

**REPUBLIC OF KENYA**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS**

**OF**

**KIRINYAGA COUNTY EXECUTIVE**

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

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

## **EXECUTIVE SUMMARY**

### **Introduction**

The Office of the Auditor General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution and Public Audit Act, 2003. Further, the County Government Act, 2012 replaced the Local government Act Cap 265, thus effectively dissolving all the 175 local Authorities and creating 47 County Governments.

### **Audit Objective**

The objective of the audit was first to ascertain whether the systems formulated and applied by the County Government were reliable for the Management of the County's finances in the delivery of service to the local residents.

### **Terms of Reference**

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

- Budgetary controls and performance
- Annual operational / Activity plans
- Procurement of goods works and services
- Allowances including travelling and accommodation expenses for local and foreign trips.
  - Motor vehicle running expenses – Fuel.
  - Consultancy service.
  - Bursaries.
  - Imprests and advances.
  - Cash and bank balances.
  - Human Resource Records.
  - I T Environment.
  - Non-current assets.
  - AIE's.
  - Debtors.
  - Creditors.

## **Key Audit Findings**

### **1.0 Budgetary Control and Performance**

#### **1.1 Unapproved Expenditure**

The County Executive incurred an expenditure of Kshs. 2,189,036,194.00 as reflected in the expenditure returns for the 16 months period ended 30 June 2014. However, no approval letters from the Controller of Budget to confirm the withdrawal of funds for subsequent spending were made available for audit.

No explanation was given for failure to produce the withdrawal approval letters.

#### **1.2 Incomplete Books of Accounts**

The expenditure returns provided for audit review indicated that the County Executive had incurred an expenditure totalling Kshs.2,189,036,194.00 as at 30 June 2014. However, there were no monthly ledgers to support the expenditure in respect of recurrent and development votes. In addition, it was observed that the county treasury was using the manual vote book and the Integrated Financial Management Information System (IFMIS) concurrently.

The two accounting systems in use did not produce ledger accounts, trial balances, statutory control reports, detailed head/item analysis and AIE expenditure statements complete with grouping of accounts codes in to the prescribed bands as required by Section 5.11.3 of Government Financial Regulations and Procedures.

No explanation was given by the management for its failure to keep proper books of accounts and to produce accounting statements and reports as required by the Government Financial Regulations and procedures.

### **2.0 Expenditure**

#### **2.1 Irregular procurement of spot improvement service of Roads**

The County Government of Kirinyaga procured the services of spot improvement of Kutus – Kianyaga D458 and Kagumo-Kangaita D457 Roads at cost of Kshs.18,136,600.00 and Ksh.18,195,760.00 respectively through use of Restricted Tendering method instead of open tendering method. The cost of each road was over Kshs.5,000,000.00 and use of restricted tendering method was therefore inappropriate. The County should have used open tendering method recommended by public procurement and disposal act 2005.

#### **2.2 Payments of Goods before Delivery**

The County ministry of Agriculture procured and paid in advance for assorted items including seeds and Arabian Bulbs Worth Kshs.2,710,450.00 contrary to procurement procedures.

While these items were procured through competitive quotations, no mention was made to the effect that delivery was to be made after payment.

This arrangement amounted to undue advantage to the supplier over other competing bidders who did not enjoy this benefit. Further, this would have amounted to financing the supplier to make the supplies at prices higher than the cash purchase prices for the procured items.

### **2.3 Unsupported Travel and Subsistence Allowances**

The County Public Service Board incurred expenditure of Kshs.1,323,400.00 in respect of Travel and Subsistence Allowances to its members. However, the following was observed.

- The basis of the per diem paid to the members was not established. No minutes were availed to authorize the payments. No job group or scales was attached to their titles to warrant use of public service rates.
- Refund of fuel/transport was supported by a signed schedule. However, no bus tickets or cash receipts of fuel drawn were attached to the payment vouchers.
- Mode of transport for some journeys could not be established, therefore the propriety of the allowances paid could not be confirmed.
- Without proper supporting documentations the propriety of these payments could not therefore be established.

### **2.4 Doubtful expenditure on shooting a documentary**

The County Government of Kirinyaga had allocated Kshs. 9,719,406.00 for printing and publishing services in the County Executive Ministry of Finance in the financial year 2013/2014. Records showed that out the budget amount Kshs.3,712,240.00 was spent on shooting a documentary for Magical Kenya Travel Expo. However, this payment was not supported by any documentary or any published material.

The County government may therefore not have achieved value for money.

