,304 unsupported.

Management Response

The Governor informed the Committee that the audit query ought not to have been captured as a matter to be responded to by the county government and that he had already written to the National Treasury on the matter and tabled a copy of the letter on the subject to substantiate his claim.

Committee's Observation

Committee's observed that the audit query was one that the national government was solely responsible for its response owing to the fact that all the necessary documents that could assist in the resolution of the matter were in the custody of the national government.

Committee's Recommendation

The Committee while noting that the matter was squarely not one that the county government could be held responsible, resolved to clear the audit query.

5.0 Local Revenue

Out of the budgeted local revenue collection of Kshs. 350,000,000 for the financial year 2013/2014, only Kshs. 189,187,741 approximately 54% was collected resulting to under performance of Kshs.159,038,818 approximately 46%.

Management Response

The Governor informed the Committee that the main revenue source which was sand harvesting cess and because of the environmental issues surrounding that, the county government suspended sand harvesting.

The Governor further informed the committee that suspension of sand harvesting in the county was due to internal community wars that had resulted from the community members who were against and pro sand harvesting.

The Governor also informed the Committee that the County Executive has a substantive director of revenue collection and qualified personnel at the sub county level-daily collection supervised.

The Governor further informed the committee that the county executive had begun procuring automation of the revenue collection system and recruited the relevant personnel to be in charge of the revenue collection.

The Governor also requested the Committee to visit the County to look at the sand harvesting effects including school drop outs, drugs and cartels.

Committee's Observation

The Committee observed that large scale harvesting of sand affects river courses and that this was a sensitive matter that required concerted efforts from all actors because it affects water sources of the county.

Committee's Recommendation

The Committee resolved to clear the query.

6.0 Outstanding Imprest

Temporary imprests were issued at various dates and to various officers amounting to Kshs. 5,026,026 during the financial year ended 30 June 2014 as shown below;

Name of officer	Imprest Date	Warrant No	Purpose	Amounts (Kshs)
Sospeter Musemt	25/6/2014	2012506	Facilitation for inspection of liquor	1,932,800

			selling outlets	
Judith Mbindyo				550,000
Judith Mbindyo	20/12/2013	1905153	Sand harvesting taskforce	524,000
Elizabeth Kyalo	31/10/2013	1759852	Not stated	24,486
Dan Okeyo	13/5/2014	1963798	Security purposes	290,400
Molly Makau	20/12/2013			49,340
Kawive Wambua	8/1/2014	1905170	Bursary committee allowances	660,000
Kawive Wambua	25/2/2014	1948271	Bursary committee allowances	330,000
D.N Oleshege				250,000
D.N Oleshege	16/1/2014	1905198	Security purposes	300,000
John Kasivu	23/12/2013	1905157	District alcoholic allowances	115,000
TOTAL				**5,026,026**

However, as at the time of audit on 20th February, 2015, eight (8) months after the closure of financial year 2013/2014, the imprest had not been surrendered.

Management Response

The Governor informed the committee that the county government at its inception had challenges of non-compliance in imprest surrender but adequate measures had been constituted to ensure compliance with the relevant provisions.

Committee's Observation

The Committee observed that the county government failed to adhere to the provisions of the PFM Act in issuance and surrender of imprest. The committee further noted that recoveries of

unaccounted for imporest were recovered a year later and even some officers had not surrendered imprest at the time of consideration of the report. This slaggish and unnecessary delay in recovery of funds from those who did not surrender imprest amounted to a blutant breach of the law governing imprest issuance and surrender.

Committee's Recommendation

The Committee recommended that all outstanding imprest should be recovered in line with the Public Finance Management Act and regulations.

However, the provisions of the Public Finance Management Act and regulations relating to issuance and surrender of imprest should be strictly adhered to in all imprests issued in the current financial year and in subsequent years.

7.0. Domestic Travel and Subsistence

Examination of payment vouchers on domestic travel and subsistence amounting to Kshs. 11,879,465 during the year revealed noncompliance to the laid down rules on issuance of temporary imprest. It was noted that cash was advanced to officers either through authority letters or claims lodged requesting for reimbursements. The following anomalies were observed during audit: a) Cash advanced to officers is expensed immediately on issuance eliminating safeguards that ensure officers account for imprest issued. b) Journeys undertaken by officers were neither supported by work tickets nor bus tickets hence claims were made for journeys without evidence of officers leaving their duty stations. c) Payments made to officers while attending seminars, training did not possess evidence of attendance in form of invitation letters, timetable, list of participants. d) Officers issued with imprest did not acknowledge receipt of funds through appending signatures on payment schedules. e) In some instances the following information was not disclosed: i. The personal numbers of the payees listed in the schedules; ii. The place of visit by the officers; iii. Days out of duty station; and iv. The purpose of the visit.

Management Response

The Governor informed the committee that although the county government had no proper structure for imprest issuance and surrender at its inception, a proper structure and procedure

governing imprest issuance and surrender had been put in place and this was confirmed and verified by the Auditor General.

Committee's observation

The Committee observed that the county government had instituted proper mechanisms to manage imprest issuance and surrender. However, the recoveries of imprest issued during the financial year under consideration(2013/2014) had taken too long.

Committee's Recommendation

The Committee recommends that all outstanding imprest should be recovered in line with the Public Finance Management Act and regulations.The Committee further recommends that the provisions of the Public Finance Management Act and regulations relating to issuance and surrender of imprest should be strictly adhered to in all imprests issued in the current financial year and in subsequent years.

8.0 Fuel, Oil and Lubricants

Examination of records revealed that the expenditure on fuel, oil and lubricant amounting to Kshs. 7,952,831 for the year 2013/2014. However; the responsible officers assigned with the duty of managing the use of fuel did not maintain bulk fuel registers. Interviews conducted and perusal of records provided revealed that management of fuel was being done using detail orders. The measures in place are in our opinion not adequate and this exposes the system to abuse. An amount of Kshs. 7,952,831 spent on fuel could not be confirmed to have been utilized for the intended purpose.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

9.0 Procurement of goods and services

9.1 Planting of Tree Seedlings

The budget for the Financial Year 2013/2014 included Kshs. 15,000,000 for tree planting under the Department of Lands, Urban Planning and Environmental Management. Examination of records/documents maintained at the County Treasury revealed the following unsatisfactory matters:

a) Direct procurement of tree seedlings, planting and transport services of Kshs. 47,269,177 was procured during the financial year 2013/2014 from various persons and organisations. However, procurement records including details of reasons upon which a determination that the relevant conditions set out in section 74 subsections 2 and 3 of the Public Procurement and Disposal Act,2005 were satisfied to warrant direct procurement were not presented for audit review. Further, market survey and price negotiation reports and agreements in support of the unit price of the tree seedlings across the county were not available for audit scrutiny.

b) The expenditure exceeded the approved estimate of Kshs. 15,000,000 by Kshs. 32,269,177 which was approximately 215% contrary to the maximum limit of 10% variation.

c) Out of the total expenditure of Kshs. 47,269,177;

   i. Kshs. 17,892,385.00 was made up of cash payments of Kshs. 11,098,765; and unauthorised temporary imprests of Kshs. 6,793,620 issued to undisclosed persons vide cheque no. 1453 of 20 December 2013 and which remained un-surrendered as at the time of audit.

   ii. ii. Kshs. 10,025,705 paid vide cheque no. 1484 was only supported by memos and an invoice of Kshs. 1,442,000 leaving Kshs. 8,583,705 unsupported.

d) Due to lack of sustainability in the project planning, the said seedlings were not taken care of after planting. They all dried off leaving the total expenditure of Kshs. 47,269,177 being a loss to the public funds.

In view of the foregoing, funds totalling Kshs. 47,269,177 remained a loss to public funds. No explanation was given for exceeding the approved estimate or for the use of the direct method of

procurement. Further, the unaccounted for expenditure of Kshs 23,650,410 has not been explained.

Management Response

The county governement did not procure seedlings through direct procurement but through quotations from tree seedlings groups. The county government also obtained prices from TARDA regional body which also supplied some seedlings. The information obtained acted as the price survey.

The county government also informed the committee that the seedlings were sourced from women groups and youth groups.

The county government informed the committee had an headquarter budget and funds voted for wards conservation projects at the ward level Kshs.22.5 Million. However, the national treasury advised that the county government could not spend the Kshs. 22.5m as part of the expenditure. This resulted in a budget deficit. The county government therefore had to seek additional funding for the project through a supplimentary budget duly prepared and approved by the county assembly.

The Governor also informed the committee that the county executive engaged the services of the youth and women groups to plant the seedlings.

The Governor further informed the committee that the cash payment the only imprest issued in relatuion to tree planting 4.908M had since been fully surrendered. The payment making up Kshs.10,025,705 paid via cheque no.1484 were duly supported by purchase and delivery forms evidencing delivery of seedlings and invoices from the various groups and the documents were currently with the EACC after the county assembly requested the EACC to investigate the matter. But the documents can be availed for audit. The county assembly also reported the county assembly to the EACC on various

All the expenditure relating to the tree planting was duly authorized by the county secretary and chief finance officer who were the only authorized officers allowed to approve payments at the nascent days of the county government. The payments were duly supported by the necessary invoices and delivery notes.

The seedlings were planted in schools, towns and individual homes and therefore the assertion that all the seedlings dried up is not true because there is evidence that some trees survived.

The disagreements between the county assembly and the county executive mid-stream in the implementation of the project affected the implementation

The survival rate of the seedlings was 60% and the senate was at liberty to visit the county and verify the survival rates.

When there were public complaints on the seedlings survival rates in certain places, the county government reported the matter to the police to investigate and report back.

The budget variation was by Kshs. 10,000,000

Committee's Observation

The Committee observed that politics played mid-stream in the implementation of the seedlings planting projects when the Members of the County Assembly disagreed with the Conty Executive on whether the executive should utilize the 22.5 Million allocated to wards for a similar exercise at the wards level. The county assembly rejected the proposal by the executive to utilize Kshs. 22.5 Million together with the 15 Million allocation on tree planting at the headquarters level. This resulted in the preparation and the subsequent approval of a supplementary budget for the project by the County Assembly

The committee further observed that if the seedlings suppliers were the youth and women groups locally idenfiable within the county, the necessity for advertisement in two national newspaper may be waved.

The Committee also noted that the response of the county government on the imprest surrender and budget variation supported by the supplementary budget approved by the County Assembly was satisfactory.

Committee's Recommendation

The Committee recommends that the issue of the surrender of imprest and variation of budget based on an approved supplementary budget by the county assembly be cleared.

9.2 Procurement of Structured LAN and Wi-Fi Connectivity

Three firms namely Open IT Limited, Blue Two Solutions and Integrated Solutions Limited bidded for supply of Connectivity of Structured LAN and Wi-Fi at the Makueni County Headquarters. M/s Open IT Limited was awarded the contract at a price of Kshs.7, 163,000 and subsequently a Payment was made vide unauthorized payment voucher no.75 of 23 December2013. In support of the payment voucher was a Local Purchase Order (LPO) no. 2121992 of 11 December2013, Invoice No. ISL: INV: 652 of 17 December2013 and a Certificate of Completion issued by an ICT officer of 20 December2013.

However, the following unsatisfactory matters were observed;

i. Assessment of the existing infrastructure was not conducted prior to invitation of bids.
ii. The network diagram was not presented for audit verification.
iii. The specifications of the network were not presented for audit review.
iv. Tender documents and relevant committee minutes relating to this contract were not made available for audit verification.
v. Though the procurement report indicated that invitation to tender was done on 21 December2013, the LPO was raised on 11 December 2013 nine (9) days before the bids were invited.

vi. The County Government was invoiced on 17 December 2013 four (4) days before the bids were invited.

vii. A Completion Certificate was issued on 20 December 2013 one day before the bids were invited.

viii. Scrutiny of the pre-qualification tender documents for tender no. GMC/P/04/2013-14 (for Open IT Limited), GMC/P/04/2013-14 (for Integrated Solutions Limited) and GMC/P/42/2013-14 (for Blue Two Solutions Limited) revealed that the three companies were related in ownership, directorship and management as detailed hereunder:

Directorship/Ownership

Open IT ltd	**Integrated Solutions Ltd**	**Blue Two Solutions Ltd**
Vincent Ngundi	Vincent Ngundi	Vincent Ngundi
Joel Mwendo	Bosco Sombe	Mwendo Bosco

Management

Firm	**General Manage Enquiries**	**Personnel Enquiries**	**Technical Enquiries**
Open it limited	Vincent Ngundi Cell no-0722657670	Irene Irungu Cell no-0723350029	
Blue Two Soluti Limited	Mwendo Bosco Cell no-0722246809	Vincent ngundi Cell no-0722657670	Irene Irungu Cell no-0723350029
Integrated Soluti Limited	Bosco sombe Cell no- 07342468 0722246809		

Physical verification of the project revealed the following:-

a) The distribution switches on ground floor could not be traced.

b) On the 4th and 5th floors, distribution switches were not functional

c) On the 5th floor left wing, voice cabling was not done and some rooms did not have both the voice and data cabling in place.

d) On All floors, 70% of the lines were not activated and in worse cases, cables were not slotted to the distribution switches.

e) For Wi-Fi network, the signal was too weak and in some locations not detected at all an indication that the Nano stations were inadequate or malfunctioned.

Management Response

There was a problem in terms of the draft report sent to Makueni, and as a result the county were not able to response to the issues raised then. An assessment of the state of LAN and WIFI connectivity was done and network report prepared, dated 7th November 2013, and was signed by senior ICT Officer, states current and proposed network for the county Headquarters. The county was able to trace one document showing a one floor design, however not owned and does not say all the floors. Management has not been able to trace the design for other floors, and the attached might not be adequate.

On18th of November, the county Secretary floated invitation for tenders and the document has been provided. The management will supply all the documents requested and make the responses more robust and it will share the actions the county shall have been taken on officers responsible.

Committee's observation

The committee observed that the county failed to adhere to the Public Procurement and Disposal Act, 2005 and Regulations, 2006 in procurement for supply of connectivity of Structured LAN and Wi-Fi at the Makueni County Headquarters.

The county failed to present documents to the Audit team in time, on the contrary they presented supporting evidence during the proceedings.

Committee's Recommendation

The committee recommends that the County Executive to recover all the amounts paid for irregular procurement of supply of connectivity of LAN and WIFI. The committee further recommends that the governor to administratively deal with the responsible officers (procurement office) in the irregular procurement.

9.3 Procurement of Cartridges and Toners

Seven (7) firms bid to supply cartridges and toners namely Blue Two Solutions, Faxforncare, Integrated Solutions, Compusy office Supplies, Technology Telecommunications, Butemark Computer Solutions and Kenya Tonner & Ink.

M/S Blue Two Solutions was awarded the tender at a contract price of Kshs. 7,023,510 and the payment was made vide an unnumbered and unauthorized payment voucher. The payment was split into two and made through cheque number 1511 for Kshs.3,500,000 and Kshs.3,523,510 through G-PAY from Central Bank of Kenya Account No. 1000170557. In support of the payment voucher were LPOs no 2049546 and 2049546 of 22 November 2013, Delivery note no. 19 of 29 November 2013 and an invoice no. B2:INV/0032 of 4 December 2013.

However, the following anomalies matters were observed;

i. Tender documents, tender opening and evaluation minutes were not presented for audit verification.
ii. M/S Blue Two Solutions and M/S Integrated Solutions are related companies in ownership, directorship and management and competed against each other for this tender.
iii. Request in writing was not approved by the tender committee for application of restricted tendering as prescribed by the Public Procurement and Disposal Regulations, 2006.
iv. Procurement plan was not made available for audit review.

Management Response

The management will supply all the documents requested and make the responses more robust and it will share the actions the county shall have taken on officers responsible.

Committee's Observation

The Committee observed that the way the response were responded to made it difficut for an answer to come out clearly.

Committee's Recommendation

The Committee recommends that the auditor validates documents supplied by the County Executive and updates them in subsequent audit reports.

9.4 Procurement of Website Update

Three companies namely Integrated Solutions, Blue Two Solutions and Open IT Limited bid for supply of website update services. M/S Integrated Solutions was awarded the tender at a contract price of Kshs.1,148,000 and the payment was effected vide payment voucher no. 74 of 23 December 2013. In support of the payment voucher were LPO no. 2121993 of 11 December 2013, Job Card No. 007 and Completion Certificate issued by an ICT officer on 20 December 2013, Invoice No. ISL: INV: 651 of 17 December 2013. However, the following observations were noted;

i. Tender documents, opening and evaluation minutes were not presented for audit.
ii. All the three (3) companies that bid are related in ownership, directorship and management.
iii. No inspection and acceptance was conducted but the payment was based on a casual laborer's report.

In the circumstance, the propriety of the expenditure could not be confirmed.

Management Response

The management will supply all the documents requested and make the responses more robust and further share the actions the county shall have taken on officers responsible for any wrongdoing.

Committee's observation

The management failed to submit suporting documents to the auditors for verification.

Committee's Recommendation

The committee recommends that management should adhere and comply to the provision of the Public Procurement and Disposal Act, 2005. The committee further recommends that the County Executive should recover all the funds paid without value for money in the transactions and that

the auditor validates documents supplied by the County Executive and updates them in subsequent audit reports.

10.0 Bursary

10.1 Unsupported Bursary Payments

During the year, Kshs.11, 882,944 was paid to various institutions being bursaries for students. However, payment vouchers in support of Kshs.11, 882,944 were not presented for audit verification. The payments were as follows:

Date	Amount (Kshs)	Details
31-May-14	8,100,916.00	Bursary Allocation
30-Jun-14	1,197,083.00	Bursary Allocation
30-Apr-14	2,584,945.00	Bursary Allocation
Total	**11,882,944.00**	

Management Response

In terms of unsupported payment, the county awarded educational bursaries to needy students, at the time of audit the bursary documents had been forwarded to EACC as the speaker of the county assembly had reported the executive to the EACC on a number of issues, Bursary was one of them. But the documents have since been returned as EACC found no merit on the complains brought forward and are attached in the documentation.

Committee's Observation

The committee observed that the county had not submitted suporting documentations to the Auditor for verification

Committee's Recommendation

The Committee recommends that the auditor validates documents supplied by the County Executive and updates them in subsequent audit reports. The Committee resolved to clear the audit query.

10.2 Governor's Bursary

Included in the bursary paid during the year was Kshs.2,971,000 paid as Governor's bursary to various students. However, records on how the needy students were identified were not availed for audit verification. Further, acknowledgement of receipt of the funds by the institutions was not provided for audit review.

Management Response

On page 62 through 67 shows receipts that the county gets from the institutions, and the county has a full list of the students who get bursaries without exception and the cheques that go to schools. The county government was guided by a policy that was approved by the cabinet in awarding cheques and the policy is attached in the submission.

Later the county assembly passed a law on public finance management Makueni Bursary Fund regulations to support the issuance of the bursaries.

Committee's Observation

The Committee observed that management failed to submit supporting documents to the auditor for review and verification.

Committee's Recommendation

The Committee recommends that the management to ensure that all the bursaries disbursed to various institutions for identified beneficiaries are acknowledged by such institutions. The committee recommends further, that the management should put in place policies on how the Governor's bursary is managed and awarded and that the auditor validates documents supplied by the County Executive and updates them in subsequent audit reports.

11.0 Routine Maintenance- Motor vehicles and other transport equipment

During the financial year 2013-2014, the County paid Kshs.17,905,384 for routine maintenance of motor vehicles and other transport equipment. Included in the payment is Kshs.3, 632,825 paid to various garages for repair and servicing of various motor vehicles. However, inspection report detailing defects and estimated repair costs and subsequently, the post inspection reports for the vehicles were not made available for audit review.

In the circumstances, it was not possible to establish whether there was need to repair the vehicles and whether the repairs were actually carried out on the respective motor vehicles.

Management Response

Normal services were carried out on the vehicles in question and dates and what happened to them is indicated and attached. Some were also taken to dealers and repaired. The county is committed to ensure all future repairs will be supported by the Mechanical engineer reports from the ministry of transport and that has since become a standard practice.

Committee's Observation

The Committee observed that post inspection reports for the vehicles were not done by mechanical engineers from the Ministry of Transport as a standard practice provided in law.

Committee's Recommendation

The Committee recommends that the Governor recovers any payments made for services not rendered to the County Executive forthwith.

12.0 Unsupported Payables

Creditors schedule presented for audit review revealed an outstanding balance of Kshs. 273,385,327 accruing from expenditure incurred between March 2013 and June 2014.

The following anomalies were observed:

- Included in the schedule were creditors against which the voucher numbers, local purchase orders and /or invoices were not indicated making it difficult to confirm the authenticity of the information amounts or balances.
- Out of the total creditors, Kshs. 136,385,328 related to an amount whose details were not indicated or explained.
- Creditor's ledgers were not maintained.

Management Response

The shedule of creditors presented was supported by a list of invoices from the suppliers. Attached is the complete list of payables as at 30th June 2014 in the submitted file. The total oustanding creditors was Kshs 136,896,431. Regarding the creditors ledgers, the county government has developed mechanisms to ensure ledgers are updated on a daily basis.

Committee's Observation

The committee observed that Creditor's ledgers were not maintained and supporting documents were lacking.

Committee's Recommendation

The committee recommends that management should ensure proper creditors ledgers are maintained. The committee recommends that the auditor validates documents supplied by the County Executive and updates them in subsequent audit reports.

13.0 Human Resource Management

13.1 Staff – Establishment

The County Government did not provide staff establishment for the county and thus it was not possible to establish whether recruitment of employees during the period under review was done within the authorized/approved staff establishment.

Management Response

The county government is committed to ensure efficiency and effectiveness in the management of the human resources. The caps exercises that was carried out by the national government through Earnest and Young produced a report among other information contained the staffing levels for county government framework.

Committee's Observation

The committee observed that the auditors have not received any documents and even the staff structure

Committee's Recommendation

The audit query is cleared due to mitigation by the county executive.

13.2 Manual Payroll

During the financial year 2013/2014, some employees were paid salaries amounting to Kshs. 152,311,662 through manual payrolls that were not availed for audit verification.

Management Response

The county government submitts the annual payroll for the period under review, and was given to the auditors seprately.

Committee's Observation

The Committee observed that the auditor has since been supplied with suporting documents and done verification.

Committee's Recommendation

The Committee recommends that the issue be resolved.

13.3 Irregular Payment of Salaries

Scrutiny of the monthly payrolls revealed that, the County government paid Kshs. 295, 540 between May and November 2014 to a person whose personal file did not exist. In such circumstances, it was not possible to confirm the existence of the employee and that the amount was proper charge to public funds.

Management Response

The cap exercise did carry out a staff count and it was found out that some of the county officers in the payroll were not working for Makueni County, some had been transferred and others had left employment. The matter is still under investigation and further action will be taken on irregularity found after further staff count. Officers involved were taken to court but the courts cleared them. Those transferred have been engaged to refund the money, it is a matter being handled at the National level.

Committee's Observation

The committee observed that the county made irregular salary payments to person whose PF Number did not exist in the records.

Committee's Recommendation

The Committee recommends recovery of the irregularly paid salary of Kshs.295,540 from the responsible officers. The Committee further recommends that the county should prepare and adopt staff establishment and provide a report to the Senate on the circumstances under which the name of the person was irregularly added to the payroll.

14.0 Doubtful legal fees payments

Included in Other Operating Expenses of Kshs.87,278,783 is Kshs.7,499,000 paid for provision of legal services. In support of the payment vouchers were fee notes only. However, copies of instructions were not attached and were not made available for audit verification. It was therefore, not possible to determine whether the money spent on legal services was a proper charge to public funds. The payments were as follows;

Date	PV. N	Chq No	Payee	Amount (Kshs)
26-Nov-13		001281	Nyamu & Nyamu Co. Advocates	1,274,000
26-Nov-13		001281	Nyamu & Nyamu Co. Advocates	850,000
26-Jun-14	3996		Nyamu & Nyamu Co. advocates	2,000,000
26-Jun-14	3996		Nyamu & Nyamu Co.Advocates	2,000,000
24-Apr-14	1899		Nyamu & Nyamu Co.Advocates	1,375,000
			Total	**7,499,000**

Management Response

During the audit period the county government incurred legal expenses, in regard to various legal services. The mangement submitted copies of instruction in respect to legal requests in the management letter attached, however, the cases were not started by the county governement, but other parties, hence the county government had no option but to answer to the cases mainly on

sand harvesting, alleged wrongfull dismissal of staff, unfair imbeachment of CEC members and governor by the county assembly. Copies of instructions requested are attached.

Committee's Observation

The Committee observed that the management failed to provide support documents on instructions for the legal representation at the time of audit, however, they have since been submitted.

Committee's Recommendation

The Committee recommends that the audit query be resolved.

15.0 Non-Current Assets

A fixed assets register for the assets acquired by the County Government since inception was not produced for audit review. It was therefore not possible to ascertain the value, ownership and existence of the assets acquired.

No explanation was given for failure to maintain a fixed assets register.

Management Response

The county maintains a fixed asset register for the assets purchased with effect from March 2013 to date.

Committee's Observation

The Committee observed that the management failed to maintain a fixed assets register.

Committee's Recommendation

The Committee recommends that the County Executive should ensure fixed assets register is maintained and updated regularly.

16.0 Failure to Take Over the Assets and Liabilities of the Defunct Local Authorities'

As previously reported in the special audit report of 5 December 2013, the County Government of Makueni had not taken over assets and liabilities of the three defunct local authorities as at the time of audit in February 2015.

Management Response

The Transition Authority (TA) was mandated under the Act to ensure that there was smooth hand over from the defunct local authority. The hand over process was initiated, the process is still in progress and the county governemtn is waiting for the offcial handover prcess.

Committee's Observation

The Committee observed that the County had not taken over assets and liabilities of the three defunct local authorities as at the time of audit. The Committee further observed that the issue is being handled by IBEC and the IGRTC.

Committee's Recommendation

The Committee recommends that the County Government should expedite on taking over of the assets and liabilities of the defunct local authorities in liaison with the IGRTC.

CHAPTER EIGHTEEN

MANDERA COUNTY EXECUTIVE

The Governor of Mandera, Hon. (Capt.) Ali Roba appeared before the Committee on Monday 15th August and Tuesday 16th August 2016. The Committee considered the audit queries against the Governors response and made recommendations accordingly.

1.1 Maintenance of cashbook

An audit of the cash book maintained at Mandera County Treasury revealed that the cash book was not properly maintained. It was not balanced and it was not checked by a senior person regularly as required. The County Executive maintained a computer generated cash register as a cash book.

Management Response

1. That it was true that the County at the time had challenges in maintaining a cash register;
2. That at the time of the Audit, the County had a computer generated cash book;
3. That this was due to capacity challenges in the County treasury especially on human resource; and,
4. That the County had since rectified the situation and employed qualified staff.

Committee Observations

1. Noted that the Auditor general was not satisfied as Cash book had not been maintained; and,
2. Noted the mitigation of the Governor.

Committee's Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the Senate reprimands the Governor and directs that the issue should not recur in the subsequent financial years.

1.2 Bank Reconciliation Statement

The County Government had not prepared bank reconciliation statements for the period under review. No proper explanation was given as to why the County did not prepare the reconciliation statements as required by the Government financial regulations and procedures.

Management Response

1. That it was true that the County at the time had challenges in maintaining a cash register which is directly related to bank reconciliation;
2. That this was due to capacity challenges in the County treasury especially on human resource; and,
3. That the County had since rectified the situation and employed qualified staff.

Committee's Observations

1. Noted that the Auditor general had verified the documents and was satisfied with the response provided by the Governor;
2. Resolved to clear the Audit query.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

1.3 Outstanding Temporary Imprest

Examination of the imprest records held at the Mandera County Government Treasury revealed that imprest totaling Kshs.26, 214,000 as **per Schedule 1** was outstanding as at 30 June 2014. The imprests were issued to officers for the operation of various departments and also for official duties. However, it was noted that the imprest remained outstanding 7 months after the closure of the financial year 2013/2014. This is an abuse of imprest and cash advances which puts public resources at risk. The County management did not provide any justification for the irregularities noted.

Management Response

1. That it was true that the County at the time had Ksh.26,214,000 outstanding imprest;
2. That after review of documents, it was noted that the officers had actually surrendered the imprest but there was a delay to give the auditors those documents; and,
3. That the said imprests had been fully surrendered and accounted.

Committee's Observations

1. Noted that the Auditor general had verified the documents and was satisfied with the response provided by the Governor,; and,
2. Noted the mitigation of the Governor and resolved to make a determination during report writing.

Committee's Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the Senate reprimands the Governor for late submission of documents contrary to section 62 of the Public Audit Act and that the Senate clears the audit query

1.4 Vote Book

A review of the Treasury documents revealed that vote book for the F/Y 2013/2014 was not maintained contrary to Section 5.5.15(c) of the Government Financial Regulations and Procedures. The funds were spent without vote book control and therefore it was difficult to confirm whether the budgeted allocation was not exceeded for each item.

Management Response

1. That it was true that the County at the did not maintain a manual vote book as proscribed but rather had a vote book in the form of an excel sheet;
2. That This was informed by the fact that an excel vote book was easier to maintain and help in tracking expenditure;
3. That since March, 2014 all the county expenditure is tracked using IFMIS generated vote book.

Committee's Observations

Noted that the Auditor general had verified the documents and was satisfied with the response provided by the Governor,; and,

Committee's Recommendations

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

2.1 Award of Contracts for Capital Projects

During the period under review, an amount of Kshs.147, 084,606.30 as **per Schedule 2** was spent on capital projects. However, it was noted that the contracts were not properly executed as no proper evaluation was carried out resulting to awarding of contracts at higher prices. Further, scrutiny of the Bills of Quantities (BQ's), minutes of the tender committees and other tender documents revealed the following irregularities:-

i. The evaluation procedures and criteria used were not set in the tender documents as required by Section 66 (2) of the Public Procurement and Disposal Act, 2005 but were introduced at the evaluation stage.

ii. Some of the merchants who were among the bidders had bought the tenders, filled and returned but were not included in the tender opening minutes during tender opening process and were left out. The bidders were therefore not among those considered for evaluation. There was no proper explanation given why the bidders were not included in the tender opening minutes.

iii. Some of the BQs had arithmetical errors which were not countersigned and which the tender evaluation committee did not detect. Confidential Business Questionnaires were not properly filled and in some cases the tender opening committee did not sign one or more pages of the tenders submitted by the merchants as required by section 60 (a) and (b) of the Public Procurement and Disposal Act, 2005.

iv. A number of contract agreements were not signed between the procuring entity and the contractors as required by Section 68 of the Public Procurement and Disposal Act, 2005.

In view of the above, it was not possible to ascertain if proper procedures were followed in the award of the contracts worth Kshs.147, 048,606.30 for the year ended 30 June 2013.

Management Response

1. That due to capacity challenges, some omissions were made during advertisement of tenders;
2. That missing evaluation criteria was put in place after realization of the anomaly;
3. The tenderers who were not included in the tender opening minutes had submitted their bids past the deadline for submissions;
4. The contracts and agreements referred to by the Auditor General were available but were not supplied to the auditors at the time of the audit.

Committee's Observation.

Noted that the Auditor general had verified the documents but were not satisfied with the response provided by the Governor; and,

Committee's Recommendations

The Committee having considered and deliberated on the audit query extensively recommends the following:-

1. That the Governor be reprimanded for flouting procedures;
2. That administrative disciplinary action be taken against the Chief officer, Finance and Economic planning who was responsible by virtue of being the signatory on the contracts on behalf of Mandera County Government, and evidence of this action be provided to the Senate within 60 days of adoption of this report.

2.2 Payment for Consultancy Services

Examination of payment vouchers and supporting documents revealed that Mandera County Executive incurred an expenditure amounting to Kshs.56, 368,000 as per Schedule 3 for consultancy services. However, the following anomalies were noted;

a) The evaluation report indicated that Future link Consultant quoted Kshs.32, 543,000 for the consultancy for livestock census. The original tenders for the same bidder however showed an amount of Ksh.25, 493,000. It was not clear how the evaluation committee arrived at the Ksh.32, 543,000 indicated for the bidder in the minutes.

b) The evaluation report for the tenders for the detailed Engineering Design for Takaba Diagnostic Centre showed different list of merchants than those indicated in the Minutes of the Tender Opening Committee.

c) The technical and financial proposal for all the bidders for the tenders for the detailed Engineering Design for Takaba Diagnostic Centre were not made available for audit review.

d) The evaluation procedures and criteria used were not set in the tender documents as required by Section 66 (2) of the Public Procurement and Disposal Act, 2005 but were introduced at the evaluation stage.

e) There was no Contract agreement signed between the procuring entity and the merchant for the contract for the detailed Engineering Design for Takaba Diagnostic Centre

Consequently, the propriety of the expenditure of Kshs.56, 368,000 could not be confirmed for the year ended 30 June 2014.

Management Response

4. That the evaluation committee erroneously recorded the quote by Future Link Consultants as Kshs.32,543,000 instead of Kshs.25,493,000;
5. That Future Link Consultants was however not awarded the contract and hence no money was lost;
6. That the inclusion in the tender opening minutes of a firm that did not apply was as a result of a typing error;

7. That the Technical and financial designs for all bidders were not availed to the Auditors at the time of the Audit due to challenges in filling management; and,
8. That the errors made were highly regretted by the County.

Committee Observations

1. Noted that the Auditor general was not satisfied as they had not seen all the technical and financial proposals of all the tenderers; and,
2. Noted the mitigation of the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate reprimands the Governor for late submission of documents contrary to section 62 of the Public Audit Act and that the Senate clears the audit query.

2.3 Irregular and Unaccounted for Goods and Services

The Mandera County Executive procured goods and services amounting to Kshs.27, 179,850 during the period under review. However, it was noted that there were no proper request for quotation used. It did not indicate the officers who opened the quotations and the date opened was not indicated. The goods procured were not received vide counter receipt vouchers (S13), not recorded in the stores ledgers and not issued out using counter requisition and issue vouchers (S11).

Further, the point of use was not indicated and no inspection and acceptance committee report to confirm that the goods and services were delivered or rendered. Some payments were made without L.P.Os, L.S.Os and therefore, it was not clear how the suppliers were identified. In view of the above observations, it was not possible to ascertain whether the stores were delivered and used for the intended purposes.

Management Response

3. That the County did procure the said items from a list of prequalified suppliers;

4. That the records from the Sub-counties on the goods and services were not availed to the Auditors due to distance and security challenges at the time;
5. That the payments made without the backing of LPOs and LSOs was regrettable; and,
6. That the inspection and acceptance report were not availed to the auditors at the time of Audit as they had been filed in a separate file.

Committee Observations

1. Noted that the Auditor general was not satisfied and hence the query was still outstanding, in their opinion; and,
2. Noted the mitigation of the Governor and resolved to make a determination during report writing.

Committee's Recommendation

The Committee having considered and deliberated on the audit query recommends the following:-

1. That the Senate considers the heightened insecurity during this time as fair mitigation by the Governor on the query and
2. That on the LSO and LPO issue, a reprimand for malpractice as procedures to procure goods was flouted;

2.4 Direct Procurement of Works

During the period under review, examination of payment vouchers and supporting documents revealed an expenditure amounting to Kshs.21, 391,350 was used for renovation of buildings. However, works were mainly procured without request for quotations. Further, where quotations were raised, they lacked reference numbers, date and signature of the officers who opened them. In addition some of the payments were not supported with bills of quantities; hence it was not possible to ascertain the nature of renovation carried out. In some cases, L.S.Os and other tender documents were irregularly prepared after the services were rendered.

Management Response

6. That the County did procure the said items from a list of prequalified suppliers;
7. That the request for quotations were available in the project file but wasn't attached to the payment voucher and hence the Auditors did not see it;
8. That the errors in the procurement documentation was due to human resource capacity challenges; and
9. That the bills of quantities were in different files at the time of audit and hence had not been availed.

Committee's Observations

1. Noted that the Auditor general had verified the documentation and was satisfied but was however not satisfied with the procurement procedure and hence the query was still outstanding and
2. Noted the mitigation of the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query recommends that the Governor be reprimanded for not following lawful tender procedures and documentation.

2.5 Hire of Transport Services

Audit scrutiny of payment vouchers and other supporting documents relating to hire of transport revealed that the county government made payments of Kshs.17, 412,200 for hire of motor vehicles. However, the following anomalies were observed;

a) The services were mainly procured without request for quotations and sometimes quotations were floated after the services were rendered.
b) Temporary work tickets were not opened for the hired vehicles, copies of the log books, insurance covers and driver's licenses were not attached to the payment vouchers.

c) In some cases contract agreements were not signed between the County Government and the owners of the vehicles. It was also noted that some of the contract agreements were signed after the services were rendered.

In the circumstances, it was not clear whether the motor vehicles were hired or not.

Management Response

1. That the water boozers were hired from a list of prequalified suppliers but the documentation was not availed to the auditors at the time of audit; and,
2. That due to the urgency of securing the County, some services like patrol vehicle hire were done directly and formalized later, but no money was paid before contract formalization.