### **2.5 Incomplete Record Keeping Water Projects**

The County government of Kirinyaga spent Kshs.139,153,718.00 in the development and improvement of water and infrastructure in Kirinyaga County in the financial year ended 30 June 2014. From the payment vouchers examined, the County director of Water paid Kshs.42,402,078.00 on 27 June 2014 alone.

The identifying procedure followed was also not clear since there were no projects files maintained containing bills of quantity for accurate planning and showing the quantity of materials used in each project. Further, the materials were delivered directly to the site and were said to be confirmed by the County inspection and acceptance committee, however no stores records were maintained for the same.

The value for money on the expenditure of Kshs.139,153,718.00 on the water infrastructure development could not be confirmed.

## **2.6 Irregular Purchase of water pipes and fittings**

During the financial year under review, the County government of Kirinyaga purchased water equipment and fittings totaling Kshs.86,108,170.00 from various suppliers. However, the County Government opted to buy from middle men who supplied them at higher price than the market value. Although most were shortlisted as potential suppliers at the beginning of the financial year, no quotations were subsequently raised each time the purchase was to be made. This resulted from splitting of tenders which is against the provision of the Public Procurement and Disposal Act and Regulations.

The County government flouted the Public Procurement and Disposal Act and regulations and may also have not gotten value for money.

## **2.7 Unimplemented Projects**

During the financial year under review the County Government of Kirinyaga delivered water pipes and fittings valued Kshs.9,077,550.00 to four projects i.e Riagicheru Water Project- Kshs.3,520,000.00, Murinjuki Water Project- Kshs.2,516,250.00, Kiamichiri- Kshs.1,641,500.00 and Kanjo Water Project- Kshs.1,399,800.00. However, at the time of audit, these plastic pipes had stayed at the site for over eight months without being used. In two projects i.e Murinjuki Water project and Kanjo Water Projects, the pipes are lying in open sunlight and since plastic is destroyed by the sun rays, they may not be useful by the time they will be laid down the ground.

Delayed implementation of these projects could therefore lead to wastage of Public funds.

## **2.8 Garbage Collection**

During the period under review, the County Government of Kirinyaga outsourced the services of garbage collection at Kshs.859,000.00 and Kshs.1,702,000.00 for exhaust services in various locations within the county. However, it was noted that there was no policy framework to be followed while undertaking such activities, there were no procurement minutes, quotations which were provided for audit verification. It was also not clear how the County Government confirms when the garbage is collected and the number of lorry loads delivered since the delivery notes are not raised by a responsible county official to confirm delivery. Further, no committee was in place to confirm whether the work was done. In addition, the County Government own several trucks which can be used in this exercise and no reason was given for not using them in garbage collection.

In the view of the foregoing, the County Government may not have gotten value for money from outsourcing of the Services of garbage collection and exhausters.

## **2.9 Irregularities in Management of Bursary Fund**

The County Government of Kirinyaga disbursed Kshs.50 million in 2013/2014 financial year in respect of Bursaries through to the District Education Officer (DEO) at Kshs.2,500,000.00 per ward. However, it was observed that proper internal controls on preparation, authorization and execution of bursary funds were not instituted to ensure that only deserving cases are awarded, vetting and awarding committee minutes were not produced for audit verification and no acknowledgement letter or receipts from beneficiaries' schools were produced for audit review. Further, records provided for

audit verification showed that there were cheques totaling Kshs.700,000.00 which were un-presented from various districts as at the time of audit. It would appear therefore that the beneficiaries of the bursary funds may have not have been deserving.

Further, a total of Kshs. 10,000,000 in respect of Bursaries disbursed to Kirinyaga Central were not accounted for. The accounting officer did not prepare any payment vouchers, cashbook, ledger or bank reconciliation statement to account for the expenditure.

The propriety of spending the above amount on bursary allocation could not therefore be confirmed and the County Government was also in breach of KCBF Regulation 2014 and Basic Education Act of 2013.

### **2.10 Irregular Procurement**

During the period under review, the County Government of Kirinyaga contracted Nairobi Enterprises to supply Laboratory Equipment at a cost of Kshs.10,991,800.00. However, the contract was procured through quotations although it had exceeded the quotations threshold according to the Public Procurement and Disposal Act. There was no evidence that these items were requisitioned by the recipients. One recipient Kangu dispensaries could not put to use these items because it has no electricity connection.

The expenditure therefore appear unnecessary and wasteful.

### **2.11 Irregular Procurement on Drilling of Borehole**

The County Government of Kirinyaga contracted Geoscience Products Ltd. to drill a borehole at Sagana Health Centre for Kshs.3,794,167.00. However, the winning quotation was received on 11 April 2014 which was three days after the opening date which was indicated to have been carried out on 8 April 2014. This clearly show that the winner was irregularly brought onboard after the other bids were opened and proves that the services of drilling the Sagana borehole were not competitively sourced.

Further, there was no hydrological report to confirm the sustainability and the salinity of water. Upon inspection, it was noted that the borehole drilled was not operational since it was not connected with electrical power.

### **2.12 Doubtful Expenditure on Purchase of Medical Equipment Observation**

The County Government of Kirinyaga contracted Benhax General Supplies to supply medical equipment at contract price of Kshs.4,127,250.00. However, there was no requisition done for these equipment and were not recorded in the stores records. It could not therefore be confirmed if these items were actually delivered.

### **2.13 Irregular Bank Accounts- Kirinyaga Hospital**

During the financial year ended 30 June 2014, Kirinyaga district hospital operated an FIF account no.1104073153 at Kenya Commercial Bank Kerugoya. The National Treasury had directed these accounts to be closed vide their letter Ref AG.3/088/VOL 6./(73) OF 9<sup>th</sup> June 2014 but the account had not been closed as at 28 February 2015. The account has been receiving free maternity deposits from the National Government and NHIF up to the 2 January 2015. Further, payments were made from this account totaling



Kshs.9,435,355.00 in the month of July, 2014. However, the authority to incur this expenditure from the County Government was not provided for audit verification. Therefore the propriety of this expenditure could not be confirmed.

#### **2.14 Non-Compliance with procurement Regulations**

During the year under review, Kirinyaga County Government Procured stationeries valued Kshs.218,000 which were received without a recommendation of the inspection and acceptance committee. Compliance with the quotations specifications could therefore not be confirmed.

#### **2.15 Un-accounted for imprest**

A County Executive Member and staff were paid Kshs.1,745,000.00 in form of imprest to attend various seminars and workshops. However, no attendance register, workshop programme or reports these forums were produced to confirm that such meeting actually took place. Further, it was not clear why such meetings were held outside the county yet such facilities exist within Kirinyaga County. The imprests therefore remains unaccounted for.

#### **2.16 Procurements of Computers**

During the period under review, the County Government of Kirinyaga procured computers and accessories worth Kshs.727,200.00. These computers were procured through floating of quotations. However, the quotations did not have specifications for laptop, I-pad or desktops. Consequently, it was not clear the criteria used by the suppliers to determine the prices to quote for the said goods. The receipt of items was also not confirmed by the inspection and acceptance committee and their quality ascertained. Further, it was observed that the prices were overstated by Kshs. 266,508.00 when compared with the recommended prices by Public Procurement and Oversight Authority.

#### **2.17 Irregular Payment of Services**

During the period under review, Kirinyaga County Government paid Kshs.1,231,280.00 to M/S On-Mobi Kenya for services of analyzing facebook page of the County Government. However, the basis of charging the fees was not clear. Further, the County Government has ICT employees who can carry out this work but were not involved.

It was also observed that the Contract agreement was signed on 9 October 2013 and the County Government paid Kshs.410,640.00 on 11th march 2013, for services which were offered between 27 July 2013 and 27 October 2013. It would appear therefore that payments were made long before the delivery of the services.

#### **2.18 Single sourcing of insurance services**

The county tender committee meeting of 31 July 2013, vide minutes No. 14/31/07/2013, resolved that M/s Disney Insurance Brokers of Nairobi, whose contract was expiring on 31 July 2013, continue providing the insurance services from 31st July 2013 to 31 July 2014.

Further, it was explained that the services were urgently required because the previous cover was about to expire and the procuring committee had just been constituted and therefore there was no time for floating quotations.

The explanation provided was not valid because insurance requirements for motor vehicles are a mandatory and are not emergencies. It was therefore expected that they would include it in the annual procurement plan.

Single sourcing of the insurance services may have denied the County Government the benefits of competitive bidding which may have led to loss of public funds.

### **2.19 Doubtful payment to the Secretary of Culture, Social Services Gender and Sports to facilitate KICOSCA games in Nairobi**

An amount of Ksh.2,098,000.00 was incurred by the County Secretary, Ministry of Gender, Culture and Social Services Youth and Sports to facilitate KICOSCA games held in Nairobi.

It was explained that the money was deposited in the Secretary's account and it was to cater for the allowances and transport expenses of the participants. However, there were no receipts, work ticket or signed schedules by participants were made available for audit verification. In the circumstances, the whole expenditure was not accounted for.

Further, it was observed that the date of each event taking place and the dates for the nights-out were not disclosed. The participants did not acknowledged receipts of the allowances and the County government could have incurred expenditure on the services that were not rendered.