Committee's Observations-

1. Noted that the Auditor general had verified the documentation and was not satisfied with the procurement procedure; and,
2. Noted the mitigation of the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate reprimand the Governor for flouting procedures despite the mitigation provided by the Governor.

2.6 Irregular and unaccounted for Motor Vehicle Expenses

The County Government of Mandera used an amount of Kshs.7, 419,184 on motor vehicle expenses or repairs. However, it was noted that spare parts and the repairs were directly procured without quotations contrary to section 29 of the Public Procurement and Disposal Act, 2005, log books and work tickets for the vehicles purported to have been hired were not made available for audit to confirm the repairs were indeed carried out.

There was no certificate of inspection issued by the public works mechanical department indicating the nature of repairs and estimated cost to ascertain whether it is economical to repair the motor vehicles. It was also observed that the vehicles were also not re-inspected after the repairs.

The tyres and other spare parts purported to have been procured were not recorded in the stores records. There were no issue vouchers availed for audit to confirm the point of use contrary to chapter 18.2 of the Government Financial Regulations and Procedures.

Management Response

1. That Mandera County Government did procure all the said goods and services from the list of pre-qualified suppliers;
2. That during the period under review the County had no central Transport Officer therefore each Department was maintaining its vehicles and relevant records;
3. That the work tickets were maintained in different Departments and not availed for audit at the time of the review;
4. That the mistakes committed in recording of the items procured were attributable to capacity problems at the inception of the county government; and,
5. That the pre and post inspection reports were also filed at the ministry level and not attached to the payment voucher but had subsequently been provided to the auditors.

Committee Observations

1. Noted that the Auditor general verified that the County had used quotations and were satisfied; and,
2. Noted the mitigation of the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate reprimands the Governor for flouting procedures and that the Senate clears the audit query.

2.7 Payments for Fuel

Examination of fuel records revealed that fuel worth Kshs.6, 869,800 was not properly accounted for. The County Government provided a poorly maintained fuel register for audit review. The register reflected the registration number of the vehicles which drew the fuel, delivery notes and work tickets number. However, there were no detail orders to support the fuel consumption. The LPOs against which the fuel was drawn and paid were not recorded in the register hence the fuel drawn by the vehicles could therefore not be related to the fuel ordered and paid for.

In view of the above observations, it was difficult to confirm how the fuel was procured and used.

Management Response

1. That the bulk fuel registers were maintained at the sub-County Headquarters and it clearly showed the following; the vehicle registration Number, the detail order number and work ticket;
2. That all county government vehicles have work tickets filled daily; and,
3. That the County recruited a transport manager in charge of all government vehicles and maintenance of the relevant records and training of drivers on proper record management.

Committee's Observations:-

1. Noted that the Auditor general had verified the documents and was satisfied with the response provided by the Governor;
2. Noted the mitigation of the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate reprimands the Governor for late submission of documents contrary to section 62 of the Public Audit Act and that the Senate clears the audit query.

3.0 Doubtful Travel and Accommodation Allowances

A review of the expenditure for allowances revealed that Mandera County Executive incurred expenditure totaling to Ksh.6, 317,000 **on** payment of travel and accommodation allowance for officers who travelled for official trips within and outside the County. However, audit verification disclosed the following anomalies:-

a) Some of the payment vouchers were not supported with payment schedules showing names of the payees, travel documents such as air tickets, bus tickets, work tickets or invitation letters to support the expenditure.

b) Some of the payment schedules supporting the expenditure were either not signed by the payees or were signed by one person without authority.

c) Some officials hired vehicles when they were performing official duties within the County. However, the services were directly procured without floating quotations, no temporary work tickets were opened for the hired vehicles, and cash payments were made to the owners of the vehicles even when they were in the list of prequalified merchants to offer the services. No proper explanations were made as to why LSOs were not raised for the services. Further a cash payment was made to a local petrol station for the supply of 3,200 liters of diesel worth Kshs.448, 000 without an L.P.O as required.

In the circumstances, it was not possible to confirm that the payment of Kshs.6, 317,000 was a proper charge to public funds.

Management Response

1. That the necessary supporting documents weren't attached to the payment vouchers during the surrender of imprest but were kept in separate files but had subsequently been rectified;

2. That the payment schedules were signed by the imprest holder on behalf of drivers, Security personnel and other Staff and that, at the time of surrender the signed payment schedules weren't availed but had since been availed; and,
3. That the services were sometimes procured directly due to emergency response situation as a result of tribal clashes and frequent attacks from the Al shaabab terrorists.

Committee's Observations:-

1. Noted that the Auditor general had verified the documents and was satisfied with the response provided by the Governor with the exception of the fact that some vehicles were procured without quotations and that fuel was purchased on cash basis at some time; and,
2. Noted the mitigation of the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query extensively recommends the Senate clear the audit query and that the Governor be reprimanded for procuring the vehicles without quotations and the purchase of fuel on cash basis.

4.0 Unsupported Casual Wages

Examination of payment vouchers relating to casual workers engaged during the period under review revealed that payments of Kshs.11, 103,215 were made without following the laid down procedures. The payment vouchers were not supported with FO.79. There were no muster rolls maintained for the casuals to confirm the number of days they worked. In some cases, the location where the casuals worked and how they were engaged was not stated or clear.

Consequently, the authenticity of the payment of Kshs.11, 103,215 could not be confirmed.

The Governor presented as follows:

1. That at the time of the audit, the master rolls were at field offices and there was a delay in the retrieval of the same from the field offices;
2. That casuals signed on the master upon receipt of their cash in the field; and,
3. That the money was collected and paid in the field to avoid transport cost for all the casual with the casuals signing the master roll instead of F079 when collecting their dues.

Committee Observations

1. Noted that the Auditor general had verified the documents and was satisfied with the response provided by the Governor, and,
2. Resolved to clear the Audit Query.

The Committee having considered and deliberated on the audit query extensively recommends the Senate clear the Audit Query.

5.0 Un deducted Withholding Tax

During the period under review, various projects such as building construction, roads and other works were implemented. It was observed that part payments were made to the contractors for the works done as at 30 June, 2014. However, a total of Kshs.18, 697,884.93 was not deducted from the merchants in form of Withholding Tax and the contractors were paid the full amounts. The tax undedicated tax from the contractors represents loss of revenue by the County Government.

Management Response:

1. That the county admitted its failure to deduct the said dues attributable to the capacity challenges they were facing;
2. That the KRA had since penalized the County and the county had also cleared the owed taxes; and,
3. That the County was pursuing the said contractors with an aim of recovering the money as they had running contracts with the County.

Committee Observations

1. Noted that the Auditor general had verified the documents but were not satisfied with the response provided by the Governor; and
2. Noted the mitigation of the Governor but observed that he had not provided evidence of the said pursuit of the contractors.

Committee's Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the Governor presents the relevant documentation and that the Committee pursues the matter in subsequent financial years.

6.0 PAYE Deduction from Revenue Allocation

Audit review of the Bank Statement for Mandera County Recurrent Account No.1000170913 at the Central Bank of Kenya revealed that an amount of Kshs.12,934,678 was debited in the account by the bank following the Tax notice issued by the Kenya Revenue Authority to the Governor Central Bank of Kenya vide letter ref.no.PIN:P051419213X dated 16 December, 2013.

The amount according to the explanation of the (CEC) County Executive Committee member for Finance and Economic Planning and the correspondences between the Mandera County Government and The Kenya Revenue Authority (KRA) to relate outstanding PAYE to the former Local Authorities for the years 2010, 2011 and 2012. The Tax deduction was supported by letters and reports from the KRA only. There were no documentary evidence availed to show that the former Town Council and County Council had Tax arrears. The Tax Liabilities were also not included in the handing over and taking over report of the former defunct Local Authorities during the Transition Period.

In view of the foregoing, observations audit could not establish the authenticity of the money deducted by the Central Bank on behalf of the Kenya Revenue Authority from the County Government of Mandera revenue allocation.

Management Response

1. That when the county government took office in April of 2013, The Kenya Revenue Authority demanded for PAYE arrears of the former local Authorities;
2. That the KRA wrote to the Governor of Central Bank on 16th December 2013 appointing CBK as its Agent and gave it instruction to recover the funds from Mandera County

Government Account at Central Bank which the CBK promptly did without any reference to the County Government; and,

3. That efforts to engage with KRA, CBK and staff of the former local authorities had not borne fruit.

Committee's Observations

1. Noted that the Auditor general was not satisfied and hence the matter was still pending;
2. That the Committee would deliberate on the observed trend of the CBK unilaterally deducting money from County accounts at Central Bank without regard to the counties and make necessary recommendations;
3. Noted the mitigation of the Governor.

Committee's Recommendations

The Committee having considered and deliberated on the audit query extensively recommends to invite the inter-governmental agencies and deliberate on the matter.

7.0 Unvouched Expenditure

Examination of the Bank Statement for Mandera County Recurrent Account No. 1000170913 at the Central Bank of Kenya revealed that an amount of Kshs.10, 200,000 was debited in the account. The payment was an RTGS payment to a contractor, M/s Nurki Construction Co.

There were no payment vouchers and other supporting documents availed to support the payment and the transaction was also not recorded in the development Cash book maintained by the County Executive.

Management Response

1. That it was regretted that the relevant document had not been presented to the auditors during the time of audit;
2. That this had been caused by a misfiling of the said document; and,

3. That the said documents had subsequently been availed for verification.

Committee's Observation--

1. Noted that the Auditor general had verified the documents and was satisfied with the response provided by the Governor,; and,
2. Resolved to clear the Audit Query.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

8.1 Lack of Human Resources Manuals and Scheme of Services

The County Government Public Services Board did not develop the requisite human resource manuals for use in the administration of the staff. The manuals are important as they guide the board on human resource issues including performance management, annual leave management, job descriptions, payroll management and staff discipline among others. It was explained that the county adopted the Public Service Commission policies on human resource. However, the minutes of the County Public Services Board which sanctioned the adoption was not made available for audit review.

Management Response

1. That the National Government through its various agencies like Transitional Authority, Salaries and Remuneration Commission, Public Service Commission provides manuals, policies and circulars for operationalization of County Government functions;
2. That counties were to adopt/use County Public Service Human Resource Manual published by Public Service Commission on May 2013 which was specifically designated for the counties; and,

3. That Counties inherited some staff from the defunct Local Authority and National Government which was using different documents making it difficult to develop an independent document for each county thus making it necessary to utilize documents from the National Government.

Committee Observations

Noted that the Auditor general was satisfied with the response provided by the Governor; and,

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

8.2.1 Posts Not Advertised

A review of the staff recruitment for Mandera County Executive revealed that Mandera County Executive recruited eleven (11) staff as in Appendix 2 some of them in senior positions were filled without advertisement. The positions were not competitively filled; hence it was not possible to ascertain whether the County Government got people of the right qualifications and competency as required.

Management Response

a) Director, Governor's Press

The Governor, through Transitional Authority Circulars was entitled to some personal staff like legal advisor, economic advisor, chief of staff and Director Governor's Press etc. in this case the Governor was given power to nominate and appoint persons he feels fit in those

positions, hence there was no need to advertise such positions and the Board's role was to regularize such appointments.

b) Director Human Resource and Development

This position was advertised on 26th October 2013 on Nation Paper under advert No. 37.

C) Procurement Officer (Job Group (K)

This position was advertised on 26th October 2013 on Nation Paper under advert No. 65.

D) Procurement Officer (Job Group (H)

This position was advertised on 26th October on Nation Paper under advert No. 66.

e) Deputy Head of operations (Job Group 'K')

This position was advertised on 2nd January, 2014 through Local Advert placed on notice Board under advert Ref No. MCG/CPSB/2014/01/0.

F) Procurement Officer (Job Group "P") - this posts were held by staff seconded to the county by Transitional Authority on interim basis. However, the officers deserted and went back to their respective counties. There was an urgent need to fill these posts which were not advertised and the Board through instruction from user department deems it necessary to utilize and pick from the pool of the candidates who did interviews for the advertised post of Head of County Supply Chain Management but failed to be taken. The candidates were with the requisite minimum qualifications for the positions and the offices were in critical need of the staff thus there was urgent need of responding to the situation.

Committee's Observations

Noted that the Auditor general was satisfied with the response provided by the Governor.

Committee Recommendations

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

8.2.2 Recruitment of unqualified Staff

A review of the personal files and the advertisement as per Appendix 1 revealed that some staff were recruited who had no minimum qualifications as required by the advertisement.

Management Response

1. That the County for long has been experiencing difficulties in attracting qualified personnel;
2. That most workers have the relevant skills and competencies but lack practical work experience in Government; and,
3. On the Specific officers, the Governor presented their qualifications as follows -
    a. Abdirashid Sheikh Abey- Diploma in Community Development and Social Work also has admission letter for degree. Worked with Red Cross; Action Against Hunger from 2009.
    b. Malyun Mohamed Hussein – Diploma in Community Health. Worked and gained experiences with ECK and IEBC from 2009.
    c. Abdia Mohamed Biko- Diploma in Community Development and Social Work. Worked with CESVI.
    d. AlinoorAbukarEdin- Diploma in Community Development and Social Work. Worked with population census. CESVI international and with IEBC since 2009.
    e. Mohamed MaalimIssack. Diploma in Environmental Health. Certificate in Community Health, admission letter from university degree. Worked with IFAW NGO.
    f. Isack Mohamed Daud- Diploma in public relation, certificate in purchasing and supplies. Worked with Uwezo and Islamic Relief Kenya.
    g. Safia Mohamed Mahat – Diploma in Public Administration, certificate in pharmaceutical. Worked with Rafiki Company and Grand Royal Hotel.
    h. BarwakaAdan Ahmed- Diploma in Social Work and Community Development. Worked with Horn Aid Kenya as a community Development officer and worked with CARE Kenya as social workers.

i. Hassanor Yusuf Mohamed- Diploma in Public administration. Diploma in Community Development and Social Work. Worked with Emergency Pastoralist (EPAG Kenya) COCOP and Red Cross from 2005-2013.

j.

Committee's Observations

1. Noted that the Auditor general was satisfied with the response provided by the Governor; and
2. Urged the County to undertake initiatives to make the County attractive to potential employees.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

9.0 Integrated Payroll and Personnel Database (IPPD)

9.1 Mandera County Executive implemented use of IPPD system beginning August 2013. The IPPD audit exercise were for the month of April, May and June 2014 to December, 2014.The data that was analyzed revealed that Mrs. Saadia Adan Duhubane P/No. 20100001705, a former payroll administrator who has since been transferred to the County Treasury was still accessing the payroll data posing the risk of unauthorized access.

Management Response

1. That the matter has been investigated and she has been deactivated from the payroll system; and,
2. That there was no loss occasioned by the access by the said employee;

Committee Observations

Noted that the Auditor general was satisfied with the response provided by the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

9.2 Irregular Payment of Salary and Overtime Allowances for the Payroll Manager

(i) Irregular Payment of Overtime Allowances

A review of the IPPD Payroll for the months of May, 2014, June 2014, and September 2014 revealed that the Payroll Manager (PM) was irregularly paid overtime allowances amounting to Kshs.588,608 as detailed below:-

Month	Gross pay entitlement paid (Kshs)	Gross Pay Paid (Kshs)	Difference (Kshs.)
May 2014	51,800	318,754	266,954
June 2014	52,650	189,514	136,854
September 2014	52,650	237,450	184,800
			588,608

The overtime payment dated back to March, 2013. No explanation was given as to why the officer was paid the allowances when he was performing his official duties. The payment was not authorized by the Authority to Incur Expenditure holder hence was irregular.

Management Response

1. That the said payment of overtime to the employee was irregular;
2. That the County had instituted recovery mechanism; and,
3. That the said employee has since been removed from that section.

Committee Observations

Noted that the Auditor general was satisfied with the response provided by the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

9.3 Irregular Payment of Salary and Overtime Allowances for the Payroll Manager

ii) Irregular Payment of Salaries- Kshs- 967,028

A review of the IPPD Payroll for the month of December, 2014 revealed that the payroll manager was irregularly paid salary amounting to Kshs.967, 028 as detailed below:-

Gross Pay Entitlement Paid (Kshs.)	Gross Pay Paid (Kshs)	Difference (Kshs)
52,650	1,019,678	967,028

The amount of Kshs.967, 028 was paid to the payroll manager over and above the salary entitlement in the month of December, 2014. The payment according to the payroll Manager was as a result of a promotion to the officer to the post of Deputy Director Human Resource Management and Development – Job Group Q back dated to January, 2014. The payment was supported by letters written by the Director of Human Resource and County Chief Officer, Finance and Economic Planning authorizing the payment. The approval by the Director human resource and the Chief Officer was however not justified since the alleged promotion was not done by the County Services Board. It was not clear why the County Services Board did not authorize the promotion. The payment of Ksh.967, 028 to the payroll manager over and above his salary entitlement in the month of December, 2014 therefore remains irregular and should be recovered in full.

Management Response

1. That the process followed in the purported promotion of the officer was irregular; and,

2. The County had implemented the recommendation of the Auditor General on this query.

Committee's Observation

Noted that the Auditor general was satisfied with the response provided by the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

10.0 Integrated Financial Management Information System (IFMIS)

The County Government adopted the G PAY and IFMIS System in the month of April, 2014. The County however utilized the Procure to pay (PtP) module only. The rest of the modules i.e Plan to budget (P2P), Revenue to Cash (R2C), and Record to Report (R2R) and ICT to Support (ICT2S) are yet to be utilized.

Management Response

The Governor presented that despite the existence of the modules as enumerated by the Auditors its activation and use is guided by the National Treasury and during the period under review, it was only procure to pay (P2P) that has been activated.

Committee Observation

Noted that the Auditor general was satisfied with the response provided by the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

11.0 Information Technology Environment

The County Government IT environment was observed to have several challenges. The County Executive does not have an approved IT strategic plan that supports operation requirements of the county, no training program to build IT capacity, no formally documented and approved processes to manage, upgrade and system changes made to all information systems, no documented schedule for routine maintenance and no IT strategic Committee and an IT Steering committee.

Management Response

1. That the issues raised by the Auditors were currently under implementation as the County built capacity on both Human and systems;
2. That the Mandera ICT Strategic Roadmap would be implemented over a five (5) year period (2015-2020); and,
3. That the Roadmap paid attention to four thematic areas that include Infrastructure and Connectivity, Public Service Delivery Systems, Human Capital and Workforce development as well as the Policy Environment and Legal framework.

Committee's Observation

Noted that the Auditor general was satisfied with the response provided by the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

12.0 Under Collection of Revenue

Audit scrutiny of the County approved budget for the Financial Year 2013/2014 revealed that the County Government budgeted local revenue collection amount of Kshs.437, 400,000. However, Examination of revenue records such as cash books and bank statements

revealed that a total of Kshs.97, 445,692.35 representing 22.2% of the amount budgeted was collected as at 30 June 2014 resulting to an uncollected revenue balance of Ksh.339, 954,307.70. The County management explained that the revenue target could not be achieved because of security reasons. The under collection however can seriously impact the operations of the county.

Management Response

The Governor presented that it being the first year budget, the County overestimated its revenue targets and after assessing our revenue source it reduced the target in the supplementary Budget to Kshs 150 Million but were still off the target due to the security reasons.

Committee Observations

Noted that the Auditor general was not satisfied with the response provided by the Governor as they had not been provided with the supplementary budget stated.

Committee's Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the query stood down awaiting confirmation from Auditor-General and that the matter be pursued in subsequent years.

13.0 Non-Current Assets-Failure to Maintain Asset Register

The County Executive does not maintain a permanent and expendable register to record the assets of permanent nature instead they prepare a soft copy to capture the assets. It was further noted that the asset schedule did not show the serial numbers and location of the assets recorded. Further, the taking over of the defunct local authorities assets have not been fully taken over and recovered in the assets register.

Management Response

The Governor presented that it was regrettable that Fixed Asset Register (FAR) was not made available to the auditors at the time of the audit even though it was in place. Further the Mandera County Government had maintained and updated on regularly basis the fixed asset register and had since submitted it to the auditors for verification.

Committee's Observation

Noted that the Auditor general was satisfied with the response provided by the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

CHAPTER NINENTEEN

MARSABIT COUNTY EXECUTIVE

The Governor of Marsabit, Amb. Ukur Yatani, was invited to appear before the Committee to respond to the audit queries raised in the Auditor General's Report of Marsabit County Government for the Financial Year 2013/14. The Governor appeared before the Committee on 5th August, 2016.

The Committee made observations and recommendations in line with each audit query raised as follows-

1.0 Procurement of Goods and Services

1.1. Maintenance of Motor Vehicles and Other Equipment

An expenditure of Kshs.2,604,138 was incurred in maintenance of motor vehicles. However, it was observed that some repairs were undertaken without pre-inspection reports from the county works officer while others were undertaken on the strength of quotations which were not subjected to the procurement process. The details of the payments are as follows:-

Pv no	Date	Amount (Kshs)	Remarks
4977	30/6/2014	497,488	Repairs done on GK AO1OU without pre-inspection and proper procurement procedures
5146	30/6/2014	570,000	Repairs done on an unspecified motor vehicle without pre-inspection and proper procurement procedures
5399	30/6/2014	750,000	Repairs done on GK858U but tender evaluation procedures not followed
4668	28/6/2014	786,650	Repairs done but tender evaluation and awarding minutes were not produced for audit.

	Total	2,604,138	

In the circumstances, the propriety of the expenditure could not be confirmed.

MANAGEMENT RESPONSE

During the formative stages of the County, the county had challenges in operation processes. All motor vehicle repairs were undertaken subject to pre-inspection reports from the County Mechanical Officer and quotations raised from the list of pre-qualified suppliers. This is evidenced by the pre-inspection report, quotation, invoices and payment vouchers maintained by the County.

COMMITTEE OBSERVATIONS

The Committee observed that:-

1. The tender evaluation and award committee minutes were not availed to the auditors.
2. the documents were subsequently availed
3. The Auditors were satisfied after verification of the submitted documents.
4. There was laxity in timely submission of documents.

COMMITTEE RECOMMENDATION

Based on the verification by the auditors and the mitigations provided by the Governor, the Committee recommends that the query be cleared.

1.2 Fuel and Lubricants

An expenditure of Kshs.4,191,791 was incurred in respect of fuel and lubricants procured between the months of April and June 2014. Examination of payment vouchers and the fuel register revealed that the items were not recorded in the fuel register and no records were produced for audit to confirm consumption. The details of the payments are analyzed below-

PV NO	Date	Amount (Kshs)	Payee

4919	30/6/2014	1,224,300	Omars Baslum
4427	27/6/2014	1,610,460	Saku Investment
4342	26/6/2014	1,357,031	Omars Baslum
Total		**4,191,791**	

In the circumstances, the propriety of the expenditure could not be confirmed.

MANAGEMENT RESPONSE

1. The County has effective procurement systems and processes in place. However, as noted in paragraph 1.1 above, during the first year of Devolution, some County departments had capacity challenges. As a result of this, recording of consumption of fuel and lubricants in the fuel register may not have been accurate in some cases.
2. The fuel register and detail order were in use since 2013, though not updated at the time of the audit exercise. The register has since been updated accordingly.

COMMITTEE OBSERVATIONS

The Committee observed that:-

1. The documents were not availed to the auditors during the audit but were subsequently availed for verification.
2. The Auditors were satisfied after verification of the submitted documents.
3. that based on the auditors verification of documents, the query was resolved

COMMITTEE RECOMMENDATION

The Committee recommends that-

1. The county government should always submit documents in time.
2. The query be cleared on the mitigations provided.

1.3 Procurement of Survey Equipment and Certified Seeds

(i) The County Executive purchased Survey Equipment from a supplier through direct Procurement at a cost of Kshs.6,771,161. The payment was made through payment voucher no.2184 of 11th March, 2014. Although the equipment ought to have been procured through open tender, no explanation was given for using the direct method of procurement. Further, no tender committee minutes were made available for audit verification and it was therefore not possible to confirm how the decision for direct procurement was arrived at.

(ii) It was also noted that the County Executive purchased an assortment of certified seeds from the Kenya Agricultural Research Institute through direct procurement at a cost of Kshs. 5,608,560. The payment was made through payment voucher no.566 of 30th September, 2013. As observed above, the seeds ought to have been procured through open tender and no tender committee minutes were made available to the audit team for verification to confirm the choice of the procurement method.

MANAGEMENT RESPONSE

The Governor stated that the procurement of goods and services in the County is governed by the Public Procurement and Disposal Act (PPDA) and its Regulations. On the procurement of survey equipment and certified seeds, the Governor stated as follows-

a) **Survey Equipment- KShs.6,771,161** – The procurement of Survey Equipment was not done through direct procurement. The process was as follows-

i) Requisition Letter by Department of Lands to Head of Procurement (Secretary to the Tender Committee) to allow Direct Procurement of Survey Equipment

ii) Letter from Head of Procurement to Department of Lands advising that procurement of Survey Equipment will be done through request for quotation and not Direct Procurement since these were assorted items.

iii) Quotations from five (5) Companies were received

iv) Tender Committee Minutes, including price comparisons and Tender Committee Recommendation for Supplier were provided.

b) **Certified Seeds** – KShs.5,608,560 – These were procured through Direct Procurement due to time factor, since the assorted certified seeds were to be provided to farmers and subjecting it to procurement through open tendering would be a lengthy process which could have gone past the planting season. A decision was therefore made by the Tender Committee to procure certified seeds through direct procurement from Kenya Agricultural Research Institute (KARI).

COMMITTEE OBSERVATIONS

The Committee observed that:-

1. Necessary documents were not availed to the Auditors during the audit.
2. Subsequently, request letters, list of beneficiaries and a letter from Survey Kenya were submitted for verification

3. The Auditors were satisfied after verification of the documents.

Committee Recommendation

The Committee recommends that the query be cleared.

1.4 Procurement of Consultancy Services

The County Executive had procured consultancy services as outlined below, at a cost of Kshs.5,699,100 through direct procurement contrary to procurement procedures -

Date	Payee	Amount (Kshs)	Particulars
10/04/2014	Kenya law reform commission	1,550,000	Contracted technical services
16/06/2014	Karandi Manduku	711,000	Legal consultancy services
01/05/2014	Yunis Mohammed and Associates Consultants	500,000	Legal consultancy services
10/04/2014	Knowledge frontier consulting Ltd	2,908,100	Contracted professional services
	TOTAL	**Kshs.5,669,000.00**	

Further, it was observed that the payments were not supported with any documentary evidence to confirm the services were rendered.

MANAGEMENT RESPONSE

The Governor responded as follows-

i) Kenya Law Reform Commission (KLRC). KLRC is a Government Agency whose mandate is to support Counties in

legislative processes. The expenditure arose as a result of drafting and reviewing 25 bills for various County Departments. Supporting documents i.e correspondence and payment vouchers were maintained by the County.

ii) Karandi Manduku – Expenditure arose as a result of engaging a legal expert to help in the following:

a. Drafting Corporate Social Responsibility (CSR) Agreement between the County and LTWP,
b. Checking the architectural and structural drawings by LTWP for compliance and
c. Incorporating a Limited Liability Company for the County as a Special Purpose Vehicle (SPV).

The procurement was done through quotations and payment of service rendered was supported by Final Reports, tender committee minutes and award letter.

iii) Yunis Mohammed Consultants – The law firm (a Ppe-qualified service provider) was sought by the department of Lands to stop the sale of Oasis Lodge in Loiyangalani by the leaseholder to the new buyer.

Yunis Mohamed were instructed by the County to intercept and stop the transaction until the matter of lease was sorted out. The procurement was done through quotations and payment of services rendered was adequately supported by Quotations, Tender Committee Minutes, Award, LSOs and Payment Vouchers.

iv) Knowledge Frontier Consulting – This expenditure arose as a result of the need for development of Conflict Prevention, Management and Cohesion Strategy to nurture sustainable

peace in Marsabit County. The procurement was done through quotations and payment of service rendered was adequately supported by Quotations, LSO, and Consultant's Final Report.

COMMITTEE OBSERVATIONS

The Committee observed that:-

1. The documents were not availed to the auditors during the audit but were subsequently availed for verification.
2. The Auditors were satisfied after verification of the submitted documents.

Committee Recommendation

The Committee recommends that the query be cleared.

2.0 Un-supported Expenditure

A local daily was paid Kshs.2,528,230 vide payment voucher No.4448 and a further Kshs.175,392 vide payment voucher No. 3495 for running an advertisement on Job vacancies. However, no evidence was attached to the payment vouchers to confirm the service was actually rendered. Further, no LSO's were attached to the expenditure documents and it was therefore not clear how the services were order.

MANAGEMENT RESPONSE

The Governor responded as follows-

The expenditure of Kshs.2,703,622 was paid to Nation Media Group for advertisement services that had been requested vide two local service orders no. 1012755 dated 24th May, 2014 of Kshs.175,392 and no. 1071943 dated 19th March, 2014 of Kshs.2,528,230. The advertisement

services were rendered on various dates between April and June 2014 and included advertisements for job vacancies, the first education forum in Marsabit County held on 29th May 2014, invitation for tenders and expression of interest for Moyale and Marsabit towns.

The supporting documents for this expenditure can be summarized as follows:

PV NO	DATE	LSO NO AND DATE	SPACE ORDER /INVOICE NO & DATE	AMOUNT	AMOUNT
3977	13-Jun-14	1012755- 24 May 2014	47390- 24 May 2014		175,392.00
4448	28-Jun-14	1071943- 19 Mar 2014	2358206- 5 Jun 2014	406,162.00	
			2358201- 5 Jun 2014	406,162.00	
			2357137- 29 May 2014	557,600.00	
			2358207- 5 Jun 2014	406,162.00	
			2358209- 5 Jun 2014	406,162.00	
			2356571- 27 May 2014	115,884.00	
			2356573- 27 May 2014	59,508.00	
			2350875- 17 Apr 2014	115,884.00	
			2351057- 18 Apr 2014	54,706.00	2,528,230.00
		TOTAL			2,703,622.00

COMMITTEE OBSERVATIONS

The Committee observed that:-

1. The documents were not availed to the auditors during the audit but were subsequently availed.
2. The Auditors were satisfied after verification of the submitted documents.

Committee Recommendation

The Committee recommends that the query be cleared

3.0 Irregular Payment of Allowances

3.1 Irregular Payment of Meal Allowances

The Public Service Board Members were paid meal allowances totaling Kshs.590,000 through payment voucher 06B of 13th August, 2013 for Kshs.440,000 and voucher 476 of 24th October, 2013 for Kshs.150,000 respectively. It was however observed that the allowances were paid while the members were performing their normal routine duties of short listing candidates for interview.

MANAGEMENT RESPONSE

The Governor stated that this was payment for meals for five members of the CPSB, payroll Manager, ICT Manager, Head of Human Resources and the Secretary for 10 days, having worked extraneously in downloading applications, sorting by cadre and keying in the computer for main summary in preparation for shortlisting. The CPSB did not have adequate Secretariat that would have carried out this work. The payment was duly approved by the County Secretary who had been seconded by the Transition Authority (TA).

COMMITTEE OBSERVATIONS

The Committee observed that:-

1. The necessary documents were not availed to the Auditors during the audit.
2. the documents were subsequently availed

COMMITTEE RECOMMENDATIONS

The Committee recommends that this matter be verified during the consideration of the 2014/15 financial year report, to ensure the letter from the Public Service Commission satisfies the demands of the Audit query.

3.2 Payment of Allowances to a Task force

According to payment voucher no.1992 of 3rd March 2014, Kshs.700,000 was paid to members of a task force appointed to urgently undertake a comprehensive human resource audit of the defunct Marsabit and Moyale county councils. The payment was made for 28 days at Kshs.5, 000 and Kshs.4, 000 per day, for the chairman and members respectively. No justification was given for the need to extend the assignment beyond the maximum stipulated ten (10) days.

MANAGEMENT RESPONSE

The Governor responded that while the County was aware of the SRC Circular of 7th July, 2008 on the formation of a taskforce and its duration of work, it was not possible that this particular exercise could be completed within the maximum 10 days period captured by the Circular. This was because of the uniqueness of Marsabit County, in terms of its vast geographical coverage.

In addition, the frequent inter-ethnic violent conflicts in some parts of the County and logistical challenges in accessing some areas were factors that were expected to further delay the process.
Taking into account these factors, 28 days was considered reasonable.

COMMITTEE OBSERVATIONS

The Committee observed:-

1. That documents were not availed to the Auditors during the audit.
2. That the taskforce report and the letter from the SRC were subsequently submitted to the Auditors
3. That the Auditors were not satisfied after verification of the submitted documents.

COMMITTEE RECOMMENDATION

The Committee stayed the query and recommends that the issue be examined during the consideration of the 2014/15 financial year Report.

3.3 Un-Supported Expenditure

Examination of payment vouchers disclosed that an expenditure of Kshs.4,509,907 was incurred in payment of subsistence allowances to members of staff while on official duties outside their duty stations. However, it was observed that the expenditure was not supported by motor vehicle work tickets or bus tickets (as proof of travel), payment schedules or invitation letters where workshops/seminars were attended.

It was further observed that the Marsabit and Moyale Town board members were paid sitting allowances on rates higher than the recommended ones by the Salaries and Remuneration Commission (SRC) through a circular ref SRC/ADM/CIR/1/13(122) dated 16th April, 2014.The circular indicated that a Chairman was entitled to Kshs.15,000 per sitting whereas a Member was entitled to Kshs.10,000 per sitting. It was however observed that a payment of Kshs.20,000 per sitting was made to the chairman while members were paid Kshs.15,000 per sitting. Consequently, an overpayment of sitting allowances totaling Kshs.180,000 was made to the board members.

MANAGEMENT RESPONSE

As observed by the Audit team there was a gross payment of Kshs.4,509,907 to specific County officials through various payment vouchers. The County Government has, progressively, been improving its internal control system to ensure that funds paid to a County official either in form of an imprest or claim of travel/accommodation allowance is fully and adequately accounted for.

Payment of sitting allowances to members of County Town Boards.

At the time officials were being appointed by the governor to Moyale and Marsabit town boards and their remunerations being set thereof, the circular (Ref. No:SRC/ADM/C1/13 (122)) from the Salaries and Remuneration Commission on remuneration of board members had not been issued. Therefore, the County Executive Committee approved the payment of sitting allowance at the rate of kshs. 20,000 for chairman and Kshs.15,000 for members per sitting respectively. However, this has since been corrected to comply with the provision of the SRC Circular.

COMMITTEE OBSERVATIONS

The Committee observed that-

1. the documents were not availed to the auditors during the audit but were subsequently availed for verification.
2. the Auditors were satisfied after verification of the submitted documents.
3. Based on the Auditors' verification, the query stands resolved.

COMMITTEE RECOMMENDATION

The Committee recommends that the query be cleared.

4.0 Spending of Revenue at Source

Examination of revenue records disclosed that the County Executive continued using revenue collectors formerly engaged by defunct County Council of Marsabit to collect revenue on its behalf and pay themselves 10% commission of the total revenue collected. It was noted that the agents paid themselves Kshs.472,408 as 10% commission of the total revenue collected of Kshs.4,724,080 without first banking the revenue as required.

The 10% commission paid was not supported by any legislation and it was therefore illegal.

MANAGEMENT RESPONSE

The Governor submitted that during the year under audit (i.e. 2013/2014) there was no budget line provided for the payment of the commission to the revenue collectors. Also, the payment of 10% commission was inherited from the defunct local authorities. Therefore, the agents were allowed to deduct the commission at source before remitting the collected revenue.

This has however been corrected in the financial year 2014/2015, where budget code no 2211399 was introduced to cater for payments of such commissions. In addition, this expenditure has since been budgeted for and approved by the County Assembly. The current practice therefore is that the revenue agents collect and bank all the revenue to the county revenue account. Subsequently, the commission is paid through a payment voucher that is subjected to the respective approval and authorization controls. Further, the County engaged Safaricom Mobile Company through use of its Paybill platform, to enable real-time transmission of collected revenue to the County revenue account.

COMMITTEE OBSERVATIONS

The Committee observed that:-

1. The necessary documents were not availed to the Auditors during the time of audit.
2. Subsequently, the Revenue Taskforce Report was submitted and verified.
3. The auditors were satisfied after verification of the report.

COMMITTEE RECOMMENDATION

The Committee recommends that the query be cleared.

5.0 Human Resource

5.1 Irregularities in Payroll Management

During the year under review, a total of eighty nine (89) health workers were employed by the County Public Service Board to the positions of RCO III and Nursing Officers III. Verification of some of the employees' files revealed that copies of testimonials attached were not certified as the true copies of the original, further there was no confirmation from the issuing institutions confirming the certificates were genuinely acquired.

In addition, examination of payment vouchers revealed that out of the eighty nine (89) health workers employed by the County, only twenty three (23) were entered in the IPPD system. The rest of the health officers were paid their salaries through the manual payroll. The only authorized mode of payment is through the IPPD (Integrated Payroll and Personnel Data) and it was therefore not clear why all the employees are not on IPPD payroll.