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

## **3.0 Revenue**

### **3.1 Unaccounted For Miscellaneous Receipts**

The revenue collected by Kirinyaga Sub County covering Gichugu, Central Kirinyaga, Mwea and Ndia for the period between 1/7/2013 to 30/6/2014 amounting Kshs.101,230,050. Kshs.2,680,551 compared to Kshs.103,910,601 collected in the same period in 2012/2013.

It was also observed that Seventy three (73) miscellaneous receipts issued out to the revenue collectors in the aforementioned areas, were not accounted for during the period. A perusal of the collection control sheets to confirm the accountability and the subsequent bankings for the respective miscellaneous receipts issued from the Accountable documents section confirmed that the collected revenue was not accounted for.

The non-accountability of miscellaneous receipts could have contributed in the noted drop in revenues collected within the period under review. There is also a risk that the amount collected against these miscellaneous receipt books might have been misappropriated.

### **3.2 Lack of Bank Reconciliation on Revenue Banking Account**

There was no bank reconciliation done between the revenue banked and the corresponding deposits credited to the respective bank accounts.

Whereas all the banking slips were expected to be centrally filed at the bank reconciliation section at the County Finance Office for routine bank reconciliation, the bank slips were kept at the respective revenue division offices un-reconciled.

Errors and frauds may therefore have occurred and passed undetected due to non-preparation of bank reconciliation statements.

### **3.3 Unutilized Development Funds for Infrastructure in Health Centers**

During the financial year 2013/2014, the Ministry of Health Kirinyaga County was issued with an A.I.E of Kshs.129,334,764.00 for infrastructure in health centers. However, it was noted that this development funds voted for 2013/2014 for infrastructure was not utilized. As at 30 June 2014 only ksh.1,010,000.00 had been utilized leaving balance of Ksh.128,314,764.00. No explanation was provided for this undue delay.

Delay in implementation of the projects may have denied the public the benefits that would accrue from such facilities.

### **3.4 Revenue collected but not banked**

During the financial period under review, in the sub-county of Sagana/Kagio an amount of Kshs. 4,305,620 had been collected but had not been banked. This money include Kshs.863,090.00 from, an employee of the County Government who had not surrendered revenue at the time of this audit.

The unaccounted revenue received and not banked may have been lost through fraudulent activities.

## **4.0 CASH AND BANK BALANCES**

### **4.1 Uncontrolled Petty Cash**

The County government of Kirinyaga maintained a petty cash float of Kshs.500,000.00. However, the following observations were made about the reimbursement process;

- (i) The cash float was not recouped as and when exhausted, rather cash withdrawal cheques were haphazardly drawn without any prior basis of support.
- (ii) That petty cashier was holding cash beyond the authorized float of Kshs.500,000 at a time due to the uncontrolled petty cash withdrawals.
- (iii) There were no payment vouchers prepared in support of the said withdrawal cheques and as such there were no controls in place before such cash withdrawals were effected.

- (iv) During the period between 31/7/2013 and 25/6/2014, an analysis of all petty cash cheques, both for Coop bank imprest account and KCB operating account amounting to Kshs.87,256,390 while a corresponding cash payment analysis for the same period showed that Kshs. 77,552,876.80 was paid out leaving a balance of Kshs.9,703,513.20 unaccounted for.
- (v) There was un-surrendered imprest totalling Kshs.4,512,770.00 as at 30 June 2014. The imprests were held by the County treasury cashier as partly paid vouchers after having paid the imprests from the office float.

In the circumstances, this cash management system appears not adequate to safeguard withdrawn cash from mismanagement and pilferages.

#### **4.2 Closure and Transfer of Bank Balances Held By the Defunct Local Authorities**

The bank accounts operated by the defunct Local Authorities within the Kirinyaga County had not been closed as was required as at 11 September 2013.

Further, the bank transactions between 1 July 2013 and the time of closure for all the bank accounts could not be determined since no bank statements were not made available for audit verifications.

No bank reconciliation statements for all the accounts were prepared for the period before their respective closures.

Whereas, there were 21 bank accounts held by the former Local Authorities within the now County Government of Kirinyaga, only 14 banks accounts with a total balance of Kshs 9,059,060 were revealed as at 1 July 2013. The balances held in the remaining Seven (7) bank accounts could not be established. There is high risk of illegal transactions taking place in the secret bank account.

In addition, from the list of closed defunct councils bank accounts provided, two bank accounts namely; KCB a/c 112-957-7236 and a Family bank account no 057-0000-14917 were not included. Their respective bank statements and confirmation certificates of balances therein were not provided. These bank accounts had opening balances as at 1 July 2013 of Kshs.5,745,506.40 and Kshs.159,260 respectively.