It was also observed that, the health workers who were entered in the IPPD system were drawing special allowances of Kshs.28, 600 each per month which translated to Kshs.657,800 per month. However, no approval or authority to pay the allowance was produced for audit verification. For unexplained reasons, these payments were captured as arrears throughout the period under review.

MANAGEMENT RESPONSE

The Governor submitted that the County was not able to introduce a total of 89 newly employed health officers to IPPD as the County had not obtained their payroll numbers from the Directorate of Public Service Management (DPSM). In addition, the County was not able, at that time, to process payment of salaries for some cadres through IPPD since the designations were either non-existent on the IPPD database under Pay Group BA and/or some allowances entitled to some staff in these cadres were inactive in IPPD. Currently, all those staff are paid through IPPD having obtained the required and relevant information from DPSM.

The County Government has recruited various categories of staff in line with section 59 of the County Government Act, 2012. During the financial year 2013/14, the Human Resource Department was not fully established and had some capacity challenges. This has subsequently been streamlined and the current HR Department has sufficient capacity to carry out the HR function.

In this specific observation, there were twenty three (23) health officers who were already in IPPD that were entitled to a "Health Workers Allowances" as stipulated in their appointment letters. These Allowances were:

Extraneous Allowance – KShs.25,000
Responsibility Allowance for Clinical Officers – KShs.3,000
Responsibility Allowance for Nurses – KShs.3,850
Hardship Allowance for Single Officers – KShs.600
Hardship Allowance for Married Officers – KShs.1,200.

These allowances were approved for payment by the County Public Service Board based on existing Government Circulars and were reflected in Staff Appointment Letters, as applicable.

COMMITTEE OBSERVATIONS

The Committee observed:-

1. That the necessary documents were not availed to the Auditors during the audit.
2. that subsequently, IPPD printouts were submitted for verification
3. That the Auditors were satisfied after verification of the documents.

COMMITTEE RECOMMENDATION

The Committee recommends that the query be cleared

5.2 Ghost Workers' Salaries Reimbursed to National Government

Pursuant to Section 15 of the Sixth Schedule of the Constitution and Legal Notice No. 137 which transferred functions to County Governments, the National Government continued paying salaries and related allowances to staff performing devolved functions on behalf of the County Governments.

The salaries and related allowances were paid for six months from July 2013 to December 2013. According to the Ministry of Devolution and Planning letter Ref: MDP/6/1/116 dated 22nd October 2013, the amount paid on behalf of the Marsabit County Government for Officers performing the devolved functions was Kshs.106, 616,646 for the months of July — September 2013. An equivalent amount of Kshs.106,616,646 was charged for the months of October - December 2013, hence a total of Kshs.213,233,293 was reimbursed to the National Government.

However, it was observed that, the schedule of seconded officers in Marsabit County included fifty two (52) officers who were not working in the County hence Ghost Workers as analyzed below:-

Ministry	No. of Ghost Workers	Amount(Kshs)
Health	46	18,655,126
Land	02	895,962
Water	01	192,972
Youth	02	**500** 080
Total	**52**	**20 244,220**

MANAGEMENT RESPONSE

The letter from Ministry of Devolution and Planning ref: MDP/6/1//16 dated 22nd October, 2013 had requested for Kshs.106,616,646.85 as reimbursement of salaries and related allowances paid to staff performing devolved functions on behalf of the Marsabit County Government for the months of July, August and September 2013. Before reimbursement of the requested amount, Kshs.213,233,293.20 was reimbursed to the National Government.

During the financial year, a task force was appointed by the County Executive in order to carry out a comprehensive human resource audit of the County staff and also verify the existence of the officers through a headcount. Upon completion of the human resource audit, the task force revealed that fifty-two (52) officers seconded from the National Government had not reported to duty in the County offices and therefore were considered as 'ghost workers'. These 'ghost workers' had been paid salaries and allowances totalling to Kshs.20,244,220 for the six months between July-December 2013.

Contrary to the audit query raised by the Auditor-General, the amount of Kshs.20,244,220.20 was not reimbursed to the National Government because Marsabit County had not received any services to warrant this payment of salaries and allowances. Instead, Marsabit County only

reimbursed Kshs.192,949,073.70 for which services had been rendered in the county.

Subsequently, the National Treasury deducted the amount of Kshs.20,244,220.20 from the Marsabit county disbursements. The Chief Finance Officer (CFO) has since written a letter to the Accountant General vide ref: CGM/FIN/Vol.1/96 dated 17th June 2014, in order to analyze the findings of the task force so as to consider the release of withheld funds. The matter has not been resolved to date.

COMMITTEE OBSERVATIONS

The Committee observed:-

1. That the documents were not availed to the auditors during the audit but were subsequently availed for verification.
2. The Auditors were satisfied after verification of the submitted documents.

COMMITTEE RECOMMENDATION

The Committee recommends that the County should work together with IGTRC to address the matter.

5.3 Operations without an Approved Staff Establishment

During the period under review, the Marsabit County Executive did not prepare or approve its personnel establishment and hence managed its human resource without an approved establishment. Consequently, the adequacy, appropriateness, existence and the necessity to fill vacancies or the possibility of staff progression was not ascertained.

No explanation was given for failure to have an approved staff establishment.

MANAGEMENT RESPONSE

The Governor stated that pursuant to Section 59 of the County Governments Act, 2012, the Human Resource function at the County rests with the County Public Service Board (CPSB) whose functions, among others, includes-

a) Facilitating the development of coherent, integrated human resource planning and budgeting for personnel emoluments;

b) Advising the County Government on human resource management and development;

c) Advising the County Government on implementation and monitoring of the national performance management system;

During 2013/14, amid the challenges of Devolution, the County established requisite human resource requirement for each department and these were approved by the County Executive Committee. Further, the County Executive appointed a task force to carry out a comprehensive human resource audit to address human resource gaps.

COMMITTEE OBSERVATIONS

The Committee observed that:-

1. The documents were not availed to the auditors during the audit but were subsequently availed for verification.
2. the Auditors were satisfied after verification of the submitted documents.

COMMITTEE RECOMMENDATION

The Committee recommends that the query be cleared.

6.0 Integrated Financial Management Information System (IFMIS) and G-Pay

Examination of the operations of the systems revealed that the finance section personnel had used the system in the months of November 2013, May 2014 and

June 2014 to pay various contractors and suppliers through development Account No. 10000170514 maintained at the Central Bank of Kenya (CBK). No transactions were made through the system between December 2013 and March 2014. Instead, direct payments were made through transfer of funds from the Marsabit County Recurrent Account No. 10000170492 (CBK) to Marsabit County Operational Account maintained at the Kenya Commercial Bank (KCB) Marsabit.

No explanation was given for failure to use the IFMIS and the G-PAY system.

MANAGEMENT RESPONSE

The Governor stated that it was true that no transactions had been posted through the IFMIS system between December 2013 and March 2014. During this period, not all finance staff had been trained on the use of IFMIS and also the downtime of the system was rampant due to poor network connections.

However, network connection has been improved by acquiring more reliable modems and also staff have since been trained on use of IFMIS and GPAY. By closure of the financial year 2013/14 all the transactions had been posted through IFMIS and paid via G-Pay.

COMMITTEE OBSERVATIONS

The Committee observed:-

1. That the necessary documents were not availed to the Auditors during the audit.
2. That subsequently, IFMIS expenditure reports were submitted.
3. That the Auditors were satisfied after verification of the documents.

COMMITTEE RECOMMENDATION

The Committee recommends that the query be cleared.

7.0 Creditors / Payables (Pending Bills)

The County Executive held pending bills totalling Kshs.1,267,624,562 as at 30th June, 2014. The pending bills were in respect of development and recurrent

expenditure items amounting Kshs.1,072,213,997 and Kshs.194,983,565 respectively.

The pending bills were attributed to late credit disbursements from the Controller of Budget. It was further noted that the county government maintained creditors ledger/register in an excel program which was not self-updating. The payables figure reflected in the financial statements did not include payables totalling Kshs.29,350,136 inherited from the defunct councils of Moyale and Marsabit amounting to Kshs.10,556,172 and Kshs.19,793,964 respectively.

MANAGEMENT RESPONSE

The Governor submitted that as mentioned in the audit query, the pending bills totalling Kshs.1,267,624,562 as at 30th June 2014 were as a result of-

i) Delayed disbursements by the National Treasury

ii) Delay in development projects implementation due to inter-ethnic conflict within the County

iii) Challenges in establishing relevant structures during the initial stages of Devolution.

These pending bills were settled in the financial year 2014/2015. The payables of Kshs.29,350,136 inherited from the defunct Local Authorities of Moyale and Marsabit will however be included upon official handover of the validated liabilities by the IGRTC

COMMITTEE OBSERVATIONS

The Committee observed:-

1. That the necessary documents were not availed to the Auditors during the audit.
2. Subsequently, the documents were availed

COMMITTEE RECOMMENDATION

The Committee recommends that the query be cleared.

8.0 Debtors/Receivables

The receivables/ debtors balance as at 30th June 2014 was Kshs.9,700,051, being outstanding plot rates. However, it was observed as follows:-

1. There were no demand notes issued to debtors.
2. The County Executive does not have a policy for debtors.
3. There were no mechanisms in place to ensure that all debtors paid the outstanding amounts.
4. The debtors' schedules submitted for audit were only for Marsabit sub—county and the schedules for Moyale sub-county were not made available.
5. It's important to circularize debtors as at the end of a financial year to confirm the balances.

MANAGEMENT RESPONSE

The Governor submitted that the County inherited a system of poor maintenance of records from the defunct Local Authorities and therefore the County may not have reliable details in terms of age and demand notices issued. However, the County has taken the following measures to streamline revenue collection and receivable management:

i. Many of the debts in the county relate to land rates from the two county councils (Moyale and Marsabit). The county department of energy, lands and urban development in close collaboration with the revenue unit has since established an updated list of debtors and instituted demand notices for collection of outstanding debts.

ii. Penalty for delayed payment of fees and charges has been clearly provided for in the County Finance Bill

The County also maintains a comprehensive and updated plots registers, with annual rates, interests, penalty and also outstanding balance as at a particular time.

COMMITTEE OBSERVATIONS

The Committee observed:-

1. That the necessary documents were not availed to the Auditors during the audit.
2. That the documents were subsequently submitted
3. That the Auditors were satisfied after verification of the documents.

COMMITTEE RECOMMENDATION

1. The Committee recommends that the County Government enforces the provisions on defaulters as contained in the Marsabit County Finance Act.
2. The Committee stayed the query and to review compliance in the subsequent financial year.

9.0 Non-Current Assets

The County Executive did not maintain an updated fixed assets register during the period under review. Further, the taking over of the fixed assets previously held by the defunct local authorities under the County had not been completed by 30th June, 2014.

MANAGEMENT RESPONSE

Contrary to the audit query by the Auditor-General, under Section 7 (2) (e) of the now obsolete Transition to Devolved Government Act 2012, the defunct Transition Authority (TA) was mandated to prepare and validate an inventory of

all the existing assets and liabilities of the defunct local authorities and formally hand over the inventory to Governors of all counties. The defunct Transition Authority never presented the inventory of all assets and liabilities of the Councils of Marsabit and Moyale.

However, the County Executive, has undertaken the following measures in order to safeguard the County assets:

i. An assets register is currently being maintained.
ii. The asset tagging or coding of all the assets commenced in 2014/15 and is currently ongoing. The assets coding will ensure that the asset register has reliable information that can be used for asset verification and tracing.
iii. It is envisioned that in the 2016/2017 financial year, the County will acquire an asset management system, which will enable maintenance of real-time asset information.

COMMITTEE OBSERVATIONS

The Committee observed that:-

1. The documents were not availed to the auditors during the audit but were subsequently availed for verification.
2. The Auditors were satisfied after verification of the submitted documents.
3. Based on the verification of the Auditors, the matter stands resolved.

COMMITTEE RECOMMENDATION

The Committee recommends that the query be cleared.

GENERAL RECOMMENDATIONS

1. The Committee recommends that all county governments must adhere to the timelines under the public audit Act and sanctions should follow when they do not adhere.

2. The Committee noticed the repeated ignorance on the law in this matter and the law should apply henceforth.

3. Deduction at source should not be done. Regular reimbursement should be done as an alternative. There appears to be double standards with the National Government having its cake and eating it by demanding immediate transfer of funds collected by counties without deduction yet they deduct at source. The rule of law should be observed.

CHAPTER TWENTY

MERU COUNTY EXECUTIVE

27.0 Budgetary Control and Performance

Non adherence to the prescribed budgetary requirements

The County Executive prepared a budget of Kshs.5,681,680,382 which was approved through the County Appropriation Act, 2013. The amount comprised of Kshs.2,789,093,056 and Kshs.2,892,587,326 for Recurrent and Development expenditures respectively.

However, the budget documents which were made available for audit did not contain standard codes prescribed by the National Treasury for use by the county governments. Similarly, the financial management systems developed by the National Treasury under section 12 of the Public Finance Management Act, 2012 for application in facilitating standard financial managements including budgeting, accounting and reporting were not complied with. In addition, the following observations were made:-

a. Although the sum of Kshs.2,892,587,326 was budgeted for application on development expenditure during the year, only Kshs.650,000,000 was actually spent thus resulting to under-utilization of funds totaling Kshs.2,242,587,326 i.e. (Kshs.2,892,587,326 - Kshs.650,000,000). Reasons for failure to absorb the funds were not given.

b. The unutilized amount of Kshs.2,242,587,326 differed with the available Credit balance of Kshs.18,833,775 in the development bank Account No. 1000170352 (Central Bank) as at 30th June, 2014 by Kshs.2,223,753,451. No Explanation for the difference was given by the County Government Management.

c. The actual revenue collection of Kshs.5,311,634,915 fell short of the estimated target of Kshs.5,681,680,382 by Kshs.370,045,467 during the period under review. The under collection of revenue was not explained.

Management Response

The Governor presented as follows:

1. That the County executive prepared a budget of Kshs 5,681,680,382 for the F/Y 2013/2014;
2. That at the time of preparation of the budget, the National treasury had not provided the standard codes for use by the County Governments
3. That the National Treasury had since disseminated the standard codes;
4. That the County has undertaken various capacity building measures for its officers involved in budget making process;
5. That subsequent budgets had been prepared using the standard codes prescribed by National treasury;

6. That although a sum of Kshs.2,892,587,326 had been budgeted for application on development expenditure, the county had only paid a total of Kshs.650,000,000 on development. This amount represented development projects whose implementation was complete;
7. That the county had also commissioned various development activities totaling to kshs.930,519,056.37, which at the closure of the financial year were in progress and were captured in the pending bills;
8. That the County revised its development budget from Kshs.2,892,587,326 to kshs.1,456,456,825 through a supplementary budget to cater for salaries for the devolved staff which had not been catered for in the initial budget;
9. That at the closure of the financial year the county had made payment for development expenditure to the tune of Kshs.650,000,000, leaving a balance of Kshs.806,456,825.
10. That the shortfall in revenue collection was as a result of over projection in local collection during budget preparation;
11. That the county has instituted mechanisms to improve local revenue collection, including the automation of revenue collection and establishment of a revenue board to manage revenue collection.

Committee's Observations

The Committee observed that:

1. the auditors had seen and verified the standard codes although the compliance was after the close of the financial year;
2. there was an over- expenditure that had not been explained;
3. the County had not explained the under-collection of revenue but lauded the County for the efforts made, specifically the establishment of a County Revenue Board.

Committee's Recommendation

The Committee recommends that the query stands cleared and that the Governor should submit the report of the taskforce on pending Bills to the Auditors for review.

27.1 Non Preparation of Supplementary Budget

During the nine months ended 31st March 2014, a total of Kshs.589,303,803 was incurred over and above the budgeted amounts on 34 expenditure items without preparing a Supplementary Budget for appropriate approval by the County Assembly, contrary to section 135 (1) and (2) of the Public Finance Management Act, 2012. No explanation was given for failure to prepare a Supplementary Budget.

Management Response

That Governor presented that the County executive prepared a supplementary budget, which was approved by the County Assembly and formed the basis for the County spending.

Committee's Observations

The Committee observed that the Governor's response was brief and did not address the specifics as raised in the query and analyzed in appendix II(b) of the Auditor- General's report and hence the Auditors were not satisfied.

Committee's Recommendation

The Committee recommends that since the County Government did not submit documentation to the Auditors, this is contrary to the Public Audit Act Section 62 The DPP investigates the matter further with a view of prosecuting those found culpable.

27.2 Non Availability of Controller of Budgets Approval for Withdrawing Funds

The County Executive incurred an expenditure totaling Kshs.2,094,370,610 as reflected in the expenditure returns for the nine (9) months ended 31st March, 2014. However, no approval letters from the Controller of Budget were provided for audit to confirm the withdrawal of these funds was indeed approved as required under Article 228 (4) of the Constitution of Kenya.

Management Response

The Governor presented that the County sought and obtained approval from the Controller of Budget before withdrawing any funds from the County revenue fund in accordance with Article 228(4) of the constitution.

Committee's Observations

The Committee observed that the auditors verified the approvals and were satisfied.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared. The Committee further recommends that the Governor be reprimanded for the late submission of documents contrary to the Public Audit Act.

27.3 Unauthorized Reallocation of Funds

An expenditure of Kshs.3,325,000 was incurred through temporary imprest for construction of fish ponds. However, according to the implementation guidelines that were issued by the Ministry of Fisheries Development, the expenditure was to be charged to item 31111302 (purchase of certified seed and live animals) but instead it was charged to item 3110504 (other infrastructure and civil works). This amounts to reallocation of funds without prior authority contrary to Regulation 10.19 of the Government Financial Regulations and Procedures. Further, the total imprest of Kshs.3,325,000.includes Kshs.3,000,000 issued on 15th January, 2014 and Kshs.325,000 issued on 7th January, 2014, an indication that previous imprests were not surrendered/accounted for before new ones were issued contrary to Regulation 5.6.6 of the Government Financial Regulations and Procedures.

It was also noted that the imprests were issued to an Accountant instead of the fisheries officer who was implementing the programme. As at the time of audit, the imprests had not been surrendered or accounted for.

Management Response

The Governor presented as follows-

1. That during the period under review, the County spent kshs.3,325,000 on construction of fish ponds;
2. That this was properly charged under vote item 311110504 (other infrastructure and civil work) , since the works involved included construction of fish ponds and not purchase of the fish fingers. Charging the expenditure under vote 31111302 (purchase of certified seeds and live animals) would have been incorrect;
3. That imprest for the activity was issued to the departmental accountant who worked in corroboration with the officers supervising the casuals while making payments; and,
4. That the imprests were fully and adequately surrendered

Committee's Observations

The Committee observed:

1. that the auditors had verified surrender vouchers amounting to Kshs.173,000 and Ksh.3,152,000 had not been accounted for;
2. that the Governor had requested for more time to verify the documents with the auditors and his personal undertaking to take action against any culpable officers.

Committee's Recommendation

The Committee recommends that since the County Government did not submit documentation to the Auditors, this is contrary to the PFM Act and the Public Audit Act Section 62 and should be prosecuted. The imprests should be recovered as provided for under regulation 93 of the PFM(County Governments) Regulations.

28.1 Un-Procedural Procurement of Medical Insurance Scheme

On 5th June 2013, tenders were invited through the Newspaper for provision of Medical Insurance Scheme for all the employees during the financial year 2013/2014. In response, twelve (12) bids were received and opened on 27thJune, 2013 at 11.30am. The bids were evaluated on 27thNovember, 2013 during which an insurance Company was rated the best at a tendered sum of Kshs.35,001,862. A letter of notification of award was issued and the same accepted by the successful bidder. It was however noted that the tender documents were opened on 27thNovember ,2013 at 11.30 a.m, some thirty (30) minutes before the deadline of 12.00 noon indicated in the advert contrary to Section 60 (2) of the Public Procurement and Disposal Act, 2005. The prices of the tender document were not recorded in the tender opening register. The tendered price of Kshs.35,001,862 was negotiated downwards by Kshs.3,355,730 to stand at Kshs.31,646,132 without any justification for the reduction by the Tender Committee resolution contrary to Section 85 (2) (a) of the Public Procurement and Disposal Act, 2005.

Although cheque No.1104 dated 28thJanuary, 2014 for Kshs.31,646,132 was processed and paid in favor of the Insurance Company, as reflected in the cash book, the relevant payment vouchers including supporting documents were not made available for audit verification and therefore the expenditure remains unsupported. At the tender evaluation stage, the winning bidder did not attach the tender purchase receipt to meet one of the qualification criteria set by the Technical Evaluation Committee and should not therefore have qualified for the next process, that is, financial evaluation. Minutes of the tender award committee were also not made available for audit verification. Meru County Executive and the Insurance Company Ltd did not enter into a written agreement as required by section 68 (I) of the Public Procurement and Disposal Act,2005. In view of the above, the propriety of the expenditure could not be confirmed.

Management Response

The Governor presented as follows:

1. That during the period under review, the county procured medical insurance for its staff at the cost of Kshs.35,001,862;
2. That contrary to the audit report that the documents were opened before the deadline, the bids were opened at 11.30am after the closure of the submission time which was indicated as 10.00am.
3. That the prices were revised downward from Kshs.35,001,862 to 31,646,132 due to the decision to change from column 2 to 3 of the expected benefits for the sum assured, hence reducing the premiums payable after approval by the tender committee; and
4. That at the technical evaluation the winning bidder scored 79% which met the minimum required mark of 70% to proceed to the next stage.

Committee's Observations

The Committee observed;

1. that the auditors were not satisfied with the response of the Governor;
2. that the Governor had not submitted the advert that advertised for the scheme and directed that he provides it; and,
3. that there was disregard for procurement laws.

Committee Recommendation

The Committee recommends that since the County Government did not submit documentation to the Auditors, this is contrary to section 62 of the Public Audit Act. The DCI and EACC investigates further with a view of prosecuting those found culpable and recover lost funds if any.

28.2 Irregular Procurement of Consultancy Services

The County Executive had an approved budget of Kshs.43,443,900 on research, feasibility studies, project preparation and design and project supervision under expenditure item 3111400. An expenditure of Kshs.25,332,028 was incurred out of the budgeted amount.

However, no documents were produced for audit to confirm the expenditure as a proper charge to public funds. Further, a Planning firm was contracted to carry-out consultancy works of digital topographical mapping, preparation of strategic integrated urban development plan for Nturungwi `A` at a contract price of Kshs.19,863,515 under contract No MCB/RT/112/2013-2014. The firm was paid Kshs.14,897,636 through payment voucher No. 002723 of 23rdJune, 2014. However, it was observed that the expenditure was charged to expenditure item 3130100-Acquisition of Assets vote head instead of under 3111400 research, feasibility studies, project preparation & design and project preparation. No explanation was given for the reallocation of funds without prior authority. Further, the strategic integrated urban development plan document was not produced for audit verification and it was therefore not possible to confirm whether the services were rendered or not. In addition, an amount of Kshs 19,907,500 was paid to Geoland Survey who had been contracted through contract No.MCG/RT/161/2013-2014 to provide consultancy services to mark the extent of plots and indicate boundaries to allottees in Turingwi 'A' at a contract price of Kshs.26,400,000. The payment was made vide payment voucher No 002973 of 30thJune 2014 and was charged to expenditure item 2110100-basic salaries (permanent employees) rather than item 3111400-research, feasibility studies, project preparation & design and project preparation. However, the authority to reallocate the funds was not produced for audit verification and no documentary evidence was submitted for audit to confirm the services were rendered. In the above two (2) contracts;

1. Tender committee recommendations or reasons for using restricted tendering as required by section 73(2)(a) and (b) of the Public Procurement and Disposal Act,2005 were not given;
2. Prequalification of contractors was not done as required under section 23(1) and (2) of the Public Procurement and Disposal Regulations,2006 and when read together with section 73(2)(a) of the Public Procurement and Disposal Act 2005, the County Government violated the mandatory Procurement Procedure and Regulations.

In the circumstances, the propriety of the expenditure could not be confirmed.

Management Response

The Governor presented as follows:

1. That the amount of Kshs.25,332,028 was picked by the auditors from the expenditure returns which included both commitments and actual payment and not from the cash book or ledger;
2. That the figure did not involve any cash outflow, both in the cashbook or from the bank and was therefore not an expenditure;
3. That a contract for provision of consultancy services for digital topographical mapping and preparation of strategic integrated urban development plan for Nturingwi was awarded to Ms Renaissance Planning ltd through a competitive process;
4. That a payment of Kshs.14,897,636 was charged in the expenditure vote under contracted professional services for urban spatial plans (3111402) and not under acquisition of assets (3130100) as indicated;
5. The exercise had not been completed due to the border dispute between Meru and Isiolo counties;
6. That Kshs.19,907,000 was paid to Ms. Geoland survey for the service rendered on demarcation for marking extent of plots and indicating boundaries to allottees in Nturingwi 'A'. This was charged on account of contracted professional services for urban spatial plans (3111402) and not on basic salaries; and,
7. That on both instances the services were sought using restricted tendering method which was approved by the tender committee.

Committee's Observations

The Committee observed that the auditors were not satisfied as Kshs.25,332,028 remained unaccounted.

Committee's Recommendation

The Committee recommends that EACC and DCI investigate the matter since the County Government did not submit documentation to the Auditors contrary to section 62 of the Public Audit Act. The Committee further recommends investigations on possible loss of funds with a view to recover any lost funds and possible prosecution.

38.3 Under Banking of Revenue Collection

The Meru Municipal Sub-County collected a total of Kshs.105,880,108 between 1st July 2013 and 31st March 2014 but only Kshs.105,557,478 was banked at Cooperative Bank Meru branch thus resulting to an under banking of Kshs.322,630. The under banking was not explained or any documents produced to show how the amount was spent.

No explanation was given for under-banking of Kshs.322,630.

Management Response

The Governor presented as follows:

1. That the Meru municipal sub-County collected a total of Kshs.106,525,841 between 1st July 2013 and 31st March 2014, and had banked Kshs.106,527,478 resulting to over banking of Kshs.1,602.00, and not an under banking of Kshs.322,630 as per your audit observation;
2. That the transactions had been captured through the manual system.

Committee's Observations

The Committee observed that the auditors maintained that Kshs.322,630 had not been banked.

Committee's Recommendations

The Committee recommends that since the County Government and the auditors did not meet to reconcile the figures before the conclusion of consideration of the Auditor-general's report for the financial year 2013/14 the Governor be surcharged the Kshs.322,630.

38.4 Illegal Collection of Revenue

During the period under review, the County Government of Meru collected revenue from local sources totaling Kshs.207,971,674. However, no revenue raising measures were submitted to the County Assembly for approval as required under section 132 (1) & (2) and 133 of the Public Finance Management Act, 2012. Although the Finance Bill was published, the County Assembly did not approve it. Consequently, the County Government continued to collect revenue using the fees and charges of the defunct Local Authorities under Meru County.

No explanation was given for the gross breach of the law.

Management Response

The Governor presented as follows;

1. That since it was practically impossible to pass a Finance Bill before the commencement of the financial year, as the County had just been constituted, the County Government used the approved fees and charges which were being used by the defunct local authorities until when it passed a Finance Bill;
2. That this was due to the fact that at the initial stages, the County was only collecting revenues which were being collected previously by the defunct local authorities, as other functions had not been devolved.

Committee's Observations

The Committee observed that the auditors were satisfied with the response of the Governor; and resolved to clear the audit query.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

39.1 Irregular Increase of Monthly Salaries for the Chief Executive Committee Members

The Chief Executive Committee members resolved to increase their monthly salaries by Kshs.60, 000 up from Kshs.225,000 to Kshs.285,000 with effect from 1st August, 2013. The payments were made for six (6) months up to 31st January 2014 and effectively discontinued from 1st February 2014. The increase was however found to be irregular as it contravened Legal Notice no. 2888 of 28th February 2013 in which the minimum salary entry point for all Chief Executive Committee members was set at Kshs.225,000 p.m. The overall effect of this was irregular over payments totaling Kshs.3,600,000 for the six (6) months.

No explanation was given for the irregular payments.

Management Response

The Governor presented as follows:

1. That the County Executive committee members resolved to increase their monthly salaries by Kshs.60,000 up from Kshs.225,000 to Kshs.285,000 with effect from 1st August 2013;
2. That this was done after consultation with the SRC Chairperson as it was indicated that the salaries for county executive members was under review;
3. That the advice was that the county executive committee could revise salaries through a resolution waiting for the salary review. However the advice was not put in writing; and
4. That following the advice from the office of the auditor general, the increments were stopped and subsequently recovered from their salaries.

Committee's Observations

The Committee observed;

1. that the auditors had verified that the monies were recovered and were satisfied; and
2. that based on the auditors' verification, the matter stands resolved.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

40.0 Doubtful Expenditure

A total of Kshs.4,998,325 was paid to causal workers for working at local markets and Town Centres of the various Sub-Counties of Meru County. However, there was no predetermined criteria that was developed and followed in sourcing for the casuals. In addition, the payment schedules in support of the payments lacked signatures and identity card numbers of the respective payees. Besides, no written requests for services of casuals were made from the departments.

In the circumstances, the propriety of the expenditure of Kshs.4,998,325 could not be confirmed.

Management Response

The Governor presented as follows:

1. That during the period under review, the County paid a total of Kshs.4,998,325 to casual workers working on revenue collection. A vast majority of the casual workers had been inherited from the former defunct local authorities, and supported the County in revenue collection.
2. That the County had since developed a policy on recruitment of casuals which was being implemented as and when need arises; and
3. That the casual wages were properly supported using the muster rolls and payment schedules.

Committee Observations

The Committee:

1. Noted that the auditors were not satisfied as the county had not submitted minutes adopting the policy or requisitions from departments requesting for casuals and
2. That out of the total amount only Kshs.601,200 could be accounted for as the county had not submitted a proper reconciliation of the expenditure.

Committee Recommendation

The Committee recommends that EACC and DCI investigates further with a view to recover any lost funds and prosecution of those found culpable.

41.1 Un-procedural recruitment of staff for the Offices of the Governor and the Deputy Governor

The County Government engaged eight (8) officers for the office of Governor and the Deputy Governor by identifying and advising them to apply for the posts. The letters of appointment read in part "following your identification by the Governor/Deputy Governor and your subsequent application for employment, I am pleased to inform you that you have been appointed on contract basis as.....in the Governor's office/Deputy Governor's office.

However, there were no records to prove the posts filled were in the approved budget and were competitively sourced for in compliance with clause 10.3 (i), (ii), (iii) and (iv) of the County Governments Act, 2012.

No explanation was given for failure to comply with the County Government Act, 2012.

Management Response

The Governor presented as follows-

During the recruitment process of staff for the office of the governor and the deputy governor, the county followed guidelines issued by the transition authority, which required the governor and the deputy governor to identify the person to be appointed in those positions, which will then be regularized by the county public service boards.

Committee's Observations

The Committee:

1. Noted that the auditors were not satisfied as the authenticity of the TA circular could not be established;
2. Accepted the guidelines tabled by the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

41.2 Non adherence to Gender balance Provisions during Recruitments

During the period July 2013 to 31stMarch 2014, a total of 138 officers were employed out of whom 34 were females and 104 males thus flouting Article 175 (c) of the Constitution.

It was not explained why the requirements of article 175 (c) of the Constitution was not adhered to in the recruitment of staff.

Management Response

The Governor presented as follows

1. That the County did not meet the 30% constitutional requirement of recruitment of officers on gender representation;
2. That this was occasioned by the fact that during the recruitment process few women tendered their application.

CommitteeObservations

The Committee noted that the County had subsequently adhered to the requirement and were satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

41.3 Non adherence to Gender and Regional balance provisions during Recruitment thresh hold of Officers outside Meru County

Contrary to Article 65 (1) (e) and 175 (c) of the Constitutional threshold. Out of the 138 persons employed, only 10 were from other counties and the remaining 92.8% from the dominant ethnic community in the County of Meru.

Management Response

The Governor presented as follows:

1. That the County did not meet the 30% constitutional requirement of recruitment of officers from non- dominant communities;
2. That this was occasioned by the fact that during the recruitment process few applicants from non-dominant community tendered their application, with most of the applicants from the non-dominant community not meeting the minimum qualification criteria; and
3. That the County public Service Board would subsequently encourage more applicants from non-dominant community by putting a caption on any advertisement "applicants for non-dominant community are encouraged to apply''

Committee's Observations

The Committee noted that the matter required policy intervention from all the counties.

Committee's Recommendation

The Committee recommends that the Governor, through the Council of Governors pursues the matter with a view of developing a national policy and legislative framework on the matter.

42.1 Irregular Payment of Extraneous Allowance

The County Government requested the Salaries and Remuneration Commission for payments of extraneous allowances to seven (7) security officers attached to the Governor and the Deputy Governor. In response, the Salaries and Remuneration Commission advised that additional information such as cadre of the staff involved as well as nature, scope and circumstance under which they work be forwarded for consideration. However, this letter

was not responded to. Against this background, the seven (7) officers were paid a total of Kshs.1,011,150 for the period April to December 2013 without any approval from the commission. The net pay was arrived as follows:-

Item	**Amount (Kshs.)**
Gross pay -	1,444,500
Tax	(433,350)
Net pay	**1,011,150**

It was further noted that Kshs.433,350 due to Kenya Revenue Authority was not remitted as expected. It was noted that cheque no.6954 of 19th December 2013, was paid to the County Secretary and a payment schedule prepared in which the seven (7) officers were paid the amount and acknowledged the receipt of the amounts by signing against their names.

It has not been explained why tax due to the Commissioner of Domestic revenue was diverted to other uses.

Management Response

The governor presented as follows:

1. That the County paid Kshs.1,444,500 as extraneous allowance to seven security officers attached to the Governor and deputy governor during the period under review;
2. That the County paid the allowances using a circular issued and paid taxes for the amount;
3. That the SRC had not given concrete guidance on the matter despite requests from the County on the same; and
4. That the allowance did not require an authorization from SRC.

Committee's Observations

The Committee:

1. Noted that the auditors had verified the payment vouchers detailing the tax paid and were satisfied;
2. Noted that the auditors were not satisfied with the matter of the County paying the allowances without the authority of SRC ;
3. Noted the mitigation of the Governor as adequate.

Committee's Recommendation

The Committee recommends that the SRC establishes regulations on the matter and further recommends that the query stands cleared.

43.0 Irregular Increase of Transport Allowance

The ten (10) Chief Executive Committee members passed a resolution to the effect that they be refunded a flat rate of Kshs.4,000 per day for twenty three (23) working days in a month until the government provides official transport. This was to take care of transport expenses within and outside Meru County. Accordingly, based on this resolution and in total defiance of the Salaries and Remuneration Commission circular, the members irregularly overpaid themselves a sum of Kshs.5,220,000 within a period of eight (8) months running from May to December 2013.

Management Response

The Governor presented as follows:

1. That the County provided transport allowance to the County Executive Committee members during the initial stages of setting up County structures;
2. That this was done following a resolution passed by the county executive committee;
3. That the County had not procured adequate vehicles and that this was undertaken to facilitate smooth operation of County operation. The allowance was stopped following acquiring of vehicles for CEC members; and
4. That the allowance has since been deducted following advice from office of the Auditor General.

Committee's Observations

The Committee;

1. Noted that the auditors had verified the documents and were satisfied; and
2. Resolved to clear the audit query.

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

44.0 Unsupported Expenditures (Traveling Expenses)

The County Government of Meru organized for Meru County stake holders meeting at Safari Park Hotel – Nairobi for 1000 participants on 25thJanuary 2014 and as a result incurred an expenditure of Kshs.1,691,740 which was subsequently settled as follows:-

Department voucher no	**Date**	**Amount Kshs.**
02838	6.3.14	766,740
02114	23.1.14	925,000
Total		**1,691,740**

The payment was however not supported by invitation letters, budget plans, documentary evidence of travel (work tickets or bus tickets), signed schedule by participants and it was therefore not possible to confirm whether the stake holders meeting took place. It was also observed that procurement procedures were not adhered to in the procurement of the service. It was not explained why the stake holder meeting was not held in Meru.

Management Response

The Governor presented as follows:

1. That the County organized a stake holders meeting at safari park hotel –Nairobi, which was intended to bring together stakeholders residing in Nairobi to chart way forward toward development agenda of the County;

2. That members of the public were invited using the Media;
3. That Payment vouchers containing work tickets, bus tickets and internal memos informing specific staff to attend the function were availed for audit review;
4. That Safari park was identified due its size and adequate capacity to host the targeted number of over two thousand (2,000) participants, that it is prequalified to offer similar services by other government entities; and
5. That measures have been put in place to ensure procurement procedures are adhered to in future.

Committee's Observations

The Committee noted that the auditors were satisfied with the response of the Governor with exception of the matter of the procurement procedure used to procure the hotel as it was not competitive.

Committee's Recommendation

The Committee recommends that since the County Government did not adhere to the Public Procurement and Disposal Act in the procurement procedure, the Governor should be reprimanded.

45.0 Unjustified Expenditures on Foreign Trips

According to the expenditure returns, the office of the Governor was allocated Kshs.10,000,000 for use on overseas travel by senior staff and training expenses. Out of this amount, Kshs.5,914,088 had been spent as at 31stMarch 2014. The figure was arrived at as follows:-

Month	Amount (Kshs.)
October 2013	811,014
November 2013	843,915
December 2013	775,736

January 2014	1,564,710
February 2014	1,818,335
March 2014	100,378
Total	**5,914,088**

It was not possible to vouch for the expenditure due to non-availability of the relevant payment vouchers. In addition, the correspondence file that could have contained request memos, budget proposals, correspondences with the countries visited, itinerary of activities proposed, date of travel and end of journey reports were also not made available for audit review. Moreover, maintenance of both cash books and Vote books was so poor that it was not possible to establish who were involved in these foreign trips and how much they were paid for in terms of transport costs and other allowances.

In the circumstances, the propriety of the expenditure of Kshs.5,914,088 could not be confirmed.

Management Response

The Governor presented as follows:

1. That the County had spent Kshs.5,914,088 on foreign travel as at the time of audit;
2. That the foreign travels were necessary as they were meant to be an opportunity for County senior employees to benchmark on global best practices; and
3. That details of the foreign travel including country of visit, number of staff travelling, purpose of travel and the cost involved were available for audit review.

Committee's Observation

The Committee noted that the auditors had verified the submitted documents and were satisfied;

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

46.0 IT Environment

46.1 Integrated Financial Management Information System (IFMIS) and G-Pay

1. The Integrated Financial Management Information System (IFMIS) has been installed at the County Treasury. However, not all transactions were processed through IFMIS.
2. There was a Local Area Network for IFMIS system in Accounts, Procurement and Finance sections and more than ten employees had been trained on use of the system.
3. Examination of the IFMIS disclosed that the Meru County Ledger which was produced was not in conformity with the requirements of Paragraphs 5.11.2 and 5.11.3 of Government Financial Regulations and Procedures. The ledger only captured payment numbers, payees' addresses, and date of payment, payees' location and amount. Therefore, it did not follow the prescribed grouping of account codes into four bands namely vote, head, sub head and detailed item analysis for the purpose of identifying or isolating expenditure and revenue items.
4. Examination of the IFMIS development ledger revealed an expenditure of Kshs.540,484,872 had been incurred as at 31stMarch 2014. However, scrutiny of the report further revealed that it included Kshs.500,000,000 in respect of exchequer issues on 5thFebruary 2014 and 27thFebruary 2014. Although it was explained that this was due to the fact that the exchequer issues and other payments were debited to the CBK recurrent account, it was not clear why the exchequer issues were treated as expenditure by the IFMIS yet detailed expenditure item analysis for the exchequer issues were not provided. Effectively, the developed IFMIS ledger reflected development expenditure as Kshs.540,484,872 instead of Kshs.40,484,872 representing an error of 1,235%.
5. Further, the IFMIS expenditure report under recurrent vote included exchequer issues to Meru County Imprest Account and Meru County Assembly totaling to Kshs.880,000,000. It was also not clear why the exchequer issues were treated as

expenditure by IFMIS yet detailed expenditure item analysis for the exchequer issues were not provided. Effectively, the recurrent IFMIS ledger reflected recurrent expenditure as Kshs.990,315,064 instead of Kshs.110,315,064representing an error of approximately 7.98%.

6. Further, scrutiny of the IFMIS ledger revealed that payment vouchers did not bear unique identification numbers relating to both IFMIS ledger and physical vouchers. The payment voucher numbers on the physical voucher should be uniquely traced in the IFMIS ledgers with respect to each payment. Details some of the payments bearing different numbers in the ledger from those in the payment voucher.
7. The reports printed from IFMIS and referred to as recurrent and development cashbooks were not cashbooks since the payment side exceeded the receipts side. For example, under recurrent cashbook, receipts totaled Kshs.400,000,000 while payments totaled Kshs.889,006,264. The undisclosed receipts of Kshs.489,006,264 represented an error of 55%.
8. Further, scrutiny of the IFMIS cashbooks revealed that balances carried forward were not indicated and there was no evidence that they were written up and balanced daily, cash on hand verified and subsequently checked by a senior officer. Cash analysis books to match cash balances were not maintained. Therefore, these reports did not serve the purpose of cashbooks.
9. G- Pay was not used to pay all transactions instead cheques were being used to pay most of the payments.

These irregularities were not explained.

Management Response

The Governor presented as follows:

1. That during the period under audit review, the county had just operationalized use of IFMIS and Gpay as the financial management system. This had been done in the middle of a financial year
2. That the county had installed a local area network for IFMIS system in account, procurement and finance section and trained more than 10 employees;

3. That at the time of audit, several inconsistencies were observed. As per the audit finding, this was as a result of limited capacity in operation of the system as only ten staff had been trained on IFMIS, while the county had limited infrastructure in terms of Machines and connectivity;
4. That the county had since installed Local area network in all its offices, trained over 100 staff on IFMIS;
5. That since Gpay is interlinked with IFMIS it was not possible to make payments using G-pay for the period prior to IFMIS operationalization. However since operationalization of IFMIS, all payments from the county recurrent and development account had been made using G-pay and subsequently internet banking platforms.

Committee's Observations

The Committee:

1. Noted that the auditors observed that the Governors response confirmed the position in the Auditor-General's report; and
2. Noted that the County had not submitted a reconciliation of the queried figures;

Committee Recommendation

The Committee recommends that the query stands cleared following confirmation by the Auditors.

47.0 Debtors

47.1 Unsupported debtor balances

According to the audited financial statements of the former municipal councils of Meru and Maua together with County councils of Meru Central and Nyambene, debtors balance for the eight (8) months ended 28thFebruary 2013 stood at Kshs.430,731,900. This amount increased to Kshs.458,951,745 during the four (4) months ended 30thJune 2013 but reduced significantly to Kshs.302,822,528 during the nine (9) months ended 31st March 2014. The decrease was however attributed to non-inclusion of contributions in lieu of rates (CILOR) whose figures and records had not been compiled as at the conclusion of audit. The debtors'

records were not updated and therefore the accuracy of the balances reflected herein could not be confirmed. Cases were also noted whereby Meru County Hotel and Kenya Methodist University had not paid Kshs.15,030,000 and Kshs.2,340,000 as at 31st March 2014 respectively and despite this, no tangible efforts had been made to have them pay. These debts were inherited from the former councils and no proper handing over was done as required by Transition Authority. Similarly, the County Government of Meru does not have a consolidated debtors ledger for all the four (4) sub counties. In addition, there exists no policy on provisions of bad and doubtful debts despite the fact that some debts had been outstanding for a long time. No explanation was given for failure to maintain debtors register.

Management Response

The Governor presented as follows:

1. That Majority of County debtors relate to property rates and plot rents. The County has maintained an up to date property rates and plot rent registers for all its markets;
2. That the County has since terminated the lease agreement with Meru County hotel;
3. That this matter had been forwarded to the county legal office. Demand notices issued to former tenants to pay and subsequently the matter has been taken by the county's lawyer to pursue recovery of the full amount. The county had also issued demand notice of Kshs.1,890,000 outstanding from Kenya Methodist University.
4. That the county prepared inventory of assets and liabilities by former local authorities which were to be handed over to the county government;
5. That the transition authority did not complete verification of the exercise and the formal handing/taking over of assets and liabilities of former local authorities by the County at the time of expiry of its mandate.
6. The county had secured the assets by tagging all the assets and capturing them in its assets register.

Committee Observations

The Committee:

1. Noted that the auditors had verified the documents and observed that there were still arrears from Meru County hotel totaling to Ksh.17,000,000 and the matter was in court;
2. Noted that the Kenya Methodist University had been settling their arrears periodically and a balance of approximately Ksh.1,000,000 was outstanding.

Committee Recommendation

The Committee recommends that the query stands cleared following the mitigating issues as explained by the County Government.

48.1 Unsupported Non-Current Assets Balances

As at 28thFebruary 2013, the value of non-current assets of the former Municipal Councils of Meru and Maua together with former County Councils of Nyambene and Meru Central stood at Kshs.1,124,750,697. These values increased to Kshs.3,152,140,827 in the four (4) months ended 30thJune 2013 and include a sum of Kshs.47,020,020 in respect of those assets procured by Meru County Government itself. Against this background, the County Government of Meru did not maintain a Fixed Assets Register for all the assets procured or change ownership documents for the assets previously owned by the defunct local authorities. Similarly, no hand over / taking over report of all the assets and liabilities was compiled in a format recommended by the Transition Authority.

No explanation was given for failure to take over the non-current assets of the defunct local authorities or why fixed assets register was not maintained.

Management Response

The Governor presented as follows:

1. That the transition authority was constitutionally mandated to prepare, verify, validate and facilitate handing/taking over assets of former local authorities by the County Government. At the time of the audit, TA had not commenced the activity and at the time its term expired, the TA had not completed the exercise.

2. That the County Government had identified all the assets (both acquired by the County and former local authorities), verified, tagged them and prepared a consolidated fixed assets register as a measure towards safeguarding all its assets.

Committee's Observations

The Committee noted that the auditors had verified the fixed asset register and were satisfied.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

49.1 Non Maintenance of Creditors Ledgers, Suspense Accounts and Failure to Setup an Agency Clearing Section

As at 28thFebruary 2013, Creditors balances for the former County Councils of Nyambene and Meru Central together with Municipal Council of Meru and Maua stood at Kshs.86, 615,312. This balance increased to Kshs.143, 136,585 as at 30thJune 2013. It was however noted that creditors' ledgers were not maintained and no invoices, Local Service Orders/Local Purchase orders and creditors schedules were made available for audit. It was therefore not possible to ascertain the debt level of the county government to various suppliers of goods, works and services at 31stMarch 2014. Further, the head of accounting unit had not established a suspense/clearance accounting section within the accounting unit to review and clear the various suspense accounts at least once every month. Similarly, suspense accounts relating to temporary imprests, salary advances and other statutory deductions were also not maintained. For example, as at the time of audit, imprest registers indicated outstanding imprests totaling Kshs.27, 329,048. No suspense account was maintained to reflect this amount.

No explanation was given for failure to maintain creditors' ledger.

Management Response

The Governor presented as follows:

1. That the county prepared creditors schedules for the former local authorities after analyzing all the unpaid LPOs/LSOs and pending invoices;
2. That since imprest management and salary advance management were automated through IFMIS and IPPD systems, updated creditors schedules were obtainable from the system when need arises.

Committee's Observations

The Committee noted that the auditors had verified relevant documents including an advertisement calling on creditors and a report from TA and were satisfied.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

50.0 Un supported Debt Resolution Expenditure

A sum of Kshs.78,651,379 were allocated in the budget for settlement of debts that had not been cleared by the defunct local authorities as at 28thFebruary 2013. Consequently, an expense of Kshs.25,297,980 was paid as at 30thJune 2014. As reflected in a summary schedule produced for audit. However no payment vouchers, settled invoices and ledgers were produced for audit verification. Therefore, the authenticity of the expenditure totaling Kshs.25,297,980 could not be confirmed.

Management Response

The Governor presented as follows;

1. That the County spent Kshs.25,297,980 during the period under review towards settlement of debts that had not been cleared by the defunct local authorities;
2. That this was adequately supported by a detailed summary and payment vouchers;

3. That payment vouchers for the remaining Kshs.10,057,194 had since been traced, and verified by the auditors.

Committee's Observations

The Committee noted that the auditors had verified relevant documents including the payment vouchers;

Committee Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

51.0 Irregular Award of Car Loans under Mortgage and Car Loans Scheme

The Meru County Loan and Mortgage Scheme Fund Bill No.3 of 2014 was passed on 18thFebruary 2014 and assented by the Governor. Sixty three Members of County Assembly were advanced loan of Kshs.5,000,000.00 each totaling Kshs 315,000,000.00 for purchase of Motor Vehicles and mortgage by Capital Savings and Credit Co operative Society. According to a copy of the Quadripartite Loan Agreement made available, the agreement was made on 24thApril 2014 between MCA'S, the SACCO and the Meru County Government as the guarantor. As at 23rdMay 2015, the County Executives had paid an interest of Kshs.1,122,916 on behalf of MCA'S. No budgetary provisions had been made for that purpose

The County government guaranteed the loans without a Mortgagee and Loans Scheme being in place as required by the law.

No evidence was availed for audit to show that the loans advanced were utilized for the intended purposes and the vehicles said to have bought by MCA's is registered jointly with the County Government of Meru.

Management Response

The Governor presented as follows:

1. That the County facilitated MCA's to obtain car loans during the period under review;
2. That this was done in accordance to the guidelines issued by the Salaries and Remuneration Commission circular Ref No SRC/ADM/CIR/1/13Vol111 (128) along with the enactment of the Meru County Loan and Mortgage Act;
3. That all the risks are borne by the lender (Capital Sacco) with the county only paying for the difference between the prevailing market interest rates and the 3% awarded to MCA's by the SRC.

Committee's Response

The Committee observed that the auditors had verified the contract and confirmed that the County did not stand to lose any money from the scheme.

Committee's Recommendation

The Committee recommends that the query stands cleared following confirmation by the Auditors that they went through the scheme and it was in line with the SRC circular.

52.1 Failure to Appoint Accounting Officers

The County Government had incurred an expenditure totaling Kshs.2, 094,370,610 as per the expenditure returns produced for audit. However, there were no formal written appointment letters for AIE Holders as required by Section 5.2.3.2 of the Government Financial Regulations and Procedures. Instead an internal memo from County Secretary to the Chief Officer Finance was made available for audit but it did not meet the criteria indicated above. In addition, individual appointment letters for AIE Holders were not made. Therefore, it was not clear how the officers who authorized payments by initialing their signatures on the payment certificates before 31st March 2014 were appointed.

No explanation was given for failure to appoint A.I.E holders as required.

Management Response

The Governor presented as follows:

1. That the county had appointed all its chief officers as the accounting officers for their respective departments; and
2. It was during the transition period and hence the oversight.

Committee's Observations

The Committee observed that the auditors had verified the appointment letters and noted that they were all dated 9/05/2014 and hence the officers did not have the authority to incur expenditure before that date.

Committee's Recommendation

The Committee recommends that the Officer in-charge be reprimanded for disregarding government procedures.

52.2 Failure to Issue AIEs against Expenditures

The County Government had incurred an expenditure totaling Kshs.2,094,370,610 without the County Executive Committee Member for Finance transmitting the General Warrant to all Accounting officers and authorizing them to incur expenditure vide FORMs – E.

No explanation was given for failure by the County Executive Member of Finance to authorize accounting officers to incur expenditure as required.

Management Response

The Governor presented that the County incurred an expenditure totaling to Kshs 2,094,370,610, using the authority conferred to it through the governors' warrant which signed by his Excellency the governor.

Committee's Observations

The Committee noted the comments of the Auditors that all accounting officers should be issued with AIEs and not a general warrant;

Committee's Recommendation

The Committee recommends that the Governor spearheads aligning the relevant legislation on the matter in line with National legislation expeditiously.

52.3 Failure to Respond to Audit Reports

The office the Auditor-General issued management letters on financial operations of the defunct councils of Meru County including the County Executive itself for the period 1st January to 30thJune 2013 as follows:-

No	Name	Letter ref	Date
1	Defunct County Council of Nyambene	EH/AUD/MERU/EX/VOL.1/3	1.11.13
2	Defunct Municipal council of Maua	EH/AUD/MERU/CNTY/EX/VOL.1/4	1.11.13
3	Defunct Municipal council of Meru	EH/AUD/MERU/CNTY/EX/VOL. 1/5	1.11.13
4	Defunct County council of Meru Central	EH/AUD/MERU/CNTY/EX/VOL.1/6	1.11.13
5	Meru County Executive	EH/AUD/MERU/CNTY/EX/VOL. 1/17	1.11.13

None of the letters have been responded to. Similarly, the Auditor General's report ref. AUDIT/SP/A/C/MERU/(16) dated 13 January 2014 that was addressed to the Clerk of the County Assembly and copied to Meru County Governor and the Clerk of the Senate had also not been responded to or action taken.

No explanation was given for failure to respond to and act on audit reports.

Management Response

The Governor presented as follows:

That the audit reports for the defunct local authorities were released when the County affairs were being managed by the transition authority and the county was in process of setting up

its structures. The County responded to all queries, However the responses were erroneously sent to the head office as opposed to Embu Hub.

Committee's Observations

The Committee noted that the auditors were satisfied with the response of the Governor.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

CHAPTER TWENTY ONE

MOMBASA COUNTY EXECUTIVE

1.0 Procurement of goods and services

1.1 Procurement of Furniture

Records availed for audit review indicated that the County Executive paid a total of Kshs.9,599,000 in respect of furniture from various suppliers. However, the suppliers selected for making the supplies were not in the list of the pre-qualified suppliers. The procurement was also not done through the open tender process, even though the amounts were above the request for quotation ceiling.

Management Responses

The Governor presented to the Committee that the procurement in question was duly executed by the County Assembly from the pre-qualified list of suppliers for MOWASCO; that the list was adopted to supplement their existing pre-qualified list of suppliers and that the procurement method adopted was within the procurement limits/threshold

Committee's Observations

1. The Committee notes that in the year under review the County Assemblies had not been decoupled from the Executive and therefore the financial accountability responsibility rests with the executive.
2. The requisite documents had not been provided to the auditor within the provisions of sec. 62 of the Public Audit Act.

Committee's Recommendations

The Committee recommends that the Head of Procurement unit should take responsibility for violation of the Law and loss that may have been occasioned.

1.2 Procurement of Works

Information availed for audit review indicate that the County Executive awarded a contract for construction of perimeter fence around Tononoka Stadium worth Kshs.3,850,000 to a contractor through request for quotation method even though the amount was in excess of the Kshs.2,000,000 ceiling for procurement of works through request for quotation. In addition, records availed for audit indicate that the County Government spent Kshs.25,104,689 on funding various civil works in the County. However, the project records for all the civil works lacked contract documents, engineers' payment certificates, bills of quantities and project monitoring minutes. Further, repairs and maintenance costing Kshs.6,319,726 were not supported with LSOs and BOQs.

Management Response

The Governor detailed that the first schedule of the Public Procurement & disposal Act of 2005 permits procurement of works through request for quotations to a maximum of Kshs.6,000,000.00. That expenditure of Kshs.3, 850,000.00 was therefore within this threshold

Committee's Observations

1. The Committee noted that the auditors had received the documents and were satisfied with the issue of the limit as it had subsequently been raised upwards to Ksh.6,000,000.

2. The management breached Public Audit Act for not providing documentations as provided for in Sec. 62.

Committee's Recommendations

The Committee recommends that the head of procurement entity should take responsibility for any loss that may have been occasioned by such a breach.

1.3 Procurement of Motor Vehicles

Records availed for audit review indicated that the County Executive procured thirteen (13) motor vehicles for County Executive Committee Members under tender CGM/PRO/10/2013-2014. A review of the procurement documents revealed that the lowest evaluated bidder of Kshs.62,634,000 was disqualified at financial evaluation stage on account of supplying Mitsubishi Pajero Sports which were described as non-executive vehicles, a requirement/specification that was in the initial tender document. The tender was awarded to a higher bidder of Kshs.70, 850,000 to supply Medium Duty Utility Vehicles (Ford Everest). The new criterion was irregularly introduced at financial evaluation level resulting in additional cost of Kshs.8,216,000.

Management Responses

The Governor presented that the evaluation committee did not introduce a new evaluation criteria; and that the tender was awarded to the lowest evaluated bidder, who met the requested county specifications.

Committee's Observations

The Committee noted that the auditors had verified the documents and were satisfied and hence resolved to clear the query.

Committee's Recommendations

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

1.4 Procurement of Street Lighting Bulbs

Records availed for audit review indicated that a supply of street lighting bulbs at cost of Kshs.2,219,180 was not supported with requisition notes and stores receipt as evidence that the goods supplied were actually received by the County Government and that the specification of the goods received were as per the order.

Management Responses

The Governor presented that the documents supporting the payments were not availed in time due to the challenges that arose during the period of audit; that during that period, the county was in the process of reorganizing the various departments, and this involved movement of accountable documents to various sectors; that there was also a shortfall in technical capacity which was necessary for the identification and submission of the supporting documents; and that the supporting documents had since been availed and submitted for verification.

Committee's Observations

The county did not comply with section 62 of the Public Audit Act in the supply of documents to the auditor for verification during the audit exercise

Committee's Recommendations

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

1.5 Travelling and Accommodation Expenses

Examination of payments vouchers availed for audit review indicated that payments amounting to Kshs.1,504,040 in respect of air travel services could not identify the officer who travelled and were not supported by a signed Local Service Order. Additionally, payments amounting Kshs.303,070 paid to staff in respect of travelling allowance to attend official seminars and workshops did not identify the officers being paid and were not

supported by invitation letters as required by the Section F of the County Human Resource manual.

Management Responses

The Governor presented to the Committee that the documents supporting the payments were not availed in time due to the challenges that arose during the period of audit; that during that period, the county was in the process of reorganizing the various departments, and this involved movement of accountable documents to various sectors; that there was also a shortfall in technical capacity which was necessary for the identification and submission of the supporting documents and that the supporting documents which include; the list of officers who travelled during the audit period, invoices and LSOs have since been availed.

Committee's Observations

The Committee noted that the auditors had received the relevant boarding passes on that day and hence had not verified.

Committee's Recommendations

The County government should come up with policies/guidelines on domestic and foreign travel that will ensure value for money.

1.6 Motor Vehicle Running Expenses

Records made available for audit verification indicate that the County Executive spent Kshs.18,194,368 on motor vehicle running expenses. Verification of the payments revealed the following anomalies;

- There were cash purchases amounting Kshs.14,107,740 made from none prequalified suppliers without adhering to Public Procurement & Disposals Act, 2005 for services that had prequalified suppliers.

- Expense of Kshs.632,200 relates to settlement of supplies liability made to defunct Municipal Council without the liability being validated or confirmed by the Transition Authority.

Management Responses

The Governor presented that low value items were purchased in cash from prequalified suppliers from other local government entities to facilitate critical services during the transition period; and that diverse Engineering, being a pre-qualified supplier, was paid for the provision of essential services.

Committee's Observations

The county government was in breach of the Public Audit Act for not providing the required documents on time.

Committee's Recommendations

The head of procurement entity should take responsibility for the loss that might have been occasioned.

1.7 Expenditure on Consultancy Services

Records made available for audit review revealed that Kshs.93,844,000 was spent on payment for professional services. However, the payment vouchers were not availed for audit verification.

Management Responses

The Governor stated that the documents supporting the payments were not availed in time due to the challenges that arose during the period of audit; that the supporting documents had however been availed and submitted for verification; and that the consultancy services vote was utilized as follows, the Ministry of Mining for geo mapping - Ksh19,216,160, staff allowances/Per diems –17,071,898, the tuition/Training fees – 27,865,961.75 and various suppliers –29,891,140.00

Committee's Observations

The Committee observed that the auditor had not received supporting vouchers worth Kshs.83,000,000; and as such probity of the 83m cannot be ascertain.

Committee's Recommendations

The CEC Finance should take responsibility for any financial loss incurred.

1.8 Expenditure on Repairs of Residential and Non-Residential Buildings

Examination of payment vouchers availed for audit indicate that payments amounting Kshs.8,602,037 for repair of unidentified residential and non–residential buildings which the management indicated are spread throughout the County were supported with incomplete documentary evidence.

Management Responses

The Governor stated that the documents supporting the payments were not availed in time due to the challenges that arose during the period of audit; that during that period, the county was in the process of reorganizing the various departments, and this involved movement of accountable documents to various sectors; further there was also a shortfall in technical capacity which was necessary for the identification and submission of the supporting documents; and in conclusion that the supporting documents had since been availed.

Committee's Observations

The Committee observed that the auditor had just received documents then and not on time to be able to deliberate during that meeting and that there was violation of the Public Audit Act for not submitting documents on time.

Committee's Recommendations

The CEC Finance should take responsibility for any financial loss incurred.

2.0 Management of Imprest and Advances

2.1 Un-surrendered Imprest

Records availed for audit review in regard to imprest indicate the following;

- The County Executive had an outstanding imprest of Kshs.44,769,000 as at 30 June, 2014. However, the supporting warrants for the imprests were not availed for audit review hence was not possible to establish when they were issued or even whether they were multiple issuances.

- Imprest amounting Kshs.8,561,922 was omitted on the schedule of outstanding imprest as at 30 June 2014.

- Imprest amounting Kshs.4,616,217 held by several officers who had more than one imprest outstanding as at 30 June 2014.

Management Responses

The Governor pointed out that Section 152 of the PFM act of 2012 allows accounting officers to advance funds to officers/staff through way of imprest in order to carry respective government activities or functions. The imprests were issued for various purposes including group travel and accommodation (domestic & foreign) for government delegations, catering, transport allowance for attendance of seminar/workshops, departmental office standing imprest, disaster management among others. Due to the regular network interruptions in IFMIS during the transition period, the county was unable to capture all imprest surrenders in IFMIS before the end of the financial year. There was a shortfall in technical capacity which would have ensured that all imprests were surrendered in IFMIS within the said financial year and that the status of the outstanding imprests, recoveries and an outstanding balance of Kshs.3,900,322 after subsequent surrenders, have been availed.

Committee's Observations

The Committee noted that the auditors had not received a detailed analysis showing money owned and progress of recoveries.

Committee's Recommendations

The CEC Finance should ensure that imprest's are used for the intended purposes only and are surrendered within the timelines as provided for in regulation 93 of PFM Act, 2012.

2.2 Imprest Surrenders

Examination of records availed for audit in respect of imprest surrenders revealed that surrenders totaling Kshs.27,796,731 relating various staff were recorded without the corresponding surrender warrants and any documentary evidence in support of the incurrence of the expenditure or undertaking of the earmarked activity.

Management Responses

The Governor presented that the imprests were surrendered as required and copies of surrender vouchers with supporting documents had been forwarded to the auditors.

Committee's Observations

The Committee noted that the auditors had not received a detailed analysis showing money owned and progress of recoveries.

Committee Recommendations

The CEC Finance should ensure that imprest's are used for the intended purpose only and are surrendered within the timelines as provided for in regulation 93 of PFM Act, 2012.

3.0 Revenue

3.1 Revenue Collection

According to the County budget, the County Executive budgeted to collect Kshs.5,074,615,602 from internal sources. However, according to revenue report, a total of Kshs.1,715,869,000 had been collected as at 30 June, 2014 which translates to 34%. Further scrutiny revealed that only three (3) revenue sources had attained more than 50% of the targeted budget. It was also observed that County Government still relied on the defunct Municipal Council's revenue collection system.

Management Responses

The Governor pointed out that the budgeted revenue factored many revenue streams including Mombasa water, betting and control, Port health, liquor licensing, health and agriculture (All these revenues streams had not been unbundled by the National Government during the audited period). The guidelines and regulations on how the targeted revenue collection would be realized were not in place during that period and as a result affected the targeted revenue collection. The donor Funding of Kshs. 2 Billion from KMP for storm water drainage was also budgeted for but the funds were not dispensed as part of the county revenue in the same financial year. That a new valuation roll that would have resulted in an increase in property rates had also not been finalized during this period. That Mechanism had been instituted also in place to ensure the streamlining revenue collection.

Committee's Observations

The Committee observed that auditors had verified the documents and were satisfied.

Committee's Recommendations

1. The county government should implement automated strategies to collect revenue and move away from the municipal council collection system.

2. The county should appoint a revenue receiver in line with section 157 of the PFM Act who should come up with measures to optimize revenue collection in the county.

3. The county government should fastrack the update and implementation of the valuation roll to facilitate and increase revenue collection from property rates.

3.2 Waiver of Cess Fees

Information available indicate that the County Executive exempted ninety six (96) manufacturers from payment of cess fees leading to unquantified loss of revenue contrary to Article 210 (1) of the Constitution of Kenya, 2010 and Section 159 (1- C) of the Public Finance Management Act, 2012. The office of the Auditor-General had not been notified neither was the waiver based on Act of Parliament or County Assembly legislation. A sport check at Shanzu barrier revealed that one transport companies exempted from paying cess without following the due process had the County Government forego paid Cess revenue amounting to Kshs.85,451,500 over a duration of six months.

Management Responses

The Governor stated that during the audit period there was a dispute on the CESS fees between the county government and the members of the Kenya Association of Manufacturers (KAM). That the members of KAM during this period were opposed to paying an entry fee for goods brought into the county and had instead proposed that that a structured monthly payment replaces the levies imposed per trip. That the county as a result was taken to court, on the grounds of double taxation and as a result the CEC in charge of Finance and Economic Planning was forced to suspend the collection of cess fees until an amicable position was reached. That the suspension of collection was later revoked by a notice published in the Star Newspaper on 8th August 2014. A letter dated 11th August 2014, to resume the collection of cess fees was also circulated to all revenue collectors.

Committee Observations

The Committee noted that the auditors had verified that the waiver had been revoked; and hence urged the County to adhere to the OAG recommendations.

Committee's Recommendations

The committee advise that the waiver should be done as provided in Article 210 of the Constitution and the provisions of the PFM Act.

3.3 County Revenue Collection Bank Account

Examination of various bank account statements revealed that revenue totaling Kshs.217,330,354 was banked in other bank accounts other than the designated revenue collection account. A further review indicated that the funds were not transferred to County revenue fund account at Central Bank of Kenya (CBK) in line with the requirement of Public Finance Management Act, 2012.

Committee's Observations

The Committee noted that relevant documentation had not been verified by the Auditor.
The county government is in breach of Article 207 (1) of the Constitution on the requirement that all revenue be deposited in the CRF Account.

Committee's Recommendations

The CEC Finance should take responsibility for violation of the Art.207 Constitution and regulations 109 PFM Regulations.

3.4 Banking in County Revenue Fund Account

According to the financial report, the County collected a total of Kshs.1,715,869,000 revenue from internal sources. However, according to the County Revenue Fund bank account statement, a total of Kshs.1,219,606,876 was transferred to the account as at 30 June, 2014 which implies that Kshs.496,262,124 was not banked in the County Revenue Fund Account.

This is an indication that the revenue was spent without the approval of the Controller of Budgets as per Government Financial Regulations and Procedures.

Management Response

According to the Mombasa County Revenue Account statement, 1,432,671,386.80 had been banked as at 30th June 2014. The remaining KShs.283,262,402 was banked/or analyzed as follows.

National Bank	1050089324300	9,077,645
Cooperative bank	01120078671607	195,667,730
Cooperative bank	01141445350004	15,352,113
I O U'S as at 30th June 2014	N/A	15,139,639
House Rent and Refuse Collection Deducted From Staff	N/A	17,920,921
Cash in Hand	N/A	3,974,084
Kenya Ports Authority	N/A	16,439,699
Cooperative bank	01141445350000	9,963,772

Therefore, figure of Kshs.496,262,124.00 which is pointed out by the KENAO report was actually accounted for.

Committee's Observations

1. The Committee noted that relevant documentation had not been verified by the Auditor and
2. The county government is in breach of Article 207 (1) of the Constitution on the requirement that all revenue be deposited in the CRF Account.

Committee's Recommendations

The CEO and the CEC Finance should take responsibility for violation of Art.207 Constitution and regulations 109 PFM Regulations.

3.5 Parking Fees Revenue Collection Account

Information availed revealed that County Inspectorate was in charge of the collection of parking fees. However, there was no evidence that the inspectorate had been designated as collector of revenue in accordance with Section 157 of PFM Act, 2012. In addition, the revenue collected was not being remitted to the County revenue collection bank account but a new account for the parking fees which had been opened at National Bank of Kenya in Mombasa. Further, a physical verification of parking areas along Nkrumah road and Moi Avenue within Mombasa town revealed that there are parking spaces which are reserved for clients who were not on the list of reserved parking spaces.

Management Response

The Committee was informed by the Governor that collection of parking fees revenue during this period had been outsourced by the then municipality to KAPS. The County Government however cancelled the collection of revenue contract with KAPS Municipal in 2014. The Transport and Infrastructure Department was thereafter assigned the responsibility of collecting parking fees, and the officer who was responsible for this revenue stream was the Sector Head in charge of transport and Infrastructure. Inspectorate was therefore the enforcer and not the collector of the parking fees revenue. It is important to note that whereas KAPs remitted a total collection of Kshs.1m per month, the county is currently

collecting an average of Kshs.1.2 million per day. KAPS Municipal lodged a court case against the county government to contest the cancellation of their contract. During this period the county isolated the parking fees revenue by banking the same at National Bank while the case was in court. The above revenue has since been swiped to the County Revenue Fund Account as evidenced by the National Bank account statements. During the period of audit, the county government had just taken over the parking fees revenue stream from KAPS Municipal and was in the process of verifying the number of reserved parking in the county. As at 30th June 2015, all reserved parking had been identified and demarcated.

Committee Observations

1. The Committee noted that the documents were not availed in time for the Auditors' comment.
2. The committee notes the schedule presented by the county government in mitigation and observes that it does not confirm that the mount was swiped to the country government account.
3. The Committee notes that the county government contravened Article 207(1) of the Constitution and Section 109 of the PFM Act.

Committee's Recommendations

The CEO and the CEC Finance to take responsibility for violation of the Constitution and the statutes and any loss that may be occasioned.

3.6 Revenue Advanced to Staff

According to records maintained by the cash office, it was revealed that a total of Kshs.15,139,639 had been lent to officers as I.O.Us under unclear circumstances as documentary evidence was not availed for audit review.

Management Response

The Governor informed the Committee that these were funds paid out as advances to officers for official duties during the period when IFMIS was not fully operational. Efforts have

since been made to recover funds from officers who did not refund the money evidenced in the appendixes on recovery instructions. Mechanisms have since been put in place to streamline the payments system so as to do away with staff advances. A current status after refunds which shows an outstanding balance of Kshs.682,039 is hereby attached.

Committee's Observations

1. The Committee noted that the documents were not availed in time for the Auditors' comment;

2. Delay in submission do document to auditor general contravenes Section 62 of Public Audit Act.

3. Despite providing a schedule before the committee the committee notes that a sum of Kshs.682,039 still remains outstanding.

Committee's Recommendations

1. The use of IOUs presents a fiscal risk for the county and the county is advised to use the imprest in line with PFM section 93

2. The CEC to ensure recovery of the outstanding money according to PFM Regulation 93.

3.7 Conditional Grant for Level 5 Hospital

Records availed for audit review indicate that the County Government received Kshs.414 million as conditional grant for level 5 hospitals. The money was supposed to be used on the Coast General hospital. However, by the time of audit, there was no evidence availed to show that the grant had been utilized on the hospital.

Management Response

The Governor stated that the County received Kshs.337,157, 973 as conditional grant for level five hospitals from the exchequer for FY2013/2014 as opposed to the expected amount of Kshs.414, 000, 000. This is because the last disbursement was received in July 2014.

The County government made various payments for expenditure incurred by Coast General Hospital, the bulk of which went to salaries. Salaries for Coast General staff is Kshs.68, 171, 222.30 per month or Kshs.818, 054,667.76 annually.

Committee's Observations

The Committee noted that the documents were not availed in time for the Auditors' comment and that the Governor availed documents before the committee and mitigated on the same.

Committee's Recommendations

The Committee recommended that the Senate should fastrack legislation and guidelines to enhance accountability on the conditional grants to counties.

3.8 Cash Bail Records

According to information availed for audit review, a total of Kshs.10,289,365 was received by the cashier as cash bail from the County courts for various cases or offenses against the County law. However the supporting records reflecting the name of the offenders, amount received, refunds, forfeitures and banking slips were not availed for audit review.

Management Responses

The Governor pointed out that during the period of audit cash bail was being banked in the County Revenue Collection Account, and refunds were paid out through G-pay. The County has since opened a cash bail deposit account at Kenya Commercial Bank, Account number 1162415967 and refunds are now made directly upon ruling of a case. All balances (if any) are also refunded to the offender through the same account. A list of offenders, case number

and date; amount received as cash bail, the amount refunded upon case ruling, and the balance forfeited if any for the period is hereby attached.

Committee's Observations

The Committee noted that the Auditors were satisfied after verification of the documents submitted by the county executive and resolved to clear the query.

Committee Recommendations

The Committee resolved to clear the query.

3.9 Unutilized Exchequer Releases

Records availed for audit review indicate that as at the end of year under review the County Government had a total balance of Kshs.59,873,258 in various bank accounts which had not been remitted back to the County revenue fund account at CBK in line with the PFM Act, 2012.

Detail of Bank	Amount (Kshs)	Bank	A/C Number
Cooperative bank Salary	210,307	Co-operative Bank	1120078671601
Cooperative bank Instant	1105.10	Co-operative Bank	110078671600
KCB- LATF	22,812,059.57	KCB	1107637147
Consolidated Bank KRB	229,124.95	Consolidated Bank	1200350556800
Standard Bank-LASDAP	969,380.00	Standard Bank	106097647100

National Bank Christmas Tree	16,385.70	NBK	1242007650600
Barclays Bank-Uwezo	1,036,472.40	BBK	0168418256
Eco Bank- Cost Sharing	175,154.50	Eco Bank	0020135007877901
Cooperative Bank – AFD	71,581.90	Co-operative Bank	0112007877901
Cooperative bank – KKV	33,812,960.23	Co-operative Bank	0112007871606
Equity Bank –Mock	624,345.00	Equity Bank	0460299587862
KCB-Rf	2,350.00	KCB	1129508811
Total	**59,873,258**		

Management Response

The Governor stated that the amounts in the County government accounts were transferred to the county revenue fund as required. However, the balances in the defunct Municipal accounts could not be transferred the county revenue fund account as the signatories to the accounts could not be reached. Efforts to close the accounts and transfer the balance to county revenue fund account have been made.

Committee's Observations

The Committee noted that the Auditors were not satisfied after verification of the submitted document.

Committee's Recommendations

The county government of Mombasa and IGRTC to fastrack the process of identification, verification and transfer of assets and liabilities of defunct local authorities to devolved government.

4.0 Cash and Bank Balance

4.1 Defunct Municipal Council's Bank Accounts

According to records available, the County Government did not close seventeen (17) bank accounts of defunct Municipal Council as at 30 June 2014 contrary to the circular by the Transition Authority which required that the County Governments close all the bank accounts for the defunct local authorities on 28 February 2013. Records availed for audit indicated that a total of Kshs.217,330,354 was banked in these bank accounts during the period under review. In addition, the records and bank statements for one of the bank accounts held at Imperial Bank were not availed for audit.

Management Response

The Governor presented that efforts have been made by the county government to close all existing municipality accounts. The banks have however declined to take instructions from current county officials and insist that the instructions to close these accounts should be forwarded by the existing signatories of the municipality accounts. The legal department has since given instruction to commence proceedings to freeze the accounts, repatriate any funds held therein and close the accounts. Five (5) accounts have so far been closed 0168418256- Barclays Bank, 1107637147 and 1129508811- KCB, 01120078671607- Cooperative bank, 1200350556800, - Consolidated Bank. The following seven accounts are however yet to be closed;

1. NBK- 1242007650600- Mayors Christmas Tree account- 16,385.70
2. Eco Bank- 0020135007877901- Cost Sharing account - 175,154.50
3. Equity Bank-0460299587862- Mock account - 624,345.00

4.	Coop Bank- 01120078671601- Salary account	-	210,307.00
5.	Coop Bank- 0110078671600- Instant Savings account	-	1,105.10
6.	Coop Bank- 0112007877901- Solid Waste Management	-	71,581.90
7.	Stan Chart- 106097647100- Lasdap	-	969,380.00
	Total		**2,068,259.20**

It was emphasized that this was a County Disaster Management Committee Account which has since been closed.

Committee's Observations

The Committee noted that the Auditors were not satisfied after going through the submitted document and that there was a pending court case on the matter.

Committee's Recommendations

The county government of Mombasa and IGRTC to Fast-Track the process of identification, verification and transfer of assets and liabilities of defunct local authorities to devolved government.

4.2 Lack of Bank Reconciliations

Information availed for audit verification revealed that, the County Government operated three main bank accounts at CBK. However, the bank reconciliation statements for the bank accounts were not availed for audit review. In addition, reconciliations for defunct Municipal Council had several un-presented cheques out of which stale cheques amounted to Kshs.227,764,491. Further, records availed for audit indicated that the management closed Co-operative bank Kazi Kwa Vijana account during the year under review. However, no closure instruction by the Management including what happened to the bank balances in the account at the point of closure was availed for audit review. The bank reconciliation statement as at the date of closure was not availed for audit verification.

Management Response

The Governor stated that all bank reconciliations were carried out and availed for review. The Kazi Kwa Vijana account was closed in December 2013 and an amount of Kshs.176,704.29 was transferred to the revenue collection account. The stale cheques were issued during the Municipality period and have since been reversed in both the cash books and bank reconciliations.

Committee's Observations

The Committee noted that the Auditors were satisfied after verification of the documents submitted by the County Executive.

Committee's Recommendations

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

5.0 Debtors

According to the records availed for audit review, the County had rent arrears amounting to Kshs.184,718,290 from houses and stalls. There were no proper records on the properties and therefore it was not possible to determine whether the amount indicated was accurate. Similarly, no proper work plan had been put in place on how to collect the arrears. Further, Kshs.299,218,200 was in arrears in respect to Single Business Permits by the time of this audit. The demand notices availed for audit review were not serially numbered and therefore we could not determine how many had been circulated. No work plan was availed on how to enforce the collection.

Management Response

The Governor presented to the Committee that the collection of rent on market stalls and housing is up-to-date. The indicated arrears is as a result of discrepancies between new and

old rates brought about by the new Finance Act 2013 which was effected in the Laifoms but was however not collectable because of a court injunction. Attached a copy of the Court injunction and an analysis of the difference between the old and new rates. The matter was later concluded in favour of the county government and the ensuing debt that resulted from that period is now being collected through payroll.

Committee's Observations

The Committee noted that the Auditors were satisfied after verification of the documents submitted by the county executive

Committee Recommendations

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

5.1 Land Rates

Review of the County Treasury records indicated that, rates amounting to Kshs.25,969,040,798 were outstanding as at 30 June 2014. Most of the balance relate to debts transferred from the defunct Municipal Council of Mombasa which were reported to be inaccurate. However, the valuation roll which is used for billing the plot owners had not been updated with new land subdivisions while more than 4,000 plots had been registered in the name of owners who could not be adequately identified as pertinent details of the plot owners were missing on the valuation roll.

Management Response

The Governor presented that the outstanding rates of Kshs.25,969,040,798 as indicated in the LAIFOM system was inherited from the defunct municipal council of Mombasa and is inaccurate because. The County Land Register on which the alleged arrears are based was inherited from the defunct Municipal Council of Mombasa and is inaccurate. A reconstitution of the said land register has since been undertaken and is now complete. The reconstituted county land register is being aligned with the national land register to capture

all the changes. On completion of the register a physical plot by plot reconciliation on the rates payable on each plot will be undertaken to come up with an accurate figure of the outstanding rates. The digital mapping of all plots has already commenced and will be completed on release of the new register. A new valuation roll which is was 80% complete was being prepared. Finally, a notice was served to all defaulters through an advertisement in the local daily newspapers, following which advocates were instructed to commence recovery proceedings for rates defaulters. By then, more than 40,000 demand notices had been issued.

Committee's Observations

The Committee notes with concern the huge amounts owed to Mombasa county that has potential to cripple service delivery.

Committee's Recommendations

The issue to remain open until fully resolved i.e the valuation roll is completed, implemented and collection enforced. The CEO and CEC Finance to take responsibility for this matter.

6.0 Casual Wages

According to the financial statements availed for audit review, the County Government spent a total of Kshs.6,454,000 on casual wages. Information available indicate that some casuals were engaged for a period longer than 3 months and for a long term task e.g. Traffic unit, revenue collection amongst other departments. In addition, there was no evidence that the casuals were recruited by the County Service Board.

Further, the daily attendance registers maintained and used to support payments were not regularly signed by the casuals as evidence of reporting to work.

Management Response

The Governor Stated that the casuals were hired following the sudden termination of the parking fee collection contract with the service provider, KAPS Municipality. That for

continuity, the county government resolved to retain some of the employees from KAPS Municipality as casuals, while structures for the collection of parking fees were being put in place.

Committee Observations

The Committee noted that the Auditors were not satisfied after verification of the submitted document.

Committee's Recommendations

The CEO and relevant CEC Finance to provide an update in line with section 53 of the public Audit Act on the measures taken to resolve this matter.

CHAPTER TWENTY TWO

NYAMIRA COUNTY EXECUTIVE

1.0 Background to the Report

The Committee invited the Governor for Nyamira County to its investigatory meetings held on Tuesday, 26th April, 2016 to give evidence and respond to the audit queries raised in the report under consideration. This was pursuant to the provisions of Article 179(4) of the Constitution. The Committee considered the audit queries against the Governors response and made recommendations accordingly.

1.0 CURRENT ASSETS

1.1 Outstanding Imprests and Imprest Management

A total of Kshs.6,438,868.00 was reflected as outstanding imprests as at 30 June 2014. Some of the imprests date back to May 2013 and no clear efforts have been put by the management to have the imprests retired or surrendered.

The County Public Service Board (CPSB) issued imprests to various officers totalling Kshs.1,903,000 which were surrendered without being supported with receipts, schedules, work tickets, seminar and workshop invitation letters. The imprests were also not posted to the imprest registers as required. The proprietor of the expenditure could not be confirmed.

Management Response

The management admitted to the audit query and informed the Committee that at the outstanding imprest as at 30th June, 2014 was Ksh.6, 438, 863. This was however reduced to Kshs.2,403, 318 as at 30th September, 2014 when the county was presenting the books of accounts to the Auditor General as the other officers had surrendered their imprest. The remaining balance of Ksh. 2,403,318 has since been surrendred (annex1.3). In mitigation the governor informed the Committee that at the inception of devolution, they had staff challenges especially in the finance department and this was one of the reasons that made surrenders delay.

Committee's Observation-

The Committee was informed that an imprest surrender of Kshs.1,000,000 issued to an MCA Mr. Nyameno had not been verified.

Committee's Recommendations

1.The Committee recommends that the management put in place imprest system where details of imprest issued are recorded in the imprest register and timely posting to individual accounts to track issues and surrenders.

2. The further recommends that the Audit Query remains unresolved until a full recovery of the imprest issued to Mr. Nyameno is fully recovered.

2.0 Direct Purchases

In the year under review, the office of the Governor spent Kshs.2,633,110 on purchases of refreshments and catering services without following proper procurement procedures contrary to section 88 of the Public Procurement and Disposal Act, 2005. The management was unable to confirm how the suppliers were identified and prices charged determined.

Management's Response

The County Government decided to use direct procurement method to purchase items such as; milk, water, sodas, sugar and beverages which was done from a local shop, Moenga Corner Shop. The consumables were required for efficient office operations. The goods were purchased through imprest by Mr. Maruti who was an administrator in the office of the governor. They were to cater for office tea for the office of the governor, deputy governor, public service board, county secretary and the 10 CEC. During transition, the county was faced with capacity challenges and procurement unit did not have key staff. The situation has been rectified and the county government no longer does direct purchase because we have put in place structures for the procurement of goods and services.

Committee's Observations

1. The Committee noted the mitigation by the Governor that at the time the procurement department lacked key staffers.
2. The Committee further observed that imprest was issued to an officer who according to the auditor had accounted for it satisfactorily.
3. The Committee further observed that direct procurement of goods and services should be completely discouraged.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

3.0 Unrecorded Stores

During the year under review, the County supply chain management procured various stores for use by different departments totalling Kshs.7,672,540. The stationery, desk top, laptop computers and tonners were not recorded in the stores ledger (S3). In addition, dust coats costing Kshs.863,350 issued out were not supported by documentary evidence.

Management Response

The management admitted to the audit query and informed the Committee that the different stores procured were not recorded in the store's ledger that is S3, at the time that the audit was being carried out. Also, 304 dustcoats worth Kshs.863,350 were received vide counter receipt voucher no.7551250. They have since been charged in an S3 card No.0719559 and issued to the user department, that is revenue/enforcement vide counter requisition and issue voucher No. 6922534 for further issuance to specific officers. The user department issued the dust coats to the specific officers as per the list annexed in 3.1.Toners, desktops and laptops all valued at Kshs6,019,200 were procured by the County Assembly procuring entity. However, during the transaction period, the financial operations of the Executive and the Assembly had not been separated fully.

The payment was made by the county treasury. By the time the audit was being carried out, the necessary supporting documents had not been availed, but they have now been forwarded to the Auditor- General. Attached are the counter requisition and its vouchers; 1.1; counter receipt voucher 1.3 and the distribution list of both items obtained from the county assembly that have since been forwarded to the Auditor-General in Annex 3.2.

Committee's Observation;

Management should ensure that all stores are recorded when received in the stores and when issued out to user departments.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

4.0 NON- CURRENT ASSETS

4.1 Failure to Maintain Assets Register

There was no assets register maintained to record the assets owned by the County government since its inception including additional assets bought in the period ended 30 June 2014 totalling Kshs.806,718,242.

Management Response

The management admitted to the audit query and informed the Committee that at the onset of devolution, the county government inherited assets from local authority and is in the possession of the assets and knows where they are. Transition Authority (TA) has not formerly handed over the assets to us since they are doing verification and authentication of the same. It is true that the County do not have the asset register since they were waiting for TA to complete the exercise and we maintain one county assets register. In the meantime, the county government has an asset schedule awaiting roller out of the asset register module which is in-built in the Integrated Financial Management

Information System (IFMIS) from the National Treasury. The same is going to be rolled out to all the counties and it can be found in annex 4.1.

Committee's Observation

The County Executive ought to have prepared an Asset register as they were awaiting for the Transition Authority to conclude on the same.

Committee's Recommendations

1 The County to maintain a record of the assets acquired by the county after the Transition and liaise with the Intergovernmental Relations Technical Committee (ITGRC) to conclude the transfer of assets and liabilities inherited from the defunct local authorities.

2 The Committee recommends that the audit query remains unresolved.

3.1 Purchase of Ambulances

In the month of December 2013, the County Government used request for quotations method to procure five (5) Ambulances at a total cost of Kshs.33,000,000. However the tender committee awarded the tender to the second lowest bidder (by price) without explanation. Had the tender been awarded to the lowest firm, the County would have saved Kshs.9,988,000. There were no records presented for audit review to show how the quotations were evaluated.

Management Response

Management admitted to the audit query and informed the committee that its true that the county government bought five ambulances at a total cost of Ksh. 33 Million. In the tender opening minutes CMC was the lowest bidder on financial criteria but in the technical evaluation it did not meet the technical specification especially on the inbuilt patient cabin thus being knocked out. Due to the immediate and emergency necessity of having ambulances services in the county, the County went for restricted tendering. The county has since been informed of the circumstance under which restricted tendering should be used. Nonetheless no money was lost since what CMC quoted for was the cost of the vehicle and not as per specification given out in the tender document.

Committee's Observation

1. The approach used was irregular in spite of the mitigation.
2. The Purchase of the ambulances was awarded to the second bidder without explanation.
3. The procurement law had been flouted by the county.
4. The county to provide detailed information on the audit query.

Committee's Recommendations

1. The management should adhere to the Public Procurement and Disposal Act, 2005 and Regulations of 2006 and 2013 in the procurement of goods and services.
2. The Committee recommends that the audit query remains unresolved.

3.2 Purchase of Motor Cycles

In the month of January 2014, the County Government approved restricted tendering method to procure fifty five (55) motor cycles. However there were no records to show how the tenders were evaluated and awarded to a local firm at a total cost of Kshs.11,464,860. The procurement method was not consistent with conditions set out for restricted tendering as per section 73(2) of the Public Procurement and Disposal Act, 2005.

Management Response

The management admitted to the audit query and informed the Committee that restricted tendering method was approved for procuring of fifty five (55) motor cycles in accordance to Section 73(2) of the public Procurement and Disposal Act, 2005 by the tender committee held on 17th January, 2014 vide Min 61/4/2013-2014. These motor cycles were to be used to administer Artificial Insemination. The county acted in good faith and no monies were lost as the other procedures of procurement including evaluation and market survey was conducted.

Committee's Observations

The Committee observed that the auditors had not fully verified the documents

Committee's Recommendations

1. The management should ensure that the provisions of the Public Procurement and Disposal Act, 2005 and Regulations of 2006 and 2013 are adhered to in the procurement of goods and services.
2. The Committee recommends that the matter remains unresolved.

4.0 CURRENT LIABILITIES

4.1 Claims and Pending Bills

The Kenya Revenue Authority (KRA) made a claim on the County Government for Kshs.8,755,276 in respect of tax arrears for tax assessment for the period from July 2012 to April 2013. Out of this figure, Kshs.1,377,481 was paid in April 2014 being the principal tax excluding penalties and interest which still remains pending.

Management Response

The Management admitted to the audit query and informed the Committee that the Kenya Revenue Authority did Tax assessment on the County Government on Feb 10th, 2014. This was divided into two folds, the first being the defunct Local Authorities that were operating within Nyamira District. These were, County Council of Nyamira, Town Council of Nyamira and Town council of Keroka and Town council of Nyasiongo. The argument of Kenya Revenue Authority was that the County Government had taken over assets and liabilities of the former councils and hence the tax assessment (Annex 5.1.1)

Committee's Observations

The County had since complied however, the management had failed to remit statutory deductions on time.

Committee's Recommendations

The management should ensure that taxes outstanding are incorporated as part of the assets and liabilities of the County.

The Committee recommends that the Senate clears the audit query.

5.0 BUDGET PERFOMANCE

5.1 Expenditure Review

Examination of payment vouchers revealed that payments totalling Kshs.5,079,077 related to domestic travels, foreign travels and hospitality items, had been charged to wrong expenditure items such as access roads and office running expenses. This resulted to un-authorized re-allocation of funds.

Management Response

The management admitted to the audit query and informed the Committee that during the transition period the counties were faced with the following challenges -

1. Lack of capacity in budgeting
2. Proper training on IFMIs System particularly posting of expenditure items to the correct economic items

This is what caused the misposting in the wrong expenditure items totaling Kenya Shillings 5,079, 077. The county has since enhanced capacity on the use of IFMIS and management of entire budget schedule as spelled out by the PFM Act 2012.

Committee's Observations

1. The auditor had verified the documents and was satisfied.
2. Transactions should at all times be posted to the correct expenditure items.

Committee's Recommendation

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared.

5.2 Fuel Purchases and Use

The Ministry of Health procured fuel and lubricants worth Kshs.1,497,797 from various petrol dealers in the months of December 2013, January 2014 and March 2014. However the

fuel was not recorded and in the fuel registers and vehicle work tickets. Therefore fuel for Kshs.1,497,797 could not be confirmed to have been used for the intended purpose.

Management Response

The management admitted to the audit query and informed the Committee that the County government due to several resources limitations including personnel and time as using a centralized method of procurement where each department was placing its procurement requests through one county procrur4emnt department. Once procurement process is completed the management and utilizers of procured items is left to the user department. During the time of auditing the county had some challenges with records from the health department due to the expansive operations within the department leading to some records not being traced at the time of audit. Attached (annex 6.2.1 are copies of work tickets and fuel registers of the fuel amounting the Kshs. 1, 497,797 procured for use for the department of health services which has since been forwarded to the auditor for verification.

Committee's Observation

The Committee noted that the documents were presented, verified and the office of the auditor General was satisfied.

Committee's Recommendations

The Committee recommends that capacity building for officers be done on proper record and book keeping and that the Senate clears the audit query.

5.3 Lunch Allowances to Members of the County Assembly (MCA)

Expenditure records at the Governor's office revealed that a total of Kshs.340,000 was paid to 33 MCAs and the Speaker as lunch allowance of Kshs.10,000 to each member while deliberating on finance bill. This was not based on any criteria as the officers were in their work station. This was over and above the approved rate which is 15% of the accommodation allowance applicable to an officer.

Management Response

The management admitted to the audit query and informed the Committee that the expenditure of Kshs.340,000 arose because the members of the county assembly were attending special 2day session to deliberate on the 2013/2014 Finance Bill. The Members of the County Assembly were paid a lunch allowance of Kshs.5000 per day instead of Ksh.500 per day. The county will recover the excess of Kshs.7,000 each from the members.

Committee's Observations

The over payment was done based on non- existing rates.

Committee's Recommendations

1. The Governor's office to be surcharged the amount in and future payments be done on approved rates.
2. The Audit Query remains unresolved.

5.4 Payments not Acknowledged by Recipients

The County Government made several payments to staff totalling Kshs.5,206,000. However, the receipts of money were not acknowledged by the payees and therefore it could not be confirmed whether the expenditure was properly incurred.

Management Response:

The management admitted to the audit query and informed the Committee that the County Government used to operate a centralized county treasury operations system where all payments were made by single treasury as opposed to each county department having its own treasury. The Public Finance Management (PFM) Act allows such method of operation.

All payments were thus being made to the departments through the accounting officers who would then surrender documents to the treasury. Sometimes certain officers such as security personnel and drivers, due to the nature of their work, were outside the station for long. Their allowances were sent to them and they acknowledged receipt when back to the station. Attached are copies of acknowledgment by recipients on stated amounts which is Annex 641. We acknowledge that there was delay in submitting the response, a position that has not been repeated in the Financial Year 2014/2015.

Committee's Observations

The Committee noted the auditors remarks that two vouchers totaling Ksh.216,000 that had not been accounted for.

Committee's Recommendations

1. The management should ensure that payees sign payment vouchers as evidence for receipt of money.
2. The accounting officer responsible be surcharged an amount of Ksh.216,000 that had not been accounted for, in accordance with the law.
3. The audit query remains unresolved.

6.5 Travelling and Subsistence Allowance not accounted for

In the month of November 2013 a human resource skills audit for the County was carried out with the help of officials from the Ministry of Devolution and Planning, and Kshs.1,250,000 incurred. However, supporting documents for the following expenditures were not availed.

- Hire of conference facilities costing Kshs.195,000 was not supported by invoices/ receipt and local service order.
- Officials involved in the exercise were paid but did not acknowledge receipt of allowances.
- Ministry officials received Kshs.240,000 as facilitation fees yet they were undertaking their normal working duties. Further it was not indicated how the rates used to pay were determined.

Management Response:

The county needed to employ staff in its key departments and establish its operations faster in order to start delivering the fruits of devolution to Nyamira residents. In order to do this, it was important to carry out an audit of staff that were available on the ground and establish structures within the county departments. To this end, the county sought the help of personnel from the Ministry of Devolution and Planning. Together with key staff of the

county, they undertook the exercise of county human resource audit and establishment of human resource structure. Attached is a copy of their report in Annex 6.51. The report writing exercise was conducted at Timoga Guest House at a total cost of Kshs195,000. Attached is the LSO and the invoice at Annex 6.52. The offices from the Ministry of Devolution and Planning were paid their per diem at applicable rates while the officers from the county were paid lunch allowances at applicable rates of Kshs2,000 per day for the duration of the exercise for the 10 days. The exercise involved collecting data from the five sub counties. It required time. It ran late most of the days including weekends. This was done in order to complete the comprehensive report attached above. Since we had invited these staff to come and train our people, we thought we were the ones to take care of their accommodation and travel. That is how we paid them Kshs245,000.

Committee's Observations

Payment of Ksh.240,000 had not been accompanied by supporting documents like receipts and

That the County Executive was to submit the acknowledgement receipts that were unaccounted for Ksh.240,000, to the Committee in two weeks or the Governor would be surcharged.

Committee's Recommendation

The Accounting officer be surcharged and the matter remains unresolved

6.6 Allowances not adequately supported

Various payments for travelling and accommodation totaling Kshs.6,201,420 in the year under review were neither supported by travel documents, payee signatures, schedule of attendance nor invitation letters.

Management Response

The management admitted to the audit query and informed the Committee that at the time of audit, supporting documents were not availed. This payments for travelling and accommodation including the following-

1. Members of the county assembly attended a consultative meeting spending Ksh. 654,500 the Consultative meeting was called through and internal memo. Attached is a copy of payment voucher and an internal memo that invited members of the county assembly to the consultative meeting.

2. Members of the county Assembly attended county integrated development plan meeting spending Ksh.1,907,00 to deliberate on the draft of the county Integrated development plan which was the key document that was required before the inception of the county. These meeting required a lot of consultations by the Members of the County Assembly. The consultations were held at Ufanisi Resort which necessitated payment of per diems.

3. Payment of Kshs.446,960 and Ksh.s454, 960 were made to Hon. Samuel Nyang'au and Reuben Sinanga for a trip made to the USA to source for potential investors in various sectors. Travel documents were availed except back to office report, which took time to be prepared.

4. Allowances totaling Kshs.238, 000 were paid to the members of the County Assembly who attended agricultural show at Kisii Agricultural society Kenya. This was an educative forum where the members earn on agricultural best practices and in return educated the wananchi in their wards on their modern Agricultural practices.

5. Payments in respect of MCAs Kshs.2,326,000 Mombasa retreat. The executive was then facilitating the county assembly. Accounting for expenditure was done by the assembly which was independent in managing its finances. The management has attached the payment voucher while the other supporting documents such as training programme and back to office report were provided.

6. Payment totaling Ksh. 174, 000 was made to MCAs for an extra day while attending a workshop on Market Place Transportation Framework. Request and payment vouchers were provided.

Committee's Observations

Some payments were not adequately supported and verification had not been concluded.

Committee's Recommendations

Payment of allowances should be acknowledged by the beneficiaries and adequately supported.

The county Government should consider recovery from those payees who have not fully supported their allowances.

The Audit query remains unresolved

6.7 Irregular Payment of Meal Allowances

Expenditure records for the Public Service Board reflect a total of Kshs.560,500 paid to members of public service board as meal allowance. The members were carrying out their normal duties for which they are employed and hence the lunch allowances were not justified.

Management Response

The management admitted to the audit query and informed the Committee that, the County Public Service Board of Nyamira consists of six members hired at Job Group S and the Chairman at Job Group T in the year under review. The board was working round the clock under very limited resources, both financial and nonfinancial, to come up with key officers of the county. This required them to undertake shortlisting and interviews both in and outside the county. Whenever they carried out any such assignment outside the county or within the county but outside their office, they were paid a lunch allowance of Kshs.2, 000. It was our

view that since they carried out their normal duties outside the office, a lunch allowance of Kshs.2,000 was justifiable. Attached are copies of payment vouchers. That is Annex 6.72.

Committee's Observation

The Committee noted that it was the service board retreat and therefore the meal allowance may have been justifiable outside the work station.

Committee's Recommendation

1. The Committee recommends that the management ensures that actual meals are provided when the Officers work outside their working stations.
2. The Committee recommends that the Senate clears the audit query.

6.8 Payments to Casual Workers

Muster rolls for the month of February 2014 for payments to temporary employees where Kshs.14,306,000 was paid was not availed for audit verification; as a result the propriety of the expenditure could not be confirmed.

Management Response

This figure represents payment of salaries to officers working in various departments, as captured in the payroll of the month of February 2014, although the item captured was reflected in casual wage vote account. The county had budgeted sufficient amount for its employees.

Nevertheless, salary for devolved functions was deducted at source; the National Treasury. These reductions needed to be recognized in the Integrated Financial Management Systems (IFMS) as expenditure through journal entries, thus affecting our basic salary item. This led to mis-posting of the salary wage item. The error has since been rectified. Attached is the copy of payment voucher and other supporting documents for the salary of the month of February 2014; Annex 6.81.

Committee's Observation:

The Committee noted that the Auditor confirmed that they had verified the journals and the correct measures had been taken by the County Government.

Committee's Recommendations

1. Management should ensure that records of all transactions are properly maintained.
2. The Committee recommends that the Senate clears the audit Query

6.9 Over payment of Casual Workers

The department of Environment, Energy, Mining and Natural resources paid Kshs.2,463,700 in respect of casual labourers in the month of March and June 2014. Out of the expenditure, payments totalling Kshs.1,433,750 were not based on the Ministry of Labour, Social Security Services rates resulting in an overpayment of Kshs.586,027.75 Further, letters of engagement and copies of identification cards were not provided to support payments to casuals.

Management Response

The management admitted to the audit query and informed the Committee that to make devolution a reality and offer services to the people, the county government engaged casual employees to do such jobs as market cleaning, opening up drainages and clearing bushes along the roads. These officers were sourced across all wards as equitably as possible. To cater for their transport and lunch allowances, a flat rate of Kshs500 was paid to each one of them per day. However, the accounting officers were not aware of the approved rates by the Ministry of Labour and Social Services of Kshs.264 per day. We shall start the recovery process from the respective accounting officers in all cases identified.

Committee's Observations

Management lacked a formal system for engaging casual workers and payments based on approved rates and that the auditors verified and confirmed receipt signed documents with ID cards

Committee's Recommendations

1 The management should put in place a formal system for engaging casual workers and payments based on approved rates.

2 The Committee recommends that the Senate clears the audit query.

6.10 Rehabilitation of Roads

In the months of March, April May and June 2014, the Ministry of Transport and Infrastructure engaged casual workers for the rehabilitation of Nyaramba-Kiabonyoru-Kegogi road, Nyanturango Access road and Omonyenya–Manga road.

A total of Kshs.4,778,000 was paid to casuals engaged in the works. However, it was not clear how the casuals were engaged as no identification documents were availed. Further, an inspection and acceptance committee was not involved in the verification and certification of the road works as required by the Public Procurement and Disposal Regulations, 2006.

Management's Response

The Department of Roads had set aside part of its budgetary allocation for direct implementation of road works using labour based method. This was in view of the road's 2000 Strategy that is geared towards providing an alternative method for the maintenance of our roads using labour intensive methods. This is in line with the Government's policy that works can be implemented directly using vote accounts or out sourced using contractors. In the direct implementation, the department ensured that the works were well organized and supervised effectively. Standards that are required were well achieved and the department maintained a systematic record of all the resources used and the achieved output.

During recruitment, the recruits were required to bring their identification documents and identity cards which were used to verify their identity in the presence of the local chiefs. Only the successful recruits were entered in the master roll as per the required set number. The master roll was marked on a daily basis depending on the attendance. Certified pay rolls and master rolls were presented to the accounts department for payment and were attached in the payment voucher upon certification by supervisors who are also engineers.

The labourers were allocated task rates depending on the type of activity being executed on the road at the end of the day's activity. The payment was made to the labourers who

successfully completed their task. Casual labourers were put under close supervision of supervisors who have been trained well from Kisii Training Centre on labour based technology.

Committee's Observations

1. The Committee observed that the management had failed to outsource the work to companies to grantee standards.
2. The Committee further noted the mitigation by the Governor.

Committee's Recommendations

1. The Committee recommends that the management should construct access roads by outsourcing to companies to ensure consistency in construction standards.
2. The Committee recommends that the Senate clears the audit query.

6.11 Conference Fees not supported

In the month of May 2014 Kshs.1,119,301 made to the Institute of Risk Management being conference fees for MCAs and staff while in Kigali, Rwanda. The expenditure was not supported by necessary documents like invitation letters and the list of staff and MCAs who attended the seminar. In the absence of proper documentation, the propriety of the expenditure could not be confirmed.

Management Response

The Institute of Risk Management through the clerk invited MCAs to the legislation conference in Kigali Serena Hotel in Rwanda from 30th May, 2014. Attached is the invitation letter and a list of the members who travelled. The executive paid for this trip on behalf of the county assembly as the accounts had not been separated then. Travel documents and back to the office report have not been forwarded from the assembly to the executive for onward transmission to the Auditor General. We are recommending that this be recovered from those who travelled.

Committee's Observations

The Committee observed that the records were poorly kept and that an imprest of Ksh. 669, 484 remained unaccounted for.

Committee's Recommendations

1 That an amount of Kshs.669,484 not accounted for by the two MCAs (Hon. Rebecca Matara and Hon. Alois King'ala Ngeresa) be recovered in accordance with the law on recovery of unsurrendered imprest.

2 Management should ensure that proper records are kept for all transactions made.

1. 6.12 Unaccounted for Expenditure

During the year under review, the County Public Service Board (CPSB) issued imprests to various officers totalling Kshs.1,903,000 which were surrendered without being supported with receipts, schedules, work tickets, seminar and workshop invitation letters. The imprests were also not posted to the imprest registers as required. The propriety of the expenditure could not be confirmed.

Further, in the month of May 2014, a total of Kshs.1,300,000 was advanced to an officer to facilitate hosting of investors from the USA. The surrender of the imprests resulted in an over expenditure of Kshs.191,171.00 which was not supported.

Management Response:

The management admitted to the audit query and informed the Committee that the first query concerning outstanding imprest and imprest management, a lot of the documents have been surrendered. The second issue relates to an imprest issued to an officer who is the Chief of Staff in the Office of the Governor. The officer was given an initial imprest of Kshs.700,000 to cater for the investors. Potential investors took more time going round the county. Thus, the expenditure went up to Kshs.1,491,171. Attached are the supporting documents for the same. Concerning the last issue, we have already taken appropriate measures because this is an officer in my Office. I would like to ask the CEC for Finance to comment on that one.

Committee's Observation

The auditor had verified all the documents and an amount of Ksh. 191, 171 had not been verified.

Committee's Recommendations

1. The Chief of Staff should be surcharged Kshs.191, 171, which is the amount unaccounted for as per the law on recovery of unsurrendered imprest.

2. Management should ensure that all surrender documents are properly supported and the expenditures which are not supported should be recovered from the affected officers.

3. The audit query remains unresolved.

CHAPTER TWENTY THREE

TAITA TAVETA COUNTY

The Committee invited the Governor of Taita Taveta, Hon. John Mruttu and he appeared before the Committee on Tuesday, 2nd August, Wednesday 3rd August and Wednesday 12th October 2016. The Committee considered the audit queries against the Governors response and made recommendations accordingly:

1.0 Procurement of Goods and Services

1.1 Hire of Graders

Information availed for audit review indicated that the County Government incurred an expenditure of Kshs.5,512,000.00 on the hire of graders from two firms, for maintenance works in the County. It was however, observed that there were no budgetary provisions made for the procurement, contrary to Section 26(3a) of the Public Procurement and Disposal Act, 2005 and Section 196(1&3) of the Public Finance Management Act, 2012 and the expenditure was not within the annual procurement plan of the County contrary to Section 26(3a) of the Public Procurement and Disposal Act, 2005. In addition, user requisition orders raised to initiate the procurement were not availed for audit review contrary to Section 26(3c) of the public procurement and Disposal Act.

Further, no inspection and acceptance committee report were availed for audit review and their absence is contrary to Section 7(2d) of the County Governments Procurement Regulations 2013 and Section 17(1-4) of the public procurement regulations 2006 an indication that no works was done in the County.

Management Response

The Governor presented as follows:

1. That the said expenditure was occasioned by various complaints and requests from ward representatives on the state of various dilapidated roads in their wards with Letters from the ward representatives being directed to the County Secretary;
2. That the County Government in its 2013/2014 approved budget had allocated Kshs 20,000,000.00 for road maintenance and hired graders for maintenance Works at a total cost of ksh.5,760,000 and a unit cost per 1 grader for 36days at Kshs 1,440,000 meant for four sub counties namely Taveta, Mwatate, Voi and Wundanyi; and
3. That a committee of inspection and acceptance inspected the maintained roads and made recommendations for payments to the contractors.

Committee observations

The Committee: -

1. Noted that the documents were not availed in time for the Auditors' comment;
2. Noted that the Auditors were not satisfied after verification of the submitted documents.
3. The committee notes compliance with law was not an option but an obligation for all public officers

Committee recommendations

The committee recommends that-

1. the CEC Finance should bear responsibility for any loss that may have been occasioned due to non-compliance of the law.
2. That the audit query remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

1.2 Procurement of Motor Graders

Information availed for audit review indicated that the County Government spent Kshs.59,982,000.00 on the purchase of four (4) Motor Graders from a firm at a unit cost of Kshs.14,995,500.00. However, it was observed that the payment was effected on 30 June 2014 before the delivery of the equipment on 2 July 2014. In addition the log books were not availed for audit verification and even the physical verification was not possible since the location of the graders after they were received by County Executive Committee Member for Roads was unknown. Further, no inspection and acceptance committee report was attached to support the payment that was availed for audit review. Additionally, tender bids for the winning bidder was not availed for audit review and therefore the basis of selection and award of the supply to the firm was not supported.

From the foregoing, it has not been possible to ascertain if the County Government obtained value for money in the procurement process.

Management Response

The Governor presented as follows:

1. That the County procured 4 motor graders at a cost kshs59,982,000.00 after advertising the tenders in a Daily Newspaper dated Friday 09.05.2014;
2. That the tenders were **competitively** done and 8 bidders applied for the tenders. The tenders were opened and evaluated as per evaluation report tender no.TTCG/1/5/2014;
3. That the tender was awarded to Avic Shantui Limited P.O Box 50724-00100 vide min 17/3/5/2014; and
4. That Payment of the motor graders was done on 4th July 2014 as per bank statement and delivery of the same on 2nd July 2014.

Committee Observations

The Committee:-

1. Noted that the motor graders were in a police station the same day they were delivered;

2. Noted that there was a huge disparity in prices of the graders without clear reason for such disparity
3. Noted that the Auditors were not satisfied after verification of the submitted documents.

Committee recommendations

The committee recommends that-

1. EACC should carry out an investigation on this matter and recommend prosecution of persons who may be found culpable for flouting procurement laws that may have occasioned loss of public funds.
2. That the audit query remains open and be reviewed in the subsequent financial year to confirm compliance with the law by the County Government

1.3 Procurement IPADS and Desktop

Information availed for audit review indicated that the County Government incurred an expenditure of Kshs.927,000 on the purchase of IPADS and desktop from a firm through the use of invitation of quotations. Further, no documentary evidence was provided for audit review to show how the items were received and distributed to the users therefore making it difficult to physically verify the equipment. In addition, though computer HP core 1.3 of serial number CNC331NW4N is indicated as received through delivery number 136 dated 31.01.2014, the item was not included in the quotation sent to the suppliers and therefore the basis of its supply was not supported.

Management Response

The Governor presented as follows:

1. That invitation for quotations to supply Ipads were raised to suppliers who were in the list of prequalified suppliers for the period 2013/2014;
2. That the items procured were distributed to chief officers for various departments as evidenced; and

3. That the Quotation for HP core 1.3 of serial no. CNC331NW4N was done through quotation and it is regrettable that the said quotation was not availed for audit due to mix up in the accounts section occasioned by shortage in manpower. The item was delivered together with the Ipads and the supplier requested for payments for all the items supplied in one invoice.

Committee Observations

The Committee observed: -

1. that there was a HP computer which was not part of the quotation sent out to the suppliers.
2. that the Auditors were not satisfied after verification of the submitted documents.
3. The county was in breach of procurement regulations in the procurement of the HP Computer.

The Committee recommendations

The committee recommends-

1. reprimand of the head of the procurement unit.
2. the county strictly complies with the law while undertaking the various processes.
3. There was timely submission of supporting documents to the auditors failure to which section 62 of the public Audit Act shall be applied.
4. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government

1.4 Procurement of Motor Vehicles

1.4.1 Supply of two (2) Toyota Double Cab Pick ups

Information availed for audit indicated that the County Government procured two double Cab Pickups from a supplier at a cost of Kshs.9,732,240. However, no information was availed for audit in support of how the supplier was identified, selected and awarded the

contract. It appears the procurement was done through direct procurement even though no documentation of approvals from the tender committee for use of direct procurement were availed for audit review.

Further, the Management made an advance payment for the supply amounting to Kshs.4,663,120 which is against the Public Procurement and Disposal Act, 2005 and the Regulations. No evidence was availed for review to show that there was inspection and acceptance report presented before the final payment was made. Additionally, no Government inspection valuation report on the motor vehicle was availed for audit review to confirm that the vehicles supplied were in accordance with the specifications as per the order.

Management Response

The Governor presented as follows:

1. That the County executive procured two (2) Toyota 4x4 double cab pickup at ksh.9,732,240; and
2. The procurement process was initiated by the user department. The Tender was awarded using the government negotiated price, which was approved vide minute 101/1/2014 hence full compliance with Public Procurement Act 2005 and Public Financial Management Act 2012 sec 149 (1).

Committee Observations

The Committee:-

1. Noted that the documents were not availed in time for the Auditors' comment;
2. Noted that the Auditors were satisfied after verification of the submitted documents.

The Committee recommendation

The committee recommends that the audit query be cleared.

1.4.2 Supply of Four Ambulance Vehicles

Information availed for audit indicated that the County Government procured four ambulances at a total cost of Kshs.17,156,980 from a supplier. However, no information was availed for audit on how the supplier was identified, selected and awarded the supply of the vehicles. In addition, an advance payment of Kshs.8,578,490 was made for the supply contrary to the Public Procurement and Disposal Act, 2005 and the relevant regulations. Further, no inspection and acceptance committee reports were availed for audit review to show that the supplier satisfied the specification detailed in the order. Additionally, no Government inspection valuation report on motor vehicle was availed for audit review to confirm that the vehicles supplied were in accordance with the specifications as per the order.

Management Response

The Governor presented as follows:

1. That the Tender Committee received a request from CEC-HEALTH for the purchase of ambulances;
2. That the Tender Committee approved the purchase of the vehicles through a Negotiated Government Circular vide minute no. 135/2/2014 of 24th February 2014.
3. That the county government of Taita Taveta had to pay 50 % as advance payment to Toyota Kenya since it was a requirement as indicated in its terms and conditions; and
4. That the inspection of the vehicles was done by the Ministry of Transport and Infrastructure, Mechanical department, Mombasa Branch at the Suppliers premises before dispatch of the vehicles to the county Government since the County Government did not have technical capacity to do the same.

The Committee:-

1. Noted that the Auditors were not satisfied after verification of the submitted documents.

2. The county noted delayed provision of documents to the auditor general against the provisions of the Public Audit Act

The Committee recommendations

1. The Committee reprimands the CEC Finance for not supplying documents to the auditor general when required.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government

1.4.3 Supply of Six Units of Isuzu Pick-ups

Information availed for audit review indicated that the County Government procured six (6) Isuzu Pick Ups at a total cost of Kshs.22,596,002. However, no information was availed for audit review on how the supplier was identified, selected and awarded the supply. The supply appears to have been a direct procurement but no evidence of authority to use this procurement method was availed for audit review. In addition, no inspection and acceptance committee report was availed for review or attached to the payment voucher. Additionally, no Government Inspection Valuation report on motor vehicle was availed for audit review to confirm that the vehicles supplied were in accordance with the specifications as per the order.

Management Response

The Governor presented as follows:

1. That an internal memo requesting for the same was issued by CEC Finance and Planning as a resolution reached by the committee chaired by the Governor to purchase the vehicles, INTERNAL MEMO:-Dated 13/01/2014 Ref: Proc /CEC FINANCE AND PLANNING;
2. That the Tender Committee approved the purchase of the vehicles through a Negotiated Government Circular vide minute:101/1/2014 hence full compliance with

Public Procurement Act 2005 and regulation 2006 and Public Financial Management Act 2012 sec 149 (1);

3. That the inspection of vehicle was done by the Ministry of Transport and Infrastructure, Mechanical department, Mombasa Branch at the Suppliers premises before dispatch of the vehicles to the county Government since the County Government does not have technical capacity to do the same.

Committee observations

The Committee:-

1. Noted that the documents were not availed in time for the Auditors' comment;
2. Noted that the Auditors were satisfied after verification of the submitted documents.

Committee recommendations

The Committee having considered and deliberated on the audit query recommends that the audit query be cleared.

1.5 Supply and Delivery of Farm Tractors and Implements

Information availed for audit indicated that the County Government procured farm tractors and implements at a cost of Kshs.23,815,000 from one firm. However, information obtained from the copies of the tender committee minutes revealed the following state of affairs:

Items description	Firm A	Firm B	Firm C	Firm D
Farm tractor 2 wheel HP 82-83	3,500,000	13,500,000	19,300,000	2,600,000
Disc plough-3 bottom maschio ADF 3660 disc plough	500,000	1,900,000	2,350,000	200,000
Planter 4 row JM 2040 row planter	500,000	810,000	1,380,000	500,000
Harrow off set-20 disc	750,000	460,000	785,000	950,000
Total as per tender committee	21,250,000	18,830,000	23,450,000	

minutes				
Correct Totals	5,250,000	16,670,000	23,815,000	
Variance	16,000,000	2,160,000	365,000	

However, the duly completed tender documents were not availed for audit review. In addition, the basis or criteria of award was not explained as the selected supplier was the highest bidder while all the tabulated tender documents had casting errors. Further, no ownership documents for the tractors were presented for audit review and no inspection and acceptance report was availed for review to confirm that the supply was as specified in the order.

Management Response

1. The County Government purchased farm tractors from FMD EAST AFRICA LTD OF BOX 7277, NAKURU; Under Min:174/5/2014. TENDER NO(TTCG/AGR/1/5/2014 in which four bidders responded;
2. That the inspection of vehicle was done by the Engineers from the Agriculture department of Taita Taveta County at the supplier's premises before dispatch of the vehicles to the county Government.

Committee observation

The Committee noted that the Auditors were not satisfied after verification of the submitted documents.

Committee recommendations

1. The matter be investigated by EACC and those found culpable be recommended for prosecution
2. The Committee rresolved to stay the query and be reviewed in the subsequent financial year to confirm compliance by the County Government.

1.6 Procurement of Works without Approved Development Plan

Information availed for audit indicated that the County Government undertook construction of nine (9) buildings within the County amounting to Kshs.69,171,362 under the development budget for the year 2013/2014. However, no approved development plan describing significant capital projects to be undertaken was made available for audit review in accordance with the provisions of Article 220 of the Constitution of Kenya, Section 126 of the Public Finance Management Act, 2012, Sections 104,107 and 108 of the County Government Act, 2012.

Approval of the projects by the Executive Committee was also not made available for audit review. Further, no documentary evidence was availed for audit review to demonstrate that the relevant procurement committees were appointed as per the Public Procurement and Disposal Regulations 2006. In addition, the contract agreements availed for audit review did not have the binding seal of the County Government, and did not specify the contract period of the works as required by the procurement law. Also, there was no evidence availed for audit review to show that the contractors awarded the works were registered with the National Construction Authority in line Section 15 (1) of the National Construction Authority Act 2011.

Management Response

The Governor presented as follows:

1. That the projects undertaken were as a result of Public Participation in which all stakeholders were involved in deliberating for the projects to be undertaken;
2. Procurement initiations were normally done by the Works Department who prepare Bill of Quantities and a request for the same with the budgeted estimates to support;
3. That during the financial year 2013/2014 , the county government had not operationalized the procurement Committees since they were no departmental procurement officers however the county has now capacitated each department with a county chief officer and procurement officer to facilitate the same as per the procurement threshold;

4. That before the appointment of the procurement committees, the county used its tender committee to adjudicate but subsequently the county had appointed Procurement Committee Members;
5. That the County Government awarded tenders for Construction of Maternity blocks, and youth polytechnics vide minute 147/3/2014 (9 buildings) in which the tenders were all subjected to one evaluation criteria before award. NCA registration Certificates are available for each project.

Committee observations

The Committee:-

1. Noted that the documents were not availed in time for the Auditors' comment;
2. Noted that the Auditors were satisfied after verification of the submitted document.

Committee recommendations

The Committee having considered and deliberated on the query recommends that the audit query be cleared.

1.7 Procurement of Works Using Request for Quotation

Information availed for audit indicated that the County Government procured service for six (6) construction projects amounting to Ksh.28,817,932.80 on diverse dates during the period under review using request for quotations method of procurement. However, the value for all the six projects was above the request for proposal threshold of Kshs.4,000,000 prescribed by the Public Procurement and Disposal Act, 2005, Section 88. The six construction works are summarized below:

Item/Description	Contract cost (Kshs)
Proposed construction of laboratory at St Joseph Sec. School	5,103,971.20

Proposed street lighting in Voi sub county	4,999,368.00
One classroom at Mazola pre-school in Chawia ward	4,368,704.00
One typical classroom at Mlambenyi Village in Mwatate ward	4,316,040.00
Construction of storm water drain	4,997,048.00
Proposed construction of Dispensary block at Kirumi-Sagalla	5,032,801.60
Total	28,817,932.80

In addition, the Management awarded two contracts for building one class at Mazola Pre-school and another at Mlambenyi Village at costs of Kshs.4,368,704 and Kshs.4,316,040 respectively both of which no engineers' bill of quantities were availed for audit review.

Management Response

The Governor presented as follows:

1. That the County Government had been issuing quotations as per section 59(1) of the Public procurement regulations and pursuant section 88 of the Act which is subjected to procurement thresholds; and
2. That for Mazola pre-school, the contract sum for standard ECD classroom was kshs.1,390,681.08 and not as indicated in the report

The Committee:-

1. Noted that the Auditors were not satisfied after verification of the submitted documents;
2. The committee noted the county exceeded the threshold and therefore were in contravention of the law
3. The county had opportunity during the audit period to contest auditor general reports and that contesting it at this point defeats the purpose

The Committee recommendations

1. The Head of procurement be held responsible for violation of the law and any loss that may have been occasioned.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

1.8 Purchase of Patients Uniforms, Beddings and Mattresses

Records availed for audit indicated that the County Government incurred an expenditure of Kshs.2,210,275.00 on purchase of patients' uniforms, pediatric uniforms, beddings and mattresses vide payment made on 25th March, 2014. However, tender evaluation minutes on preliminary, technical and financial evaluation for the procurement were not made available for audit review. It was therefore not possible to confirm how the supplier was identified. Further, the payment was effected on 25 March, 2014 while the first delivery of the items was made on 7 April, 2014 and as at the time of the audit, items worth Kshs.520,000 were yet to be delivered though fully paid for. Again the items distribution record indicated that distribution was done even before the supplies were officially received into the store as indicated below:

ITEM	QUANTITY	UNIT COST (Ksh)	VALUE (Ksh)	REMARKS
Sheets	150 pieces	1580	237,000	Distributed before official receipt
Blankets	150 pieces	1500	255,000	Not delivered to date
Cellular blankets	130 pieces	4000	520,000	Not delivered to date
Mattresses	65 pieces	8400	546,000	Not meeting the specifications
Patients uniforms	141 pieces	1650	232,650	Distributed

(all sizes) – male				before official receipt
Patients uniforms (all sizes)– female	200 pieces	1450	290,000	Distributed before official receipt
Pediatric uniforms (all sizes) male	70 pieces	1150	80,500	Distributed before official receipt
Pediatric uniforms (all sizes) female	75 pieces	1055	79,125	Distributed before official receipt
		TOTAL	**2,210,275.00**	

Additionally, mattresses worth Kshs.546,000 that were indicated not to have met the specifications as detailed in the inspection and acceptance committee report were received into stores and fully paid for.

Management Response

The Governor presented as follows:

- On receipt of goods in the stores at Wundanyi (Mr. Scaver) a casual worker noted that all items had been delivered and since at that time he was not authorized to sign or carry out proper verification, he just counted the items in their bulk form without unbundling them. He (Mr.Scaver) passed on the information to Mr. Guantai in the office with the delivery note and form s13 of which he initialed with the understanding that any disparities would be noticed and reported in the process of verification and acceptance by the user. After inspection of goods, it was reported that normal blankets had not been delivered. Here Mr. Guantai called the supplier and confirmed the discrepancies and who clarified that due to the users request to vary the specifications, they withheld the blankets. In addition the supplier agreed to issue another delivery note excluding the normal blankets.

- At voucher preparation, the officers failed to verify the delivery note with the invoice. This led to use of the same delivery note and invoice hence all items were paid for.
- Since the verification report had indicated the blankets were not supplied, Mr. Guantai talked to the supplier to ensure the blankets were supplied once the specifications were provided. Those goods remained Unsupplied until the County Secretary directed that they be supplied using the specifications initially provided by the user. By the time of responding to this query, the blankets had been supplied and were in Wundanyi Sub-County Hospital stores awaiting verification and distribution. This can be verified any time.
- The ad hoc committee that was formed to examine the suitability of mattresses was formed on 27/05/2014 and payments for the same was commenced on 7/4/2014 therefore the verification report was done long after payment were done hence the County Secretary would not have been informed of the issue raised.
- The authorizing officer authorized the payments with the understanding and trust that all the information provided was well verified before the payment voucher was prepared and that any flaws thereafter would be noticed within the voucher examination process. However, Mattresses worth ksh 546,000 were rejected since they never met the specifications and the supplier refunded the money.

The Committee noted that the Auditors were not satisfied after verification of the submitted documents.

The Committee recommendations

The committee recommends that-

1. The EACC should carry out an investigation on this matter and recommend prosecution of persons who may be found culpable for flouting procurement laws that may have occasioned loss of public funds.

2. The management should always ensure that all expenditures are incurred in line with approved budgets and according to the PFM Act, 2012 and Government Regulations and procedures.

3. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

1.9 Groundbreaking Ceremony

Information availed for audit indicated that the County Government incurred an expenditure totalling Kshs.6,427,750 in respect of Groundbreaking Ceremony of the county headquarters at Mgeno. However, the expenditure was captured as purchase of land even though it constituted payments made to suppliers and as allowances to staff and general public during the ground breaking ceremony held on 25 April, 2014 at Mgeno where the proposed County headquarters is to be build.

The Political Affairs Director was issued with an imprest amounting Kshs.3,607,750.00 while the Personal Assistant to the CEC members Adm & Devolution was issued with imprest amounting to Kshs.540,000.00 all of which were meant to pay for allowances for public participation, transportation to and from Mgeno and provision of services by suppliers.

The entire amount was never factored in the budget neither was there any approval for reallocation that was availed for audit review.

The schedule of payments amounting to Kshs.3,260,716 made out of the Kshs.3,607,750 paid to political affairs director includes unsurrendered amount of Kshs.347,034.

Imprest issued to Personal Assistant to the CEC member for administration and devolution was spent and accounted for with an unexplained excess of Kshs.25,000 as shown below:

Purpose of payment	**Amount Ksh.**
Payment to task force (19)members for Mgeno	450,000.00
Five(5) member task force for public participation	115,000.00
Total	**565,000.00**

LESS Amount advanced as above	540,000.00
Unexplained over expenditure	**25,000,00**

However, in both cases no documents were made available for audit in support of the indicated expenses.

In addition, no documents were availed to show the basis of paying the allowances was established and no evidence in support of how various supplies were identified, selected and awarded the contracts to supply goods and services were availed for audit review. Head of County Treasury approval as per the requirement of Public Finance Management Act, 2012 for reallocation of funds from development vote to recurrent expenditure was also not availed for audit verification.

Further, Local Service Orders (LSOs) appear to have been issued on a date after the groundbreaking ceremony though dated 24 April 2014 because earlier LSO in the same book (LSO No. 0973815) was issued on 29 May 2014 and it was therefore not clear how the Services were ordered

Particulars	**LPO/LSO No**	**Date issued**	**Amount**
T.Shirts	0973845	24/4/2014	1,067,000.00
Lunches	0973833	Not dated	350,000.00
Drinking water	No details	No details	250,000.00
Furniture	0973828	24/4/2014	270,000.00
Branded vikois(lessos)	0973830	24/4/2014	343,000.00

Management Response

The Governor presented as follows

1. That the expenditure was erroneous captured as development vote under Acquisition of Land,A journal entry was done to correct the anomaly. The Procurement Entity received an approved request for procurement of items for the Ground breaking ceremony;
2. That the request from the Sub county administrator: Mwatate GOV/TT/CORR.2/VOL.1/223 was addressed to the County Secretary dated

17th.04.2014. The request cited the urgency for the time under stake and the entity at the time could only look for practible measures to ensure that the items are delivered on time since on approval it was a short notice three days only from the date of the functions;

3. That the L.S.O s were raised a day to the function 24/04/2014 and as shown it was **not** as a result of negligence as the Procuring unit was within a short time to deliver;
4. That the County has now sensitized the user departments on procurement procedures through PPOA trainings. Based on the complaints from participants, The CS sanctioned an audit by the internal auditor; and
5. That on recommendations of the internal auditor's findings the director was interdicted.

Committee observations

The Committee noted that the Auditors were not satisfied after verification of the submitted documents.

Committee recommendations

The Committee having considered and deliberated on the audit query recommends the following:-

1. The CEC Finance to recover the imprest in line with Regulation 93 of the PFM (County Governments) Regulations, failure to which the CEC should be held liable for the un-surrendered imprest amounting to Kshs.3,607,750.00.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

2.1 Domestic and Foreign Travel Costs

Reports generated from the IFMIS System on travelling costs indicates that the total costs amounted to Ksh.58,810,423.05 as at 30 June 2014.The report does not classify the travel costs in foreign and Domestic components. Therefore the audit was not able to ascertain the

proportion of foreign and domestic travelling costs. Examination of payment vouchers availed however, revealed that Ksh.8, 325,048 was transferred to the Clerk to the County Assembly to facilitate payments for foreign Trips by MCAs.

However no minutes from the Executive indicating the resolution and approval of the foreign trips were attached to support the payment. Further, no documents were availed to support the balance of Kshs.50,485,375.05 which was incurred by the County Government.

Management Response

The Governor presented that relevant documentation including the approval for the foreign visits had been submitted to the auditors for verification.

Committee Observation

The Committee noted that the auditors had verified the documents and were satisfied.

Committee recommendations

The Committee having considered and deliberated on the audit query recommends that the Governor submits to the committee, the report of the International Investment Conference held in Taita Taveta as a result of the said foreign visit.

2.2 Accommodation and conference services

Examination of expenditure records availed for audit review disclosed that the County Government made payments totaling Kshs.1,232,375.00 to a supplier in respect of accommodation and conference services for induction session for sub county administrators and chief officers held on 10 to 14 Feb. 2014.

However, no document in support of how the supplier was identified, selected and awarded the contract were availed for audit, verification. In addition, no duly signed attendance register was availed for audit to demonstrate the occurrence of the activity.

Management Response

The Governor presented that the County used framework contracting to identify suppliers and that a duly certified list of participants of the conference had been submitted to the auditors for verification

Committee observation

The Committee noted that the auditors had verified the documents and were satisfied

The Committee recommendations

The committee recommends that the audit query be cleared

2.3 Accommodation Allowances

Information availed for audit indicated that an amount of Kshs.1,533,000.00 was paid to Local Authority Transfer Fund bank account and charged to domestic accommodation expenditure account. However no details of the beneficiaries and purpose of the payments was made available for audit review. In addition it's not clear why the LATF bank account was used yet the Transition authority had instructed the County Government to close all the bank accounts operated by defunct Local Authorities and Transfer all monies in those account to a single account in the Central Bank of Kenya.

The Governor presented that the said account was closed on 6th December, 2014 and a list of the beneficiaries had been submitted to the auditors for verification.

Committee observations

The Committee noted that the auditors were satisfied with the response of the Governor.

Committee recommendations

The Committee having considered and deliberated on the audit query recommends that the audit query be cleared.

3.0 Outstanding Imprest

Public Finance Management Act, 2012 section 152 require a public officer to whom a cash advance is made to account for the use of the advance within reasonable time. Records made availed for audit review indicated that the County Government was operating two parallel imprest systems. The outstanding imprests as per the manual register was Kshs.11,392,041.50 while the one operated through IFMIS had an outstanding balance of Kshs.33,154,809 making the total outstanding imprest to stand Ksh.44,546,850 at 30 June 2014. It was however noted that surrender of imprest was not being done immediately the official duty for which the imprest had been issued was completed.

A scrutiny of the imprest surrender vouchers amounting to Ksh.1,811,625 availed for audit review indicated that surrenders are not satisfactorily supported before they are captured in the system.

Further, nine officers with imprest amounting to Kshs.10.925,463.10 had multiple imprests issued to them contrary to the Government Financial Regulations and Procedures.

Management Response

The Governor presented as follows:

1. That at the time, the IFIMIS modules were been introduced and staff capacity had not been built;
2. That two parallel systems of IFIMIS and manual were in use; and,
3. That supporting documents had been submit for audit verification.

Committee observations

The Committee:

1. Noted that the auditors were not satisfied with the response of the Governor and that the Ksh.134,000 to purchase fungicides amounted to procurement by cash contrary to procurement regulations;
2. Noted the county government had a huge amount of unsurrendered imprest contrary to the provisions of the law; and

3. Noted that the financial regulations had been breached by issuing of multiple imprests.

Committee recommendations

The Committee having considered and deliberated on the audit query recommends that

1. the CEC Finance ensures all imprest is surrendered in line with Regulation 93 of the PFM (County Governments) Regulations.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

4.0 Supply of Drugs and Pharmaceuticals to Sub-County Hospitals

Information availed for audit indicated that the County Government paid a total of Kshs 17,806,818.50 to Kenya Medical Supplies Authority for supply and delivery of drugs to hospitals in the county through payment voucher number 3129 dated 12.05.2014 and 2726 dated 09.05.2014.

However, drugs worth Kshs.2,632,393.50 delivered to Moi Voi District Hospital through delivery note number EMB-2-093762-2013/2014 on 25 March 2014 could not be traced to the hospitals stores records. It was therefore not possible to confirm if the drugs were used within Voi District hospital.

Management Response

The Governor presented as follows:

1. That the County procured the drugs from KEMSA;
2. That the drugs were taken on charge at the Voi Moi Hospital stores and recorded; and
3. That relevant documentation had been submitted for audit verification.

Committee observations

The Committee noted that the auditors had visited the hospital and confirmed that the medicine was received at the hospitals and hence were satisfied.

Committee recommendations

The Committee having considered and deliberated on the audit query recommends that the audit query be cleared.

5.0 Fuel Oils and Lubricants

Information availed for audit review indicated that the County Government spent a total of Kshs.70,073,785.00 on fuel oils and lubricants during the financial year ended 30 June 2014. However, examination of a sample of payment vouchers listed below revealed that fuel oils and lubricants worth Kshs.3,858,200.00 failed to reflect fuel consumption supporting documents such as work tickets and the amount of fuel consumption contrary to section K.11 of the code of regulation 2006.

Management Response

The Governor presented:

1. That the County Government had ensured that all the departments use detail orders when fueling;
2. That some stations (in rural areas) received payments first and fueling was done upon receiving delivery notes; and,
3. That all fuel was indicated in the work tickets.

Committee observations

The Committee noted that the auditor had verified the work tickets and detail orders and was satisfied with the response of the Governor.

Committee recommendations

The Committee having considered and deliberated on the audit query recommends that the audit query be cleared.

6.0 Budgetary Control and Performance

Information availed for audit review indicated that during the period under review, the County Government had budgeted expenditure amounting to a total of Kshs.2,920,380,772.92, against a budgeted income of the same amount. This was never achieved as the budgeted revenue from internal sources which amounted to Kshs.214,119,909.21 was not collected but instead a total of Kshs.147,717,191 was collected leading to a shortfall of Kshs.66,402,718.20 and shortfall in remittances from exchequer amounting to Kshs.217,977,238.

Management Response

The Governor presented as follows:

1. That the County underperformed due to late passage of the finance bill; and,
2. That Non collection of iron Ore cess at Kishushe was due to a land dispute.

Committee Observations

The Committee noted that the County should be more realistic while setting revenue targets.

Committee Recommendation

The committee recommends that:

6. Receiver of revenue to come up with optimization of collection of revenue in the county.
7. The county should set realistic and achievable revenue targets.
8. Recommends the county to allocate at least 30% for development in line with the PFM Act.
9. That the matter remains open and the Committee to review in the subsequent financial year to confirm compliance with the recommendations of the Committee and the law by the County Government.

7.0 Bank Reconciliation Statements

Information available indicated that the County Government prepared a bank reconciliation statements as at 30 June 2014 for both the recurrent and development bank accounts reconciling the cashbook balance of Kshs.81,823,661.09 and Kshs.154,892,398.10 respectively to the bank statement balances of Kshs.203,250,366.20 and Kshs.242,910,080.30. However, the reconciling items reflected that there were payments in the bank and not updated in the cash book totalling to Kshs.70,981,554.25 whereby Kshs.36,238,088.35 relate to recurrent account and Kshs.34,743,465.90 in respect to development account as detailed in **Appendices V and VI** respectively. However, a review of the payments revealed that some of the payments dated back to November 2013 which clearly demonstrated that critical non update of the cashbook. In the circumstances, it has not been possible to ascertain the cashbook balance of Kshs.81,823,661.09 in respect of Recurrent Account and Kshs.154,892,398.10 in respect of Development Account as at 30 June 2014.

Management Response

The Governor presented that the cash books had since been updated and submitted for audit verification.

Committee observations

The Committee:

1. Noted that the auditors had verified that the County had since updated the cashbooks;
2. Noted that the submitted copies of the cashbooks were not signed nor authenticated;

Committee recommendations

The Committee having considered and deliberated on the audit query recommends that-

1. the CEC Finance be held responsible for not doing monthly bank reconciliations.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

8.0 Expenditure on Casual Workers

A review of the records availed for audit of the County Government reflected payment to casual workers amounting to Kshs.15,324,724.90. However, no casual hiring approval letters from the County Public Service Board were availed for audit review. In addition the County Government engaged casual workers for more than three months against the stipulations of the labour laws. Records availed revealed that some casuals were inherited from the defunct local authorities and had been engaged for more than twenty years in service.

Management Response

The Governor presented as follows:

1. That the CPSB delegated the authority to hire casuals to the Chief Officers;
2. That the Transition Authority issued direction at the time that all workers, including casuals, inherited from the defunct local authorities would not be sacked;
3. That the County had attempted to absorb the casuals based on their competencies and skills; and,
4. That casuals were hired as per the labour laws.

Committee observations

The Committee noted that the auditors were satisfied with the response of the Governor with exception of the issue of hiring casuals for more than three months.

Committee recommendations

The Committee having considered and deliberated on the audit query noted the Mitigation of the Governor and resolved to clear the audit query.

9.0 Un-serviced Loan

Information availed for audit indicates that the County Government inherited from the defunct County council of Taita Taveta loan of Kshs.21,807,865.25 by National Housing Corporation. However, the loan balance had not been recorded in the County Government's accounting system and there has been no repayment since the County Government took over.

It is not possible to determine financial cost arising from penalties due to defaulting on repayment. In the circumstances, it has not been possible to ascertain the total long-term obligations of the County Government as at 30 June, 2014.

The Governor presented that the assets and liabilities had not been handed over by the Transition Authority.

Committee observations

The Committee noted that it was a crosscutting matter that was ongoing.

Committee recommendations

The Committee having considered and deliberated on the audit query recommends that-

1. the ITGRC to fast-track the verification and identification of assets and liabilities of the defunct local authorities with a view to safeguard the assets of the county governments and ensure that the liabilities are settled.
2. That the matter remains open and be reviewed in the subsequent financial year to ensure the transfer of assets and liabilities are done with utmost care.

CHAPTER TWENTY FOUR

UASIN GISHU COUNTY

The Governor of Uasin Gishu County Hon. Jackson Mandago appeared before the Committee on Monday 8th August, 2016. The Committee considered the audit queries against the Governors response and made recommendations accordingly-

1. Unspent Funds

A review of revenue and expenditure records maintained by the County Executive revealed that revenue received during the financial year 2013/2014 was Kshs.4,196,777,388 while actual expenditure in the same period amounted to Kshs.2,677,462,279 resulting to unspent balance of Kshs.1,519,315,109 representing 36% of the actual revenue collected which was returned to the County Treasury on 22 July 2014.

The unspent funds indicate slow absorption of budgeted funds which may affect service delivery to local residents and implementation of programmes. No satisfactory reason was given as to why the funds remained unspent at the close of the financial year.

Committee's Observation-

That the Auditor general had seen and verified the relevant documents and was satisfied, however, under absorption of funds denies citizens vital services that adversely affect the objectives of devolution.

Committee's Recommendations

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter stands resolved.

The Committee further recommends that the Senate should assist counties to address various factors that result in under absorption which includes but not limited to late disbursement from the National Treasury, IFMIS Challenges and delayed passage of budget.

2. Revenue Collection and Banking

Audit review of revenue collection and banking for 2013/2014 period revealed that revenue amounting Kshs.17,341,054 collected in the months of February 2014 to 30 June 2014 was not banked intact, but instead used to pay expenses incurred during the same period. The management action contravened Government Financial Regulation and Procedures requiring that all public money collected should be paid in gross into bank account and shall not be used by any public office in any manner between the time of their receipt and payment into bank except as provided by law.

Committee Observations-

1. that the Auditor general was not satisfied with the response as presented and
2. that the County Government was in contravention of the Constitution and the PFM Act and its attendant Regulations
3. that the Governor admitted the lapse in revenue collection.

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends the operationization of section 157 of the PFM Act which requires for the designation of a receiver of county revenue. The Committee further recommends that the CEO and the responsible CEC should take responsibility for the violation of the Constitution and the PFM Act and for any loss that may have been occasioned by the breach.

3. Outstanding Imprest

A review of records of imprests maintained by the County Executive indicated that imprests totaling Kshs.36,689,004 which ought to have been surrendered by 30 June 2014 were still outstanding. Further, several officers were issued with additional imprests before having accounted for imprests previously issued contrary to Section 5.6.6 of the Government Financial Regulations and Procedures prohibiting issuance of second imprest to an officer before the first imprest is surrendered or recovered in full. In addition, included in the

amount outstanding of Kshs.36,689,004 is a balance of Kshs.1,543,040 owed by three (3) former employees of the County who were not on payroll of the County Government.

The management has not provided explanation for the delay in accounting for the imprests issued.

Committee's Observations

1. that the Auditor General had gone through the evidence submitted and noted some irregular issuance of second imprests to officers before the first imprest was surrendered;
2. that there are two officers who have up to 5 unsurrendered imprests and still qualify to obtain another imprest and
3. that the non surrender is in contravention of Regulations 93 of the PFM Act, 2012.

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends that the CEC Finance ensures that the surrender of imprest is done in accordance to the provisions of the PFM Act and its attendant Regulations and further that the CEC Finance takes responsibility for any loss that may be occasioned by such non surrender.

4. Non-supported Payments

Examination of expenditure records for the period under review indicated that payment vouchers totaling Kshs.3,671,658 were not supported with appropriate documents like invoices, cash sale receipts, and expenditure certificates in contravention of Section 13 of the Public Finance Management Regulations which states that all payments of public money shall be properly supported by pre-numbered payment vouchers and all payment vouchers supported by appropriate documents.

Committee Observations

1. that the Auditor General had received the evidence although they were submitted long after the audit process had been completed;
2. that this was in breach of Section 62 of the Public Audit Act, 2016

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends that the query be cleared however, the CEC Finance be reprimanded for violation of section 62 of Public Audit Act, 2016 which requires submission of documents within the required time frame.

5. Donations Expenditure

During the year under review, the County Executive made donations totaling to Kshs.11,105,185 to various needy persons and institutions who requested for assistance to pay for school fees, medical bills, construction of classrooms and donation to a hospital for management of severe spinal injuries. It was however noted that there was no donation policy and documented criteria of identifying the needy and amount given for accountability and transparent management of the voted funds contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that resources of the County should be used in a way that is lawful, authorized, effective, efficient, economical and transparent. In the absence of an approved donation policy it was not possible to confirm that the law was adhered to in utilizing the donation vote.

Committee's Observation-

1. that the Auditor General looked into the matter and the relevant documents were submitted,
2. The law requires that all public expenditures should have been budgeted for and Public funds should be utilized in a way that is lawful, authoirized, effective, efficient, economical and transparent.

Committee's Recommendations

The Committee agrees with the Auditor General's findings that the 11,105,185 in question was applied unlawfully therefore the committee recommends that the CEO and the responsible CEC take responsibility and be surcharged for any laws of public funds that may have been occasioned.

6.1 Doubtful Expenditure on Roads

A review of expenditure records maintained by the County Executive revealed that road a construction machinery was hired from National Youth Service (NYS) and Mechanical Transport Fund (MTF) for grading and dumping of murram and an advance amount of Kshs.20,000,000 per contractor totaling to Kshs.40,000,000 was paid on 25 February 2014.

An audit inspection carried out during the audit review on five (5) sampled roads out of a total of seventeen (17) roads in Turbo and Kapseret maintained by the two entities established that there were differences on distance of road charged and actual distance on the ground resulting to overlap on works carried out on the same road or charging for work not done. An estimated expenditure on hire of machine amounting Kshs.1,877,452 may have been lost.

Further, an inspection and acceptance report together with engineer's report on the total of sixty nine(69) roads maintained by the two entities were not provided for audit review. Under the circumstances, the propriety of the expenditure of Kshs.40,000,000 could not be confirmed.

Committee's Observations-

That the Auditor General had gone through the evidence submitted and noted that more information needs to be provided for verification.

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends that the county should ensure a clear monitoring framework for outsourced services and further that

in the spirit of subsidiarity the county assembly should establish whether there was a loss of funds as a result of poor controls and that the CEO and the responsible CEC should take responsibility for any loss that may have been occasioned.

6.2 Purchase Order and Invoicing

Examination of procurement records for the period under review reflected that several Local Purchase Orders (LPOs) and Local Service Orders (LSOs) were issued on a date after the invoice had been received an indication that normal procurement of goods and service of requisitioning, ordering, invoicing, inspection and payment was not followed. As a result, Local Purchase Order and Service Orders worth Kshs.8,414,231. listed in **Appendix V** raised by the County Executive during the period under review were un-procedural.

Committee Observations:-

1. that the Auditor General had gone through the evidence submitted and there was no sufficient evidence to clear the querry and is a contravention of the law;
2. that the Committee concurs with the Auditor General findings that the County Government violated the Constitution, PFM Act and the Public Procurement and Disposal Act

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends that EACC conducts investigation and recommend prosecution to those found culpable.

6.3 Purchase of Goods

During the year under review, the County Executive procured computers, furniture, stationery and printed revenue receipt books on various dates. It was however noted that details of the goods received including item serial numbers, supplier name, or LPO number were not recorded in stores ledger cards. It was therefore not possible to confirm that the payments in **Appendix VI** totaling Kshs.12,235,065 was for goods ordered, received and issued to the intended users.

Committee Observations-

That the Auditor General had gone through the evidence and it was valid although the late submission of evidence in itself was a query.

Committee Recommendations-

The Committee having considered and deliberated on the audit query notes that the Auditor General had verified the evidence submitted and on the advice of the Auditor, the Committee recommends that the matter be cleared. However,the CEC Finance be reprimanded for violation of section 62 of Public Audit Act, 2016 which requires submission of documents within the required time frame.

6.4 Fixed Assets Register

During the year under review, the County Executive did not maintain Fixed Assets Register to record Non-current Assets. It was therefore not possible to confirm assets owned and acquired during the period under review.

Committee's Observations-

1. that the Auditor General had gone through the evidence submitted and despite the presence of an asset register the County hasn't included assets from the defunct local authorities;
2. that the County needs to survey its land and fence all land belonging to the County Government.

Committee's Recommendations

The Committee having considered and deliberated on the audit query recommends the IGRTC to fast track the process of verification and Identification of assets and liabilities across all the 47 counties and submits its report to the Senate for consideration. The CEC Finance to ensure that the assets are managed in line with Section 153(a)(b) of PFM Act.

6.5 Debtors' Management

A review of County Executive debtors' records revealed that property rates, house and stall rent totaling Kshs.1,209,492,508 was outstanding as at 30 June 2014.The balance represents about 19% of the budgeted revenue for the year of Kshs.6,242,338,690. The accumulation of debt continues to deny the County Government the much needed revenue for service delivery to the local residents.

No satisfactory explanation was provided on failure to collect the debt and no effort appear to have been made to ensure the rate payers comply with the law.

Committee Observations-

1. that the Governor had challenges from National Government institutions that don't pay rates and that there is some court cases going on.
2. Further Noted that the Auditor General had gone through the evidence submitted and is still unsatisfied with the query and that the County Government cannot predict the outcome of the Court cases and therefore the query still stands.
3. Asked the County Government to compile tabulations of all debts and follow up accordingly and
4. that national government's entities owe counties huge amounts of money which leads to a disruption of service delivery.

Committee's Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the county government should designate receivers of county revenue as per section 157 of the PFM Act. In addition the county government should ensure it updates its valuation role to optimize on property rates. The Committee further recommends that the Senate should assist counties to recover amounts due from national government entities.

CHAPTER TWENTY FIVE

VIHIGA COUNTY EXECUTIVE 2013/14

1.0 Implementation of IFMIS/G-Pay System

1.1 Incomplete Records-Integrated Financial Management Information System (IFMIS/G-Pay)

During the financial year 2013/2014, the County had budgeted to spend a total of approximately 3.2 billion shillings. Records availed indicate the total expenditure incurred during the year amounted to approximately Kshs.2,439,803,534.00 composed of approximately Kshs.1,908,942, and Kshs.530,860,810.00 on recurrent and development votes respectively.

However, the expenditure could not be adequately vouched because the IFMIS system was not reliably operated during the period despite expenditure of Kshs.740,600.00 having been incurred by the County Government on training of six (6) staff on operation of the system as detailed below;

IFMIS training, 18 -24 Aug. 2013	232,500
Attend IFMIS training for 14 days	94,000
" " "	115,000
" " "	80,000
" " "	87,000
" " "	87,000
Attend IFMIS training for 7 days	45,000
IFMIS Training Expenses	**740,500**

Given the circumstances and general lack of audit trail, examination of the general ledger revealed that a total amount of Kshs.206,907,801.00 appear to have been paid out without any payment vouchers.

All creditors' balances could not be located in the system and therefore the balances and validity of payments to creditors could not be confirmed.

No bank reconciliations were being generated and even trial balances were not in place among other omissions. Specific payment vouchers could also not be traced through the system. As a result, not all material vouchers were made available for audit review.

Management Response

The Integrated Financial Management Information System /G-Pay was introduced in the County Government in the financial year 2013/14. The systems presented a lot of challenge to the County Government in terms of putting up the infrastructure, human resource capacity and Systems implementation. The systems are provided by the National Treasury as provided in the Public Finance Management Act Section **12(1e)" design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution: Provided that the National Treasury shall prescribe regulations that ensure that operations of a system under this paragraph respect and promote the distinctiveness of the national and county levels of government;"**

- The County Government sent officers to the Kenya School of Government to be trained by the National Treasury, as per PFMA section**"(12(1j) assist county governments to develop their capacity for efficient, effective and transparent financial management in consultation with the Cabinet Secretary responsible for matters relating to intergovernmental relations."** to enable the officers to be able to effectively use the system. It's important to note that the Systems had not automated all the modules to be implemented at the time of audit period and therefore some aspect of the financial transactions were manually recorded. All users of IFMIS were required to undergo training since majority of them were using the system for the first time and therefore the expenditure of Kshs.740,500 related to the Officers who were trained for 10 days is justified.

- The manual audit trail for the expenditure of Kshs.206,907,801 has been availed for verification to the Auditors. The relevant material payment vouchers together with the journals' analysis are also availed. The payment vouchers for the County Assembly were analyzed, summarized and posted in batches in the IFMIS system, as confirmed by the County Assembly Clerk.

- We regret the balances could not be availed at the time of audit due to systems failure. The County Government operated manual creditors' records and the creditors records were captured under the pending bills for the year 2013/14 that amounted to Kshs.159,053,780 as per the attached schedule.

- The bank reconciliations were done manually not through the IFMIS/G-Pay because the systems had not incorporated the revenue module. The copies of the manual bank reconciliations are here attached.

- This was a transition period which had a lot of teething problems. The system was not fully automated to generate all the required reports. Even to date not all the modules have been activated fully. The County Government also experienced poor internet connectivity from the service provider during the period of audit. This has now been addressed by both the National Treasury and service provider's technical staff who visited the county in the month of September 2014 upon the County Government's several requests through telephone calls, emails and visits.

- We also had four senior Accountants seconded to the County Government from the National Treasury with a lot of experience in using IFMIS to strengthen the human resource capacity of the County Treasury.

- The County Government has put a parallel system in place and the staff trained on IFMIS are conversant with the system and effective in processing the transactions electronically.

- The National Treasury continues to roll out the modules in phases and has not yet fully activated all modules.

- Section 194(1) of the Public Finance Management Act provides for functions Public Sector Accounting Standards Board to set standardized format for reporting. At the time of Audit the Board had just established.

Committee's Observations

1. Noted that the documents were not availed in time for the Auditors' comment;
2. Resolved to consult with the Cabinet Secretary, National Treasury on the rolling out of IFMIS module and the interface with other government systems such as G-Pay.
3. Counties cannot be held entirely to blame as the National Treasury has a part to play in order for counties to comply.

Committee's Recommendation

1. That the County Government be reprimanded for failure to submit documents in a timely manner
2. That the County government should build capacity and train the staff at the County.
3. That the audit query be reviewed in subsequent financial audits.

1.2 Failure to Institute Restricted Access and Segregation of Duties Controls; (IFMIS)

The passwords belonging to the various functions of the Integrated Financial Management Information System (IFMIS) appear to be shared among several officers at the County thus compromising the very aim for the passwords of restricted access.

Management Response

1. The County Government has addressed this by ensuring password holder members staff change their passwords. The members of staff have been warned against sharing passwords accordingly.
2. Segregation of duties and responsibility clearly defined as approved by the National Treasury.

- The County Government is developing the ICT security policy.

The Committee's Observation:-

- That the necessary documents were not availed to the Auditors in during the audit.
- Noted that the Auditors were satisfied after verification of the submitted documents.

Committee Recommendation

The Committee recommends that the Query stands cleared following the confirmation of the Auditor.

1.3 Failure to adhere to vote Budgets/ unsigned payment vouchers

During the year, expenditure of the county was not according to the ministries allocations but was centralized under the county chief finance officer who would draw money from any ministry without regard to the budgets. Also most of the payment vouchers representing the total expenditure of Kshs.2, 439, 803, 534. 00 lacked necessary signatures like those of the Authority to Incur Expenditure (AIE) holders and accountant. Thus the expenditure was not authorized.

Management Response

During the Financial Year 2013/14 the County Government was setting up its structure that included recruiting the Chief Officers, deployment of various staff to the department and seconding of additional staff from National Government to fill personnel capacity gaps.

- The financial system in place before the appointment chief officers was centralized (PFMA section 148(5) and even after the appointment the chief officers required induction on the financial procedures. Section 135 of the PFMA provides spending of expenditure that has not been appropriated.
- There was delay in passing of the County Appropriation Bill due the County Assemblies High Court Petition on adhering to the CRA ceiling that affected the votes. The court made a ruling in February 2014 thus preparing Supplementary Budget to adhere to CRA ceiling.
- We regret the omissions and corrective measures have been put in place. The County Treasury issued a circular to all departments to adhere to the budgetary allocations as appropriated by the County Assembly. Each department keeps its own vote book that run concurrently with the electronic vote book under the IFMIS maintained at the County Treasury. Payment Vouchers are only be paid when fully authorized and approved by the designated officers. All departments have appointed Accounting Officers and Designated AIE holders to ensure fiscal discipline.

Committee's Observation:-

- Noted that the Auditors were not satisfied after verification of the submitted documents.

Committee's Recommendations

1. That the County Government be reprimanded for failure to submit documents in a timely manner; and
2. That the audit query be reviewed in subsequent financial audits.

1.4 Extravagant Expenditure on IFMIS Operation

Payment vouchers availed for audit reveal what appears a clear case of extravagance, that staff were paid more than a total of Kshs.10,785,000.00 for travelling to Kisumu to update IFMIS despite the system not being able to generate a lot of information to facilitate audit as

highlighted before and decision making. The gravity of the matter is demonstrated by incidences where the whole accounting office appears to have been in Kisumu on days for IFMIS duties. Given that all these payments were in cash and the inherent weaknesses of control over such cash payments, it was not possible to confirm authenticity of the payments.

Management Response

The governor presented that the expenditure is attributed to poor network connectivity in Vihiga area, hence the reason to open an office in Kisumu and operate IFMIS therein

Committee's Observations

No evidence was provided to show that the County Government attempted to address poor network connectivity in the County

Committee's Recommendations

EACC and DCI to investigate to confirm any loss of funds and recommend prosecution for those found culpable.

2.1 Failure to Prepare Procurement Plans by Ministries

Ministries of Health, Finance, Gender, Lands, Executive department failed to prepare procurement plans as provided in the Public Procurement and Disposal Regulations, 2006. The total expenditure of Kshs.515,717,500.00 incurred by various ministries under the development votes was therefore irregular. Without a procurement plan, it was not possible to confirm the necessity and authenticity of all the procurements made during the year.

Management Response

1. That during the said period, the County did not have adequate personnel and neither had most functions been devolved;
2. There was a delay in approval of the annual budget and hence a delay in preparing the procurement plan; and,
3. The County had made sure that the said plans were been prepared on time.

The Committee's Observations

Noted that the Auditor general was not satisfied as procurements had been done without a procurement plan.

Committee's Recommendations

1. That departments in the County should prepare their Budgets, procurement plans and other necessary plans as provided in the Regulations and failure to comply should attract the necessary penalties as stipulated in law.
2. That the County government should build capacity and train the staff at the County; and
3. That the audit query be reviewed in subsequent financial audits.

2.2 Unsupported Expenditure on Workshops and Seminars

The procurement methods used to identify venues for seminars and workshops over which expenditure amounting to Kshs.26, 055,496.00 was incurred was not clear. Many of the payment vouchers were also not adequately supported. Without evidence of competitive bids, it appears that the public Procurement

Regulations were not adhered to and therefore could not confirm how the prices were determined and whether they were fair and the County Executive got value for money in the transactions.

Management Response

1. That the annual expenditure of Ksh.26,055,496 was mainly incurred inducting various county staff;
2. The venues were identified from a prequalified list and expenditures were supported by LSOs and approvals for the officers to attend;
3. That the cash payments were used to facilitate the programs; and,
4. The County Government got value for money as the inductions were relevant to the officers who attended.

Committee's Observation-

Noted that the Auditor general was not satisfied with the response provided by the Governor because no supporting documents had been provided for verification;

Committee's Recommendations

The CEO of the County and CEC Finance to ensure money paid out without proper support documents are recovered from payees failure to which should be held responsible.

The CEO of the County to ensure that procurement regulations are adhered to and action is taken against non-complying officers.

2.3 Irregular Procurement of Uniforms

A supplier was paid an amount of Kshs.7,212,938.00 in respect of supply of uniforms for distribution to various sporting teams in the County. However, it was not clear how the amount was arrived at as the budget was not specific. Further, the expenditure was incurred in total disregard of the procurement regulations as no competitive bids were invited and there was no evidence of the existence of circumstances calling for the use of alternative procurement methods. No explanations were given for disregard of procurement regulations. It was not possible to confirm whether the county received value for money from the expenditure.

Management Response:

1. That the uniforms were for county administrators and enforcement officers who require specialized uniforms and not sporting teams;
2. That the budget allocation was approved pursuant to section 135 of the PFM Act; and,
3. That the winning supplier firm was identified as the lowest bidder among the quotations submitted.

Committee's Observations:-

1. Noted that the Auditor general had verified the documents and were of the opinion that restrictive tendering or open tendering should have been used instead;

2. Noted that no money was lost in the entire transaction; and

Committee's Recommendation;

1. That adequate records should be maintained to account for all expenditure and the CEO of the County to ensure any funds not accounted for are recovered
2. That the audit query be reviewed in subsequent financial audits.

2.4 Irregularities in Procurement of Consultancy Services

The County Government incurred expenditure on consultants and legal services totaling Kshs.63,290,000.00 without adherence to Public Procurement regulations which require competition and in a number of cases without proper supporting documents. Further, even though, copies of agreements availed indicated that a legal firm was to formulate and draft 15 County Legislation bills at a cost of Kshs.29,250,000.00 and the formulation and drafting of 20 County Policies and Regulations at a cost of Kshs.19,950,000.00 respectively, however only five bills and five policy documents were availed for audit review.

Both agreements provided for payment of more than 50% of the total agreement prices for the delivery of less than 35% work and also provided for large deposits. The unsupported expenditure on Consultancy amounts to nugatory expenditure which remains unaccounted for.

Management Response:

1. That during the period under the review, the County did not have capacity to undertake various tasks e.g recruitment, legislative drafting and audit and hence had to engage consultants in these matters;
2. That the legal firm was competitively sourced through restricted tendering method awarding the tender to the lowest bidder;
3. That EKV consultants were paid Ksh. 10,700,000 for recruitments and induction of county executive, CPSB and Chief officers; and,

4. That two payments of 1,524,000 related to perdiem expenses of the members of CPSB who were on job induction.

The Committee's Observations

Noted that the Auditor general had verified the documents provided but had stated that the documents were not adequate to clear the audit query.

Committee's Recommendations

1. The County should adhere to the Public Procurement regulations which require competition in all procurements should be adhered to.
2. The amount of Kshs.1, 524,000 paid for recruitment of staff to County officers should be recovered from the officers paid as consultants had been paid for the same activity.
3. That the County government should build capacity and train the staff at the County.
4. That the audit query be reviewed in subsequent financial audits.

2.5 Irregular and Unsupported Procurement of staff Insurance Services

A brokerage firm was paid an amount of Kshs.9, 750,000.00 in respect of provision of staff insurance services. All the relevant Procurement documents including tender documents and authorizing minutes were not availed for audit review. The audit also revealed that most members of staff interviewed were not aware of the scheme and none had benefited so far despite payment having been effected way back in January 2014.

Management Response

1. That the County advertised for the said services as required by law;
2. That quotations were opened on 16th December, 2013 and evaluation done on 24th December, 2013 with the said broker emerging as the lowest bidder; and,
3. The staff had since been sensitized on the insurance scheme.

Committee's Observations;

1. Noted that the Auditor general had verified the documents but were not satisfied with the issue of the County using restricted tendering method,;

2. Noted that the annexures submitted to the Committee were not adequate for answering the query,

Committee's Recommendations;

That the County should ensure that Government procurement regulations are adhered to in all its procurements.

2.6 Irregular Procurement of Equipment, Furniture and other items

The County Government in apparent contravention of the procurement regulations incurred expenditure amounting to Kshs.65,335,684.00 on procurement of various items of equipment and furniture without inviting competitive bids. Further, no stores records in form of a ledger and an up to date assets register were maintained to account for the assets so procured. Without competitive bids, it was not possible to confirm how the prices paid for the assets concerned were determined and whether they represented fair value. Finally, without proper stores records, it was not possible to confirm whether all the assets paid for were delivered and were in the County's custody.

Management Responses

1. That procurement was done using alternative methods due to the rapid establishment of offices;
2. Motor vehicles were bought from reputable firms using National Government contracts; and,
3. That the items had been entered in the asset register.

Committee's Observation

Noted that the auditors had verified the fixed asset register and other relevant documentation and were satisfied with the response from the Governor; and,

Committee's Recommendations

1. That management should ensure that Public Procurement regulations requiring competition is adhered to in all procurements
2. Assets records in form of ledgers and a fixed Register should be put in place, and updated regularly.
3. The Committee recommends that the Query stands cleared following the confirmation of the Auditor.

2.7 Purchase of Bulk Fuel

Fuel worth Kshs.6, 100, 000 was not accounted for in that the department failed to maintain a fuel register. Further, the fuel suppliers failed to produce any records to account for the fuel delivered. Without fuel records including a fuel register, it was not possible to confirm if the fuel paid for was delivered and used for official purposes.

Management Response

1. That the total fuel consumption of Ksh.6,100,000 was accounted for through approved LPOs, detail orders and work tickets reconciled with suppliers statements and invoices;
2. That the government had put in place manual registers; and,
3. That departments were controlling approval requisitions for fuel at departmental level.

Committee's Observation

Noted that the auditors had verified the relevant documentation and were satisfied with the response from the Governor.

Committee's Recommendations

1. The County should updated and maintain fuel register and use of authorized detail orders for drawing of fuel; and
2. The Committee recommends that the Query stands cleared following the confirmation of the Auditor.

2.8 Purchase of Mobile Phones for Chief Officers

Imprest amounting to Kshs.759, 990 was used to purchase mobile phones for Chief Officers and though through Payment Voucher No. 002188, the officer accounted for the imprest showing that 10 Samsung handsets were purchased from a supplier. However, audit revealed the following unsatisfactory matters;

a) The procurement was not done competitively hence was irregular;
b) Authority to purchase phones for officers was not documented;
c) The phones were not entered in the stores records and thus remain unaccounted for;
d) Recipients of these handsets failed to sign any schedule to confirm that they received the phones;
e) The use of the imprest facility in procurement amount to abuse of the imprest facility and the prices appear exaggerated.

Management Response

1. That the recipients of the phones signed for them and records were entered in the assets register; and,
2. That there was value for money as the phones were purchased at prevailing market rates.

Committee's Observation

1. Noted that the auditors had raised an issue with the decision to procure using imprest method;
2. Noted that the auditors had verified that the phones were actually purchased and were satisfied with the response from the Governor; and,

Committee's Recommendation

1. The Public procurement regulations on competitive procurement should be adhered to and the County should desist the use of imprest to procure the goods and services.
2. The matter remains open and the Committee to review the subsequent year to confirm compliance with recommendations of the Committee.

2.9 Irregular construction of former Town hall

Public Procurement Regulations in operation require all procurements to be sourced competitively and open tender is required in procurement of civil works in excess of Kshs.6, 000, 000. In June 2013, the County Government of Vihiga revived construction of the former town hall building. Request for quotations method was used where a supplier was identified as the most responsive bidder among the three bidders who provided quotations and was awarded the contract at Kshs.29, 947,772. At the time of this audit, approximately 95% of the work was completed and the contractor was still at the site. However, a total of Kshs.30, 017, 924.55 had been paid; The amount paid already exceeds the contract sum of Kshs.29, 947,772. As at 30 June 2014 the project was still incomplete and the work was on-going. The Engineer in charge explained that there were some work variations; however, no details and approval for such variations was provided. Further, given that the amount involved exceeded the maximum allowed for the request for quotations method, and therefore called for open tender method, it was not clear why the former method was used.

Management Response:

1. That the contractor had since completed the construction and the total amount paid was Ksh.30,017,924;
2. That the variation was as a result of additional changes on the building structure;
3. The variation did not exceed 25% and was completed during the contract period and the building was in use; and,
4. The contractor was prequalified and bids were invited competitively.

Committee Observation:-

Noted that the auditors presented that in light of the sum of money, open tendering should have been used.

Committee's Recommendation

1. **That the County should adhere to thresholds as provided in the Procurement and Disposal Regulations, 2006**

2. **That the County should confirm total amount paid for the project and provide approval of the variation and any monies paid for works not completed recovered.**
3. **The matter remains open and the Committee to review in the subsequent year to confirm compliance with the law and its recommendations.**

2.10 Irregular Rehabilitation Works at Ikumu Valley

Public Procurement Regulations in operations require all civil works priced above Kshs.6,000,000.00 to be procured through open tender. However,

- There were no tender document in support of expenditure amounting to Kshs.23,779,280 paid to a construction firm in respect of rehabilitation works at Ikumu valley meaning that the work was irregularly sourced without competition.
- Further, the bills of quantity supporting the expenditure point to evidence of overpricing as demonstrated by the price of bush clearing per square metre at Kshs.800 instead of the known market rate of less than Kshs.10.00 per square metre while that of supply of rough stones was at Kshs.2,800.00 instead of average of Kshs.1,500.00 per cubic metre.

Management Response

1. That this was an emergency works costing Ksh.23,779,380 based on safety concerns;
2. That the County used restricted tendering method and awarded to serema Agencies Ltd which emerged as the lowest bidder; and,
3. That the pricing of bush clearing and removal of loose ground included incidental costs associated with the terrain of the site hence the higher unit costs.

The Committee Observation;

Noted that the auditors presented that an alternative tendering method should have been used.

Committee's Recommendations

1. That the County Government should adhere to proper procurement procedures particularly in regard to threshold matrix where open tender is preferred in a case where the value of works and services is above Kshs.6,000,000.00
2. That the EACC to carry out Investigations on this matter and recommend prosecution for those culpable to have violated procurement laws that may have occasioned loss of public funds contrary to Article 201of the Constitution.
3. The matter remains open and the Committee to review in the subsequent year to confirm compliance with the law and its recommendations.

2.11 Irregular Procurement of Road Works

Tender documents among them copies of advertisements, all procurement minutes and award correspondences, in support of a total expenditure on various road works amounting to Kshs.150, 000 .000 .00 were not availed for audit review.

It was therefore not possible to confirm whether the works were procured competitively nor whether the County Government received value for money out of the expenditure.

Management Response:

1. That the total amount to Ksh. 128,919,860 and not Ksh. 150,000,000;
2. The works were competitively sourced and awarded to prequalified contractors,
3. The County got value for money.

Committee Observation

Noted that the auditors were satisfied after verification of the submitted documents;

Committee's Recommendation

1. The County Government should adhere to proper procurement procedures particularly in regard to threshold matrix where open tender is preferred in a case where the value of works and services is above Kshs.6, 000,000.

2. The EACC to carry out Investigations on this matter and the CEO and the CEC Finance of the County at the time be held responsible for violating the procurement laws which may have occasioned loss of public funds.
3. The matter remains open and the Committee to review in the subsequent year to confirm compliance with the law and its recommendations.

2.12 Irregular Construction of a Slaughter-House

Government Procurement regulations in force require civil works procurement in excess of Kshs.6,000,000.00 to be sourced through open tender. The regulations require payment to be made only for delivered goods and services which meets specifications as to quantity and quality ordered for. A construction firm was paid an amount of Kshs.19,477,906.00.00 as part payment for the construction of the "final phase" of a slaughter house at Ukwanda in Luanda sub- County. The total agreed amount was Kshs.29,050,253.00 and contract duration of 10 months up to February 2015. A summary of the bills of quantities indicated that the final phase included among others putting up a canteen, two manure sheds, three lagoons, a parking and fencing works. However, even though the construction firm had been earlier hired by the ministry of livestock to carry out the first phase of the works, it was not clear how it was hired to carry out this second phase because the minutes of the relevant tender committees were not availed for audit despite the amount involved calling for open tender. A visit to the construction site in mid-August, 2014 indicated that most of the work paid for in the final phase like fencing works, construction of a parking bay and three lagoons was still on- going. Although the Engineer responsible for work supervision confirmed that the value of work done in the second phase was Kshs.19,477,906 the contractor was paid in advance to carry out the work since work already paid for was still being done. Such action is in contravention of Government Financial Regulations which require that payment be made based on work already done and certified.

Management Response:

1. That phase one of the project was began by the National Government under the economic stimulus program but was not completed;

2. That the County identified a prequalified contractor through restricted tendering to complete the project;
3. That Ksh.19,477,906 was paid to the contractor on the strength of a payment certificate; and,
4. The County paid for works that had already been completed and an inspection and acceptance report prepared.

Committee's Observations

1. Noted that the auditors had verified the documents but observed that open tendering should have been used;

Committee's Recommendations

1. The County should adhere to the threshold matrix on procurement.
2. The CEO of the County ensures should that Payments are effected only for certified works that meet specifications as to quality and quantity;
3. The Committee recommends that the Query stands cleared following the confirmation of the Auditor

2.13 Irregular Procurement of Fertilizer

The County Government incurred expenditure on the supply and delivery of fertilizer at subsidized prices

Records examined indicate that,

a) Payment vouchers in respect of only 3,793 bags of fertilizer were availed for audit even though a transporter was paid a total of Kshs.1,596,000.00 for the distribution of 4,333 bags to various destinations .The details of these destinations were not provided for audit review.
b) Had the fertilizer been procured from the National Cereals and Produce Board at the then prevailing price of 2000/= per bag, the County would have saved Kshs.1,333,200 (3333 x 400/=)

c) Tender documents including copies of advertisements, quotations, minutes of procurement committees among others were not made available for audit to confirm if procurement was sourced competitively.

d) The lists of beneficiaries were not made available for audit verification. Neither were any records in form of ledgers opened to facilitate recovery and the management of the intended revolving fund.

e) Even though the fertilizer was to be sold to farmers at subsidized prices, it was not clear whether any amounts had been received from the farmers and the chargeable prices were not specified. No information on the regulations and procedures (policy framework) set up by management for the funds were made available for audit review.

Management Response:

1. That the County had intended, among others, to procure 1,000 bags of fertilizer from the NCPB but the Board was low on stocks;
2. That the transporter was unable to charge less as the pricing was not based on the number of bags ;
3. That there was no intention of having a revolving fund and hence farmers were required to pay Ksh.1000 per bag; and,
4. That the total amount received from farmers was Ksh.3, 333, 000.

Committee Observation

Noted that the auditors had verified the submitted documents and satisfied with the Governors.

Committee's Recommendation

1. That the County should adhere to Public procurement regulations to in all in its procurements; and
2. The Committee recommends that the Query stands cleared following the confirmation of the Auditor

2.14 Procurement of Condemned Foodstuff

The County Government without inviting competitive bids, incurred expenditure amounting to Kshs.11,728,000.00 on procurement of foodstuff purportedly for distribution to schools under a school feeding program. The details of the feeding program were not clear since it appears the Ministry of Education was not involved and the relevant County legislation had not been passed.

The whole consignment of foodstuff was condemned by the department of Public Health as un-fit for human consumption and recommended for destruction before it could be distributed to schools. The expenditure amounted to a loss. The audit also revealed that the expenditure had not been budgeted for.

Management Response:

1. That the foodstuff were supplied under the 30% procurement rule for youth, women and marginalized groups;
2. That the department of education was involved and further the Vihiga ECD and school feeding program was submitted to the County Assembly; and,
3. That the report from the health department showed that the fit for human consumption but due to poor storage some of it had to be destroyed.

Committee's Observations

1. Noted that the auditors had verified the submitted documents and satisfied with the Governors response;
2. Public funds were lost as a result of negligence in standard storage of food.

Committee's Recommendations

1. The CEO of the County should ensure that the Public procurement regulations are adhered to in all future procurements.

2. The CEO of the County and other officers involved must be held responsible for the loss of Kshs.11, 728, 000.00 from responsible negligent officers in the whole process of acquisition of the foodstuff.
3. The matter remains open and the Committee to review in the subsequent year to confirm compliance with the law and its recommendations.

3.0 Irregular Procurement of Air Travel

No documents were made available to confirm how a travel agent to whom a total amount of Kshs.14, 000, 000.00 was paid in respect of air tickets was identified. The air travel concerned both members of the executive and employees of the County Government. However, specific reasons for travel were in a number of cases not indicated and the amount spent appears excessive. Further, no documented policy as to which officer was entitled to air travel was in place.

Management responses:

1. That the agent (UniGlobe) was procedurally identified from a prequalified list;
2. That the air travel are centralized and approved by the County secretary; and,
3. That the County had been using the traveling regulations as per the code of conduct, 2006.

Committee Observation

Noted that the auditors had verified the documents but were not satisfied with the issue as the county had not shown how the agent was procured,

Committees Recommendations

1. That the County Government of Vihiga should develop and put in place Policy on air travel; and
2. That the County should adhere to the Procurement procedures and regulations in all its procurements and those found to have violated be punished as prescribed by the law.

3. That the matter remains open and the Committee to review in the subsequent year to confirm compliance with the law and its recommendations.

4.0 Expenditure on Miss Tourism Kenya 2015

Controls over public expenditure require appropriate initiation, authorization and approval. Proper specifications with complete information is also a prerequisite for public expenditure. A commitment fee of Kshs.10, 000, 000 was paid to Ms Miss Tourism Kenya Limited (MTK) on 9 Mach, 2014 to host Miss Tourism Kenya 2015 in the County of Vihiga. The concept paper was prepared by the Ministry of Industrialization, Trade and Tourism. The basic principles of this event is that Miss Tourism Kenya (MTK) and County Government of Vihiga shall not later than March 2015 form a technical working committee that will be responsible for organizing the event. The committee shall be formed by the representatives from MTK and the County Government. The initial cost for hosting and staging the event was pegged at Kshs.70, 000, 000. However, the Ministry revised the figure to about Kshs.26, 000, 000.The audit revealed the following unsatisfactory matters regarding this expenditure;

a) The budgetary provisions in the Ministry of Industrialization, Trade and Tourism did not have any allocation for such expenditure. It was therefore charged on the executive vote. For the FY 2014/2015, the Ministry provided for the same but the County Government failed to approve the allocation. This implies the County Government did not approve such expenditure.
b) No evidence that this subject was discussed and approved by the cabinet since such heavy expenditure needs input from the cabinet.
c) Cost Benefit Analysis prepared by the Ministry indicates that 1500 people are expected and each of these participants will spend an average of Kshs.2000.00. A total of Kshs.3,000,000.00 may be realized. However, the County has no capacity (accommodation-wise) to accommodate such a huge number.
d) The burden of success of the event lies with the committee and not MTK. The agreement appears not to hold MTK responsible for any failures which may be realized in the event. The agreement also fails to mention Kshs.10, 000, 0000.00 commitment fee paid in case the event fails to materialize.

Management Response

1. That the Kshs.10,000,000 was paid as commitment fee was paid pursuant to the PFMA;
2. That the concept paper was approved by the Cabinet on 6/6/2014; and,
3. That the event was eventually hosted between the 15th 18th June 2016.

Committee's Observation:-

Noted that the auditors had verified the documentation and were satisfied with the response from the Governor.

Committee Recommendation

1. The County and its departments should ensure that expenditure is incurred only within budget and that budget making process is participatory to ensure that budgets are realistic.
2. The Committee recommends that the Query stands cleared following the confirmation of the Auditor

5.0 Unrecovered Salary Advances

Salaries advances are meant to assist an officer go through temporary financial difficulties and are not meant to be long term loan. It should be recovered within six months. Audit revealed that the balances of salary advance as per the payroll records were different from the balances as per the salary advances register. The register had a balance of Kshs.5,879,463.00 while the payroll had a balance of only Kshs.1,717,995.00 as of 25 May, 2014 meaning that the figure in the payroll was understated. Further, the amount as per the salaries register included more than Kshs.4,084,000.00 held by officers among them chief officers and executive committee members which was not being recovered. This included an amount of Kshs.1,865,692.00 held by one member of the executive. No explanation was given for this unsatisfactory state of affairs.

Management Response:

1. That the management had recovered Kshs.3,060,374 and the balances of Kshs.1,025,692 related to a CEC member whom had exhausted his insurance cover;
2. That the recovery from the CEC was still ongoing

Committee Observation

Noted that the auditors had verified the relevant documentation confirmed that Ksh.4,080,000 had been recovered and that recoveries from the CEC would be complete by May 2017.

Committee's Recommendation

The Committee recommends that the Query stands cleared following the confirmation of the Auditor.

6.0 Compromised Controls over Cash and Bank Balances

Internal controls over cash and bank balances require completeness and accuracy in cashbook maintenance; periodic and preferable daily balancing of the cash book; preparation of monthly band reconciliation statement; documented cash limits policy and suppliers to be paid by way of cheques or electronic transfers and not through cash.

During the year, the County Government operated the following six bank accounts; Central Bank Recurrent; Central Bank Development; Central Bank – Revenue; Kenya Commercial Bank -Standing Imprest Account; Kenya Commercial Bank -CollectionAccount; Co-operative Bank Development account-Development. However, examination of the relevant cash books and bank statements revealed the following unsatisfactory matters;

- The cash books were never periodically balanced and checked by a responsible officer.
- Monthly bank reconciliations were never carried out.
- The accuracy of the cash books was in doubt as they were not posted with payment voucher numbers and in some cases it appeared the postings were merely copied from the IFMIS ledger. Bank statements for the Central bank recurrent account which was

the main payments account for the period between 25 March 2014 and 30 June 2014 were also not made available for audit.

- There was no documented cash limits policy in place a phenomenon which led to excessive cash transactions as even hotels were being paid more than a million in cash for reasons not explained.
- Cash withdrawals from the Kenya commercial bank during the two months of April 2014 and May 2014 exceeded Kshs.33, 000, 000.00 and Kshs.39, 500, 000 respectively which was excessive.
- Cash withdrawals from the Kenya commercial Bank account amounting to Kshs.4,950,000,00 were not accounted for as they had not been entered in the cashbooks as detailed below:
-

Date	**Cheque No.**	**Amount(Kshs)**
14/08/013	328	500,000.00
12/08/013	322	950,000.00
12/10/013	466	1,000,000.00
10/10/013	493	3,500,000.00
,,	,,	(1,000,000.00)
Total		**4,950,000.00**

Other cheque payments from the same account to third parties amounting to Kshs.14,147,458.00 were likewise not posted to the cashbooks as detailed below;

Date	**Cheque No.**	**Amount(Kshs.)**
21/3/2014	671	7,125,000.00

,, ,,	673	3,298,104.70
22/3/014	665	3,724,354.00
Total		**14,147,458.00**

This demonstrated generally how poorly the books were kept.

As a result, it was not possible to confirm the correct cash and bank balances for the County Government. It was also not possible to confirm what the payments through the exchequer account between the period March 2014 to June 2014 were and whether all bank transactions were authentic.

Management Response

1. That backlog in updating the IFIMIS system was due to connectivity challenges; and,
2. That the anomaly had since been rectified;
3. That cash payments were as a result of system failures;
4. The cash withdrawals from KCB of Kshs.4,950,000 were posted and accounted for; and,
5. That cheques payments for Kshs.14,147,458 were posted and accounted for.

Committee's Observation

Noted that the auditors had verified the submitted documents and satisfied with the Governors response.

Committee's Recommendations

The Committee recommends that the Query stands cleared following the confirmation of the Auditor.

7.0 Outstanding Imprest

As at 30 June, 2013 various officers held a total of Kshs.32,723,433.00 as outstanding imprest. Regulations governing issue of imprests were not adhered to since they were not surrendered within the stipulated period of 48 hours and officers were holding more than one

imprest un-surrendered. It was also not clear why the figure appeared unusually too high and why no efforts appear to have been taken to recover the overdue imprest from the officers' salaries.

Management Response

1. That unsurrenderedimprest had been recovered by 30th June, 2014 and the balance of Ksh.577,000;
2. That the County had now internal checks to ensure that officers were not issued with multiple imprests; and,
3. That the financial regulations policy of imprest surrender was been enforced.

Committee Observation;

Noted that the auditors had verified documents submitted and had raised concern that some of the officers in the annex of their report had not been explained;

Committee Recommendations

1. The County Government of Vihiga Compliance with the Public Finance Management Regulations on surrender of imprest
2. For any imprest not repaid, it should be recovered at bank rates in line with the PFM Act.
3. That the matter remains open and the Committee to review in the subsequent year to confirm compliance with the law and its recommendations.

8.0 Under-Collection of Revenue

The revenue ledger indicated that the amount collected from the hire of a tractor declined from Kshs.3, 901, 650.00 collected in the year 2012/2013 to only Kshs.362,000.00 in the year 2013/2014. No proper explanation was given for this drastic decline. Further, even though the County Government had budgeted to collect in total revenue amounting to Kshs.197,000,000.00, records availed to us indicate that only revenue amounting to

Kshs.113,709,508.00 appear to have been collected implying there was unexplained under-collection amounting to Kshs.83,290,492.00.

Management Response:

1. That the County failed to achieve its target because there was a reduction of fees payable by the County Assembly through the finance Bill;
2. That the lack of enforcement officers further affected the achievement of the revenue target; and,
3. That the County had since automated the revenue collection in the county.

Committee Recommendation

1. The County to explore diverse ways of revenue collection optimization and map out its revenue streams; and
2. That the County should set realistic goals on local revenue collections.

9.0 Information Technology (IT) Environment

The County Government has adopted use of Information Technology in most of its transactions (financial and non-financial). The IT Department is in place and several programs have been implemented including Integrated Financial Management Information System (IFMIS) which was recommended by the National Treasury.During the audit, the general IT infrastructure was interrogated and noted the following weaknesses:

a) Not all modules have been implemented in the IFMIS. For example, Revenue module is not fully integrated into the system hence use of LAIFOMS and manual methods to supplement IFMIS. As a result, the County revenue collection and recording remains partially computerized and therefore accountability is not guaranteed.
b) No steering committee is in place and therefore no clear IT policies are enforced resulting into weak IT control environment.

c) There is no documentary evidence that changes made into the system are properly tested, and documented; hence unauthorized changes can be made into the system. As a result, the accuracy of the system output is not guaranteed.

d) The entity has no disaster recovery plan and no disaster emergency procedures in place. In case of occurrence of any disaster, there is risk of loss of vital information and hardware.

e) No fire extinguishers and suppression systems in place. The organization might not recover from an interruption at all or quickly enough.

In the absence of reliable Information Management System, accountability may be compromised and safety of both hardware and software is not guaranteed.

Management response:

1. That the responsibility to fully operationalize the IFIMIS modules rested with the National treasury;
2. That the ICT steering Committee had since been set up;
3. That the County Government had backup for IFIMIS transaction at the National Treasury; and,
4. That the County was continually consulting with the National Treasury on the implementation of additional modules.

Committee's Observation

Noted that the auditors could not clear the query and hence was still outstanding;

Committee Recommendation

The matter remains open and the Committee to review in the subsequent year to confirm compliance with the law and its recommendations

10.0Internal Control Environment

The County Government of Vihiga has not put in place proper internal controls as identified below;

a) Organizational structure of the auditee is not clearly defined by means of an approved and updated organization chart.

b) Responsibilities of different levels of management and their roles in decision-making is not documented and communicated to all staff.

c) Management has not promulgated a code of conduct for employees in the organization.

d) The auditor has no documented and approved risk management policy. No clearly documented and specific controls identified in response to the risks.

e) Processes are not in place to ensure that significant changes in legislation are reflected in the updated policies and procedures.

Lack of properly documented organizational structure and segregation of duties may lead to; Possibility of duplication of duties; Distortion of chain of command and communication; and Officers being assigned duties for which they are not qualified for.

Management Response:

1. That the County has established an organizational structure;
2. That the County had developed a good code of conduct;
3. That the County Government was in the process of developing a risk management policy; and,
4. That the policies are developed by departments and approved by the Cabinet.

Committee Observation

Noted that the auditors had verified the relevant policy documents.

Committee's Recommendation

The Committee recommends that the Query stands cleared following the confirmation of the Auditor.

11.0Failure to Constitute Audit Committee

Although Treasury Circular No. 16/2005 dated 4 October, 2005 States that a Government Institution should not operate without an Internal Audit Committee as at the time of this audit in February 2015, Vihiga County Government had no such committee in place.

Review of the adequacy of internal controls put in place by the management and the entity's compliance with all relevant legislations and statutory requirements is not enforced in the absence of an audit committee.

Management Response:

1. That the delay of establishing the Audit Committee was due to the delayed gazettement of Audit Committee guidelines by the national treasury and SRC; and,
2. That the guidelines had since been gazetted and only the payment guidelines by SRC that had not been gazetted.

Committee's Observation

1. Noted that this was an ongoing issue; and,
2. Resolved to make a determination on the matter during report writing.

Committee's Recommendation

1. The County CEO should ensure Internal Audit Committees are formed in line with the law.
2. The matter remains open and the Committee to review in the subsequent year to confirm compliance with the law and its recommendations.

CHAPTER TWENTY SIX

WAJIR COUNTY

The Committee invited the Governor of Wajir, Hon. Abdulahi and he appeared before the Committee on Tuesday 26th July, Wednesday 27th July and Thursday 1st September, 2016. The Committee considered the audit queries against the Governors response and made recommendations accordingly:

1.1 Failure to Carry Out Board of Survey

Examination of the cash book and other records at the County Treasury revealed that the Accounting Officer did not arrange for a board of survey to examine and verify cash at hand and bank balances for revenue (own collection), recurrent and development cash books at the close of business on 30th June 2014 as required by Regulation 5.9.9.2 of the Government Financial Regulations and Procedures. A board of survey is important in ensuring proper management of cash books and accuracy of cash and bank balances.

Management Response

The Governor presented as follows-

1. That the CEC Finance had constituted a board of survey as required; and,
2. That the appointment letter and cash survey report was available for verification.

Committee observation

The Committee noted that the auditor had seen the documents with the exception of the original appointment letter.

Committee recommendation

The Committee having considered and deliberated on the audit query recommends the following-

1. That the County Government follows laid down procedures as per the existing Regulations; and
2. That the matter remains open and be reviewed in the subsequent financial year 2014/15 to confirm compliance by the County Government.

2.1 Construction of Proposed County Headquarters

The County Executive of Wajir advertised for the construction of County Headquarters on 31st December, 2013 in the Local Daily. It was noted that seven (7) construction companies applied and the bids were opened on 13 January.

According to the evaluation report of the 27 January, 2014 on the proposed construction of County Headquarters, two bidders out of the seven tenderer's received, were further evaluated financially.

Examination of bill of quantities and other related records revealed that the lowest bidder was evaluated and quoted Ksh. 135,699,339.60. However, the second lowest bidder was awarded the contract at a cost of Ksh. 136,730,070 and no proper explanation was given as to why the contract was not awarded to the lowest evaluated bidder.

It was further noted that confidential business questionnaire for the winning firm was not completed as required by Regulation 17.14.2 of the Government Financial Regulations and Procedures hence ownership of the firm that was awarded the tender was not known.

Physical verification done on 10th February, 2015 revealed that the construction of the county headquarters was on-going and only Kshs.25,974,226.60 was paid to the contractor for the period under review.

Under the circumstances, it was not possible to confirm whether the contract was awarded in a fair, equitable, transparent and competitive manner and also whether the County Government got value for money for the project.

Management Response

The Governor presented as follows:

1. That the tender Committee, other than the price, used contractor category in terms of NCA classification to award the tender;
2. That Kingsley Construction Company was a higher category and hence was awarded the contract besides it not being the lowest bidder; and,
3. That the winning company had proof of other similar works it had done.

Committee observations

The Committee observed that:-

1. the auditors had verified the information and the query remained outstanding;
2. NCA classification was not a requirement during tendering for the contract and hence introducing this parameter was irregular;
3. some of the submitted documents, when compared to those issued to the auditors seemed falsified, and that the Committee may consider involving Criminal investigative agencies to ascertain the same;
4. Section 347 of the Penal Code makes it an offence to falsify a document.
5. Section 89(4) of the Public Procurement and Disposal Act, 2005 (the operational law at the time) stipulates that the successful quotation shall be the quotation with the lowest price that meets the criteria as set out in the request for quotation.

Committee recommendation

The Committee having considered and deliberated on the audit query recommends the following:-

1. The County Government should ensure strict compliance of the law in carrying out its processes.
2. An investigation by DCI be carried out to establish the authenticity of the submitted documents and those found culpable of making a false document contrary to section 347 of the Penal Code be prosecuted.
3. The Governor did not disclose to the Committee a legitimate reason for settling on the 2nd lowest bidder contrary to section 89(4) of the Public Procurement and Disposal Act, 2005. Therefore, the DPP should prosecute the officers involved in the award of tender; and
4. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

2.2 Various Capital Projects

Examination of the Bill of Quantity and project files maintained at the County treasury Wajir revealed that the County Government of Wajir awarded contract amounting to Kshs.52,081,721.00 as detailed below for various projects implemented.

Fencing Wajir County Headquarters	Kshs.8,939,862.60
Construction of Fresh Produce Market at Tarbaj	Kshs.3,964,060.00
Renovation of Trade Offices	Kshs.1,649,415.00
Construction of Type 'D' 2 Dispensary Beladmin	Kshs.5,125,043.00
Construction of Wajir Baraza Park	Kshs.3,569,000.00
Site Clearance at County Headquarters	Kshs.4,842,000.00
Road Gravelling Works	Kshs.23,992,341.00
	Kshs.52,081,721.00

However, the following irregularities were observed-

a) A number of contractors were invoicing for works before LSOs were committed in the vote book and receipt acknowledged by the contractor
b) Monitoring and evaluation of a number of projects were done long before LSOs were committed in the vote book and some LSOs and invoice were raised at the same time.
c) Tender opening/evaluation minutes were not made available for some projects and others had no contract agreements.
d) Evaluation committee did not conduct technical and financial evaluation to compare each tender to the technical requirements as well as price of each tenderer.
e) Tender opening and awarding minutes were dated after the winning bidders were notified vide immediate communication and the contractors invoiced the County Government before they were handed over the sites.
f) Completion certificates were issued before the opening and awarding of the tenders and contractors who had not been pre-qualified were being awarded the tenders

Management Response

The Governor presented as follows:

1. That the County had an integrated procurement plan which guided tender for goods and services;
2. That the County used a customized internet based vote book, which regularly broke down and causing a variance of date of issue and commitment of LSOs and LPOS;
3. That all projects have opening, evaluation and awarding of minutes; and,
4. That there were clerical and capacity challenges which had since been corrected.

Committee observation

The Committee noted that the auditors had not seen the documents and were not satisfied.

Committee recommendation

1. The Committee having considered and deliberated on the audit query recommends that the DCI carries out investigations and in the event that the investigation reveals loss of funds, the funds should be recovered from the officers found culpable; and
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

2.3 Procurement of Floodlights and Installation of Solar Power

The County Executive spent Kshs.6,952,601.50 to procure flood lights and install solar power in various secondary schools within the county. However, the process of awarding the contracts did not adhere to the procurement regulations as tender minutes approval, unsigned and undoubted inspection certificates, no notification and acceptance of contract award, quotations were evaluated after goods had been delivered and the quotations threshold of Kshs. 4,000,000 was exceeded among other irregularities.

Management Response

The Governor presented as follows:

1. That the lights were installed to boost security in the secondary schools in the area;

2. That this had been necessitated by the attacks in Wajir which had caused fear among non local teachers; and,
3. That the fastracking of the procurement was due to security considerations.

Committee observations

The Committee:-

1. Noted that the auditors had verified the documents presented and were not satisfied;
2. Observed that the documents adduced did not address the substance of the audit query;
3. Observed that the thresholds set by the Procurement Regulations 2006 had been flouted.

Committee recommendation

The Committee having considered and deliberated on the audit query recommends;

1. that the EACC investigates this matter and the officers found culpable be prosecuted and any funds that may have been lost due to the non-compliance of the law be recovered from the said officers;
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

2.4 Funding of Stalled Appropriate Building Technology Housing (Abt) at Habaswein

The building was initiated by the Central Government and contract awarded to a contractor at a sum of Kshs.9,204,573 on 29 November 2011. However, the project stalled due to lack of funding after Kshs. 5,441,215 had been paid to the contractor. The county Housing, Lands and Physical Planning Chief Officer requested for an assessment of the building for purposes of completing it. The sub county works officer indicated that Kshs.5,609,550 was due to the contractor plus a further Kshs.300,000 to cater for inflation. In addition, Kshs.3,595,073 was required to complete the project.

The basis for the Kshs.300,000 was not provided and no pending bills for the outstanding amount of Kshs.5,609,550 was shown in the County records.

Committee recommendation

The Committee having considered and deliberated on the audit query recommends that

1. the EACC investigates this matter and the officers found culpable be prosecuted and any funds that may have been lost be recovered from the said officers; and
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

2.5 Examination of the Proposed Completion Works, Finishes and Fencing of Wajir Medical Training College

Examination of cash book voucher No. 421 of 29/6/2014 for Kshs.6,298,045.95 and supporting documents held at Wajir County Treasury revealed that contract for the proposed completion works and fencing of Wajir Medical Training College was awarded to a Construction Company based in Wajir at a cost of Kshs.7,240, 049 . However the following observations were made-

Proper evaluation stages for preliminary, technical and financial were not carried out by the evaluation committee as required by Public Procurement Regulations 2006, it was noted that all stages were combined in the preliminary stage and the winning bidder was declared as responsive

It was noted that no contract agreement was entered into by both parties to the contract as required by section 68 (1) and (3) of the Public Procurement & Disposal Act, 2005.

Physical verification carried out on 10/2/2015 revealed that CDF Wajir East constructed the structures and roofing of the MTC during the financial year 2012/2013 with National Funds while the County Government did the completion works of lecture rooms, demonstration

rooms, administration offices, fencing works and gate house at a cost of Ksh.7,240,049 during the financial year 2013/2014. However, the bill of quantities for the works and handing over report from the CDF Wajir East to the County Department of Health was not availed for audit to confirm that the completion works and fencing was not awarded in the previous contract awarded by CDF Wajir East. It was further noted that there was no sign board for work done by the County Government to confirm that the County Government took over the project.

Consequently, the propriety of the expenditure could not be confirmed.

Committee observation

The Committee noted that the County Government had not complied with the provisions of the Public Procurement and Disposal Act, 2005 and the Public Procurement Regulations.

Committee recommendation

The Committee having considered and deliberated on the audit query recommends that;

1. the EACC investigates this matter and the officers found culpable be prosecuted and any funds that may have been lost due to the non-compliance of the law be recovered from the said officers.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

2.6 Prime Cost and Provision Sums

Evaluation of bill of quantities for capital projects funded by Wajir County Government disclosed unrealistic provisions and prime cost as detailed in Schedule 3. Most projects implemented were found to be high relative to the contract sums. The prime costs and provision sums indicate lump sum figures and do not specify the breakdown of works to be

done. No justification was given as to why there were no full description and or technical requirements for plumbing, water supply and storage and drainage works and instead lump sum figure was provisioned for the same.

There was no clarification on what eventually comprised of the contingencies figure in the bill of quantities after completion of works. It was further noted that complete description of electrical works provisions was not provided instead lump sum figure was provided for in the bill of quantities and in some instances provision sums were added a profit component.

Under the circumstances, the items as they are described in the bill of quantities cannot be justified.

Management Response

The Governor presented that the practice had been prevalent especially when the time between documentation and advertisement/tender is shortened, which was the case in most of the County projects in FY 2013/2014.

Committee observation

Noted that the auditors raised concerns on the breach of the law.

Committee recommendation

The Committee recommends that;

1. the County Government adheres strict compliance to the law.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance to its recommendations by the County Government.

2.7 Irregular and Unaccounted for Emergency Relief Food

The County Government of Wajir used Kshs.69,189,600 for the procurement and delivery of relief food. A review of the tender process revealed that proper procedures were not followed in awarding the contract. It was noted that twenty six bidders applied for the contract advertised in the local daily on 28/2/2014.

A bidder (specialized in hardware business) based in Wajir the second lowest bidder was awarded the contract to supply the food items at a cost of Kshs.69,189,600. However, the firm had no experience in supply of food item as it had not scored in the evaluation report. There was no notification of award of contract to the same firm contrary to Section 67(1) and (2) of the Procurement Act, 2005 which required notification of award of contract to the successful and unsuccessful bidders.

There was no proper reason given as to why the lowest bidder was not awarded.

It was further noted that there were no waybills to show how the food was transported and no certificate of analysis from KEBS and Public Health was availed to confirm the suitability of the food for human consumption.

A review of the invoices reflects that it had no date and the delivery notes were not signed. The same food was not acknowledged by the County Government since it was received in the stores records. There was no indication of the ID cards of those issued with food.

In view of the above anomalies, it was not clear whether proper procedures were followed to award the contract or whether the goods were issued to the right individuals.

Committee Observations

The Committee:-

1. Noted that the auditors were not satisfied with the response of the Governor;

2. Observed that the bidder hadn't scored on experience and the tender was awarded to a bidder who wasn't there in the first instance.

Committee recommendation

The Committee having considered and deliberated on the audit query recommends that-

1. the EACC investigates this matter and the officers found culpable be prosecuted and any loss of funds that may have been occasioned by the non-compliance of the procurement laws be recovered from the said officers.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance of the law by the County Government.

2.8 Irregular and Unaccounted for Goods

Examination of records maintained by the County Government of Wajir revealed that goods and Services worth Kshs.54,902,955.63 as detailed in schedule 4 were procured during the period under review. However, the items procured were not taken on charge in the stores ledger cards contrary to Regulation 18:2 & 3 of the Government Financial Regulations and Procedures.

It was noted that delivery notes used to support the payment had dates before the opening of the tenders and awarding of the tender. Inspection and acceptance certificates dated earlier than the delivery notes an indication that the committee issued the certificate to only support the payment process. The request for quotations used had no opening date and time.

In view of the above observation, it is not possible to ascertain whether the goods were delivered and used for the intended purposes.

Management Response

The Governor informed the Committee that at the time, the County Government was experiencing capacity problems in terms of not having enough staff.

Committee observation

The Committee noted that the auditors were not satisfied with the response since there were some inconsistencies with dates in the delivery notes.

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that-

1. the EACC investigates this matter and the officers found culpable be prosecuted and any loss of funds that may have been occasioned by the non-compliance of the Government Financial Regulations and Procedures be recovered from the said officers.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

2.9 Payment for Rental Premises

A review of the expenditure of Wajir County revealed that an amount of Kshs.3,636,342 as detailed in schedule 5 was paid to various landlords for provision of rental premises for office rent for the three (3) months. However, it was noted that there was no evidence that office rental premises were competitively sourced as there were no request for quotations. The County Government continues making payments for the premises for the County Public Service Board after the expiry of the lease agreement on 31/3/2014.

It was further noted that County Government had rented liaison office in Nairobi. However, there was no lease agreement and there was no valuation report from Department of Housing to confirm the rate was economical and fair.

Management Response

The Governor informed the Committee that there was a multi-sectoral committee that handled the matter and there were attachments to this effect annexed in the response.

Committee observation

The Committee noted that the auditors did not clear the matter since the method of Procurement used was not clear.

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that-

1. the EACC investigates this matter and the officers found culpable be prosecuted and any loss of funds that may have been occasioned by the non-compliance of the procurement laws be recovered from the said officers.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

3.0 Payment for Consultancy Services

Examination of payment vouchers and supporting documents revealed that Wajir County Executive incurred an expenditure amounting to Kshs. 11,625,254 as detailed in schedule 6 for consultancy services. A review of the records revealed that there were vital documents which were not availed for audit. The following vital information was not reflected in payment.

a) There was no company profile for Sarman Engineering Company the winning firm to show the hydro geologist whose license was used as a personnel of the company.

- Request for quotation of one supplier – Edges Borehole Drilling and Pumps Limited was returned on 2/5/2014, 5 days before the request for quotations were floated.

- LSO was raised on 7/5/2014 the same day the request for quotations were floated.
- Winning bidder returned quotation on 9/5/2014, 2 days after LSO was raised.
- Payment is supported with proposal dated 13/3/2014 from the firm that won the contract quoting Ksh.1,350,000 for the service, this is 2 months before the request for quotations were floated.
- Payment was made on the strength of photocopy invoice dated 6/6/14 amounting to Ksh.1,350,000 as shown in the proposal of March, 2014.
- List of 6 sites being proposed for the hydro geological investigations not shown.
- No hydro geological report to show work was actually carried out.
- The winning firm quoted Kshs.1,350,000 for the service and invoiced for same amount however an amount of Kshs.1,390,500 was paid for the service hence an overpayment of Kshs.40,500.

b) Feasibility study, environmental impact assessment study and detailed engineering design of Roads in Wajir County.

- Contract agreement was entered on 27/12/2013 however it was observed that the firm accepted the offer on 17/1/2014, 20 days after the contract agreement was signed.
- Payment of Kshs.26,226,266 was made upfront to the contractor before the feasibility and the preliminary design reports were received and accepted by Roads engineer contrary to the requirement of the condition of the agreement.
- The contractor availed a final feasibility report in July, 2014; 3 months after payment was done. The design report is yet to be produced.
- Complete description of Kshs.4,800,500 for reimbursable cost for stage 2 as shown in price per activity was not provided in the bills of quantities.
- Complete description of Kshs.54,672,800 and Kshs.6,821,500 for staff costs and reimbursable costs for stage 1 as shown in the price per activity was not provided either in the Bill of quantities.
- The contract did not indicate commencement date of the service.

In view of the above anomalies the authenticity of the above payment could not be ascertained.

Management Response

The Governor presented as follows:

1. That the Consultancy Services were for hydrological survey and the design supervision of the tarmac road;
2. The County did not pay upfront Kshs.26,226,266 for visibility study, preliminary and detailed engineering design for roads to Max and Partners as shown in the audit certificate; and
3. The County had paid Kshs.9,125,754 at the time of audit review being part payment as provided in the contract agreement.

Committee observation

The Committee noted that the auditors were not satisfied with the procurement process;

Committee Recommendation

The Committee having considered and deliberated on the audit query recommends that-

1. the EACC investigates this matter and the officers found culpable be prosecuted and any loss of funds that may have been occasioned by the non-compliance of the procurement laws be recovered from the CEO of the County, the CEC Finance and other officers found culpable.
2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance of the law by the County Government.

3.1 Unsupported Payment for Motor Vehicle Insurance

The County Executive of Wajir paid an amount of Kshs.1,080,000 as detailed in schedule 8 to an Insurance firm for motor vehicle insurance services.

A review of the payment for the services revealed that there were no valuation reports from appointed valuer to ascertain the premium charged. The copies of registration certificates for the individual vehicles purported to have been insured were not also availed for audit.

It was further observed that copies of duplicate insurance policy certificates for the insured motor vehicles were not produced for audit verification to confirm duration of policy.

Management Response

The Governor informed the Committee that;

1. The County procured the said services from Takaful Insurance of Africa based on the evaluation of the policies available in the market. Takaful Insurance satisfied the need of the County due to its proximity and services offered.
2. There was no need for valuation report since the premiums on each vehicle was based on the purchase price (Invoice). The motor vehicles were newly acquired by the County.

Committee Observation

The Committee noted that the auditors lacked the valuation report for the motor vehicle to ascertain the premium;

Committee Recommendation

The Committee recommends-

1. that the county government adheres to strict compliance with existing laws.

2. That the matter remains open and be reviewed in the subsequent financial year to confirm compliance by the County Government.

3.2 Unaccounted For Fuel and Lubricants

The Wajir County Government bought 12,990 litres of diesel and 1000 litres of petrol worth Ksh.1,778,750 as per schedule 8 from various petroleum companies during the period under review. However, the fuel was not taken on charge in bulk fuel register and there were no work tickets, counter receipt vouchers, issue notes and delivery notes that were not availed for audit to confirm the authenticity of the same.

In view of the above, it was difficult to confirm how the fuel was procured and used.

Management Response

The Governor informed the Committee that;

> The County Government procured the supply of fuel for its departments from four (4) main suppliers in Wajir County. The amount of fuel in question relates to the department of Health. The said documents were detached in the process of payment and filing but we were able to retrieve copies from their records and were submitted for perusal and review.

Committee observation

The Committee noted that the auditors were satisfied with the response of the Governor.

Committee recommendation

The Committee recommends that the audit query be cleared.

3.3 Catering Services

Examination of payment vouchers and other supporting documents revealed that Wajir County Executive made payment totaling Kshs.2,845,000 as per Schedule 9 for catering services for workshops. However, it was observed that the schedules of participants of the workshop and training were not attached and where the list of participants was attached they were for fewer days than the ones being paid for. It was therefore difficult to confirm if all the catering services were provided to the right participants.

Committee observation

The Committee noted that the auditors were satisfied with the response of the Governor since supporting documentation has since been provided.

Committee recommendation

The Committee recommends that the audit query be cleared.

3.4 Payment of Allowances

3.4.1 Unsupported Daily Subsistence Allowances (Local)

A review of the expenditure for allowances revealed that Wajir County Executive incurred expenditure totaling Kshs.2,048,400 as per schedule 10 on payment of travel and subsistence allowances to staff of the County Government and County Public Service Board members. Out of the total Kshs2,048,400 an amount of Kshs78,500 was used for hiring of taxi services that was purportedly transporting the staff to and from the airport. However, audit verification disclosed the following anomalies:-

Some officers claimed night outs while attending training and consultative forums, despite being residential and on full-board.

An officer who was attending a 5 day training in Nairobi was paid 10 days night out, that's five extra days although, the officer was doing for the extra days in Nairobi was not disclosed.

Officers who attended training at the Kenya School of Government did not attach photocopy of the course programme attended to prove they actually attended the training. There was no program of work showing the activities to be undertaken by some officers who were on trips to other counties for special mission like reconciliation and consultative meetings.

Two Board members who were attending a three-day county public service board national consultative forum in Naivasha were paid 8 days night out, the five extra days in Naivasha was not disclosed or supported.

In some instances there was no invitation or correspondence and official communication from the host county to show the initiation and arrangements of the visits.

There was no imprest issued therefore the source of funds was not specified.

Management Response

The Governor informed the Committee that the County Government will recover from the unsupported Daily Subsistence Allowances (Local) at the prevailing market rate as per the law.

Committee observation

The Committee noted that the auditors did not receive the IPPD Payroll list that was necessary to clear the audit query.

Committee recommendation

The Committee recommends a review of compliance in the financial year 2014/15 to ascertain whether the recovery process of the overpaid allowances was done.

3.5 Human Resources Management

3.5.1 Lack of Human Resources Manuals and Schemes of Service

The County Public Service Board had not developed the requisite manuals for use in the administration of the staff of the County Government. The manuals are important as they guide the board on human resource issues including performance management, annual leave management, job descriptions, payroll management and staff discipline among others.

Management Response

The Governor informed the Committee that;

1. The Public Service Commission of Kenya had developed County Public Service Human Resource Manual in May 2013 to guide on procedures in various aspects of Human Resource Management functions in Counties. The manual covers among others organization of Government, labour relations, Code of Conduct terms & conditions of employment, performance management, training & development etc.

2. Similarly the County Public Service Board has adopted the Schemes of Service prepared by the Public Service Commission of Kenya for various cadres.

Committee observation

The Committee noted that the auditors were awaiting more documentation to make determination on the matter.

Committee recommendation

The Committee recommends that the matter remains open and a review of compliance in the financial year 2014/15 be made.

3.6 Review Integrated Payroll and Personnel Database (IPPD)

The Wajir County Executive implemented use of IPPD system. However, audit of the data that was analyzed revealed the following integrity issues.

3.6.1 Rights and Privileges

A review of the IPPD payroll revealed 25 unauthorized staffs as detailed in Schedule 11 who were not system administrator but were able to create and edit employees' records in the system. This poses a high risk since they can change the data without any authority.

Committee observations

The Committee noted that the auditors were satisfied with the response of the Governor;

Committee recommendation

The Committee recommends that the query be cleared.

3.6.2 Irregular Increase of Allowances

Interrogation of the IPPD data for the County Executive revealed that some officers' basic salary was increased from Ksh.19,323 to Ksh.50,044 and Ksh.54,473 in the month of February 2014 without any approval.

It was further noted that eight (8) staffs as per Schedule 12 had their emergency call allowance increased from Kshs.30,000 to Kshs.40,000 without approval in the month of April 2014.

3.6.3 House Allowance

A review of the payroll revealed that an amount of Kshs.1,161,100 was paid to ninety two (92) staff as per schedule 13 as house allowance in the month of February, 2014.

However, there was no authority to support the increase and therefore the payment for the same could not be justified.

3.6.4 Owner Occupier and House Allowance

Five (5) members of staff as per Schedule 14 earned owner occupier allowances and house allowances for the month of February, April, May and June 2014. The staff were paid both allowances at the same time and no proper explanation was given as to why they were paid both allowances.

Management Response

The Governor presented as follows:

1. That these were records pertaining to officers transferred from the National Government in February, 2014;
2. That the owner occupier allowance had since been stopped.

Committee recommendations

The Committee:-

1. Noted that the auditors had verified the prove of initiation of recoveries;
2. Observed that the August, 2016 IPPD printout did not reflect actual deductions;

Committee recommendations

1. The County to ensure the deductions were effected.
2. The matter remains open and a review of compliance in the financial year 2014/15 to ascertain whether the recovery process was done.

3.6.5 Negative Net Pay

During the audit of the payroll it was noted that one (1) staff had a negative net pay for the month of February 2014. It is not clear how the negative pay was arrived at.

Management Response

The Governor presented as follows:

1. That the officer's salary was overcommitted and hence a nil salary and not a negative pay; and
2. The intended over deductions were deferred.

Committee observations

The Committee:-

1. Noted that the auditors were not satisfied with the response of the Governor;
2. Observed that almost all the deductions were towards statutory deductions; and
3. Noted that section 19(3)of the Employment Act provides that the total amount of all deductions made by an employer shall not exceed two-thirds of an employee's wages.

Committee recommendations

The Committee having considered and deliberated on the audit query recommends that the matter remains open and a review of compliance with the law in the financial year 2014/15.

3.6.6 Staff without Tax Pin

Some of the members of staff for Wajir County Executive were without Tax Personal Identification Numbers (PIN). The same information was also not available in the personal files for the same officers.

Incorrect PIN

There were two (2) officers with Incorrect Tax Personal Identification Numbers reflected as A000000002P and A000000000L. No proper explanation was given why the staff were

recruited or employed without PIN and the amount of tax deducted from the officers was not reflected in the payroll.

Management Response

The Governor presented that the PIN numbers were subsequently captured in the system

Committee observations

The Committee noted that the auditors were not satisfied with the response of the Governor on the issue of the two incorrect PINs.

Committee recommendations

The Committee recommends-

1. a review of compliance in the financial year 2014/15 to ascertain whether the officers' Tax Personal Identification Numbers were captured and that the relevant tax as prescribed by the Income Tax Act, Cap 470 are deducted.
2. The matter remains open.

i. Salary Over-payment

Payroll data analysis revealed that there were thirty eight (38) members of staff in Schedule 15 that had been paid salary above their normal pay.

Management Response

The Governor presented as follows:

1. That it was true that there was an overpayment in the payroll; and
2. That the County had initiated the process of recovering the monies.

Committee Observation

The Committee noted that the auditors had not verified the pay slips demonstrating the recoveries;

Committee Recommendations

The Committee having considered and deliberated on the audit query recommends the following:-

1. That the County Government should adopt efficient payment systems and ensure capacity building of officers to avoid such malpractices.
2. That the matter remains and a review of compliance be done in the financial year 2014/15 to ascertain whether the overpayments were recovered from the officers.

3.6.8 Responsibility Allowance

A staff with personal file (Pf) number 20005485 was paid a responsibility allowance of Kshs.30,000 per month in the month of April and June 2014 amounting Ksh.60,000 However, a review of the personal file reflected that there was no letter or authority approving the responsibility allowance.

Sharing of Bank Account Number

There was one (1) 1030193473997 bank account that was shared by two staffs in the month of February, 2014. No proper reason was given on how the officers shared one account. It was further noted that there were four (4) staffs as per schedule 19 who are above the age of 60 years and were still reflected in the payroll. The payroll data also reflected that one officer with P/F number 2010157485 had no identification card. No proper explanation was given as to why the staff were still in the payroll and how the officer without ID was employed.

Editing Payroll on Odd Hours

A scrutiny of the payroll data revealed that it is edited during weekends and odd working hours as reflected in Schedule 17. There was no proper explanation as to why the payroll is edited on weekends.

Management Response

The Governor presented as follows:

1. That the said responsibility allowance related to a Mr. Siyad Mohammed Dagane PF No. 20020005485 as opposed to 20005485 and recoveries had since been initiated;
2. The shared bank account number was amended to reflect the two different officers;
3. That Mr. Abdille Yunis Mumin was an officer with disability and hence his retirement age was 65 and not 60;
4. That Mr. Ahmed Mohammed samow was an officer serving on contract which was due to end on 31st July, 2016;
5. That Mr. Abdia Hussein Maalim was issued with notice to retire on 24th March, 2014 and was detached from the payroll from 1st July, 2014;
6. That Mr. Mohamed Boya was retired on 1st July 2014; and
7. That on editing the payroll during weekends; this related to the transfer of records from the National Government to the County Government where officers were working overtime to meet deadlines.

Committee observations

The Committee:

1. Noted that the auditors were not satisfied with the response of the Governor;

2.Further noted that the County had only submitted supporting documents for the officer living with disability.

Committee Recommendations

The Committee having considered and deliberated on the audit query recommends the following-

1. That the county government should adhere to set timelines in terms of submission of documents.
2. Capacity Building of staff should be prioritized by the county government.
3. That the matter remains and a review of compliance be done in the financial year 2014/15

3.7 Statutory Deductions

A review of records relating to statutory deductions and contributions of county staff revealed that an amount of Kshs.63,441,480.15 as shown on schedule 18 was paid as statutory deductions to Kenya Revenue Authority (KRA) and LAPFUND. However, no 20 acknowledgment letter and no documentary evidence to show that the deductions were received by both KRA and LAPFUND. Consequently, it was not possible to confirm if statutory deductions were paid to the right institutions for the benefit of the beneficiaries.

Management Response

The governor presented as follows:

That a total of Ksh. 63,441,480.15 were paid to KRA and LAPFUND as statutory deductions and had subsequently been acknowledged.

Committee observations

The Committee noted that the auditors had verified the documents and were satisfied with the response by the Governor.

Committee recommendation

The Committee recommends that the audit query be cleared.

3.8 The County Public Service Board

Wajir County Government had established Public Services Board in line with sections 57 and 58 of the County Government Act, 2012. However, despite several requests, the files for the board were not produced for audit verification to confirm the qualifications and suitability of the board members. There was no documentary evidence availed to confirm that the County Public Service Board Secretary is a certified Public Secretary or of a profession required by the law. It was further noted that the board does not maintain a register for all the applicants for the jobs that were advertised. The Executive Member of Finance has not provided budget for the board and did not appoint the Secretary of the board as an accounting officer.

The Governor presented that the County Public Service Board members were through a competitive process

Committee Observations

The Committee:

1. That the certificates of the members of the board had not been certified and hence the auditors were not satisfied.
2. The budget of the board had also not been explained; and

Committee Recommendations

The Committee having considered and deliberated on the audit query recommends the following:-

1. That the county government should adhere to set timelines in terms of submission of documents.
2. That the matter remains open and a review of compliance be done in the financial year 2014/15

3.9 Integrated Financial Management Information System (IFMIS)

Wajir County Government installed IFMIS and uses it to handle County expenditure. The County had only utilized Procure to Pay module as at the time of inspection, the other modules such as Plan to Budget, Revenue to Cash Record to Report and ICT to Support are yet to be utilized. However, delays were noted during transaction cycle arising from downtime of IFMIS server thereby affecting their efficiency and necessitating the use of Orange modem.

Management Response

The Governor presented as follows:

1. That the County had challenges as far as capacity in ICT was concerned;
2. That the County had subsequently hired and trained staff in this complement; and
3. That the County was conducting upto 98% of its financial operations through IFIMIS.

Committee observations

The Committee noted that the auditors were satisfied with the response of the Governor.

Committee recommendations

The Committee recommends that the audit query be cleared.

3.10 Information Technology Environment

The County Executive does not have an IT strategic plan that supports operation requirements of the Executive and there were no formally documented and approved processes to manage upgrades and system changes made to all information systems. It was further noted that the backups were not stored in a secure offsite storage facility and were retained in the ICT office. This poses risk for the IT in case of fire or theft. There were no formally documented and approved user management standards and procedures in the organization, documented schedule for routine maintenance and IT strategic Committee. The

server room did not have a register for the persons who access the service indicating time and purpose and there were no service legal agreements between the ICT department and the vendor, no smoke detectors in the server room and disaster recovery plan.

Management Response

The Governor presented and confirmed that the County had an ICT strategic plan, E-readiness and a master plan.

Committee recommendations

The Committee noted that the auditors were satisfied with the response of the Governor.

Committee recommendations

The Committee recommends that the audit query be cleared.

3.11.1 Failure to Maintain Asset Register

The County Executive of Wajir does not maintain permanent and expendable register to record the assets of permanent nature. There were no inventories of the assets maintained showing description of the items, date acquired, where issued to and the location of the items contrary to Regulation 18.5 of the Government Financial Regulations and Procedures.

Management Response

The Governor presented that the County was at the time, in the process of compiling an Asset register

Committee observations

The Committee noted that the auditors were not satisfied with the response:

The Committee recommends that-

1. The CEC Finance should take administration action against the officer in-charge of maintaining the asset register.
2. The CEC Finance should ensure proper keeping of records and undertake capacity building for the relevant officers to ensure efficiency.
3. That the query remains open and a review of compliance be done in the financial year 2014/15.