Failure to disclose bank balances and bank accounts at the time of the mandatory closure of bank accounts may therefore conceal important facts concerning the accuracy and safety of cash in those bank accounts, and the legitimacy of transactions thereof.

#### **4.3 Un-surrendered Imprests**

It was observed that within the period between 1 July 2013 and 26 June 2014, various officers from different county ministries were issued with imprests for various reasons and as at 30 June 2014 imprests amounting to Kshs.4,552,770 whose surrender dates had lapsed, were still unaccounted for or un-surrendered.

Failure to account for imprests at the due dates may lead to falsification of surrender documents in a bid to clear the outstanding imprests.

## **5.0 Human Resource Management**

### **5.1 Un-Procedural Engagement and Payment of Casuals**

The County Government paid casual wages during the period under review amounting to Kshs.3,309,103.00. However, no provision for employment of casuals was made in the budget of 2013/2014. The basis of the rates of payments used was not known since different rates were used to pay same category of casual workers. Further, there was no documentary evidence to support the involvement of County Public Service Board in the identification and engagement of the casuals as required by the County Government Act 2012.

Without a budgetary allocations, the propriety of the payments could not be ascertained.

#### **Incomplete Staff Head Count Audit**

Transition Authority letter Ref TA/7/3/Vol. 1/67 dated 24 July 2013, directed the County Government to carry out staff audit through head count to confirm job placement and needs assessment for proper management of the human resources aspect of the County. The status of the process was not established since no report was produced by the Executive to confirm that there was proper matching between the payroll and the human resource records to identify the optimal organization structure and job placement for the Country.

Further, confirmation of the existing casuals through head count has not been done by the C.P.S.B so that their plight can be addressed to avoid future costly litigation in relation to the workers who have exceeded the limits of three (3) months.

Without proper head count the existence of the ghost workers cannot be ruled out.

### **5.2 Unpaid Dues**

The County Government as at 30 June 2014 was in debt in respect of leave allowances arrears amounting to Kshs.11,099,060.00, Salary arrears of Kshs.22,943,633.00 for Defunct County Council of Kirinyaga and Kshs.5,199,986.00 for Defunct Town Council of Sagana.

It is the responsibility of the County Public Service Board (CPSB) to deal with the above issues. No action had been taken to confirm and clear the arrears as of May 2014 so as to motivate the affected staff and enhance productivity. Further, this may lead to conflict with the Union that advocate for the staff welfare.

If the debts persists, the county government might face an industrial action from the employees leading to further legal expenditure and may also cause low staff morale.

### **5.3 Double Payment of Devolved Staff**

The county Government paid 52 (fifty two) officers from the Ministry of Youth who also drew salaries from the National Government for the months of January and February 2014. The Ministry of Devolution and Planning through circular no. HRM/IPP/009/VOL.I/2014 dated 18 March 2014 communicated the anomaly. However, no effort has been made to recover the overpayment in spite of the direction given by the ministry to make a claim so as the ministry can initiate the recoveries. Effort to get the total double amount in question from the management was not fruitful.

Without a proper follow-up by the County government, Public funds irregularly paid to these workers could be lost.

### **5.4 Payment of Salaries Outside IPPD Payroll**

A total of Kshs.14,675,880.00 was paid between January and May 2014 to staff who were not in the County Government payroll. They included ECDE Teachers and ESP Health workers. The County Government reasoned that they have not been assigned PIN numbers or Personal number. However, no explanation was given as to why they have not been assigned personal numbers.

Paying of staff without personal numbers could lead to irregular employment and payment of individual who are not staff of the County Government due to lack of proper accountability.

### **5.5 Unsupported Statutory Deductions**

Deductions had been made from the salaries in respect of LAPROFUND of Kshs.5,373,712.00 and LAPTRUST - Kshs.12,550,199.00 as at 31 May 2014 and remitted to the respective statutory bodies. However, no payment vouchers were produced for audit verification. Further, these bodies had not acknowledged receipt of the monies to confirm the expenditure.

Without prove of payments, public funds could be lost through payments to other parties in preference of statutory bodies.

### **5.6 Weaknesses in Human Resource Management**

The County Government did not maintain Correspondences file to record the management of staff matters and other related issues as follows:

- (i) No communication has been made to notify the 58 employees who are due for retirement before the end of the year. This is for ease of processing of their dues.
- (ii) Transfer of all human resource records for the devolved staff has not been done. Further, no staff personal files have been opened for county Government staff for processing matters and correspondences such as leave forms, deployment letters, transfers, and other personal documents.

- (iii) No organization structure has been prepared to match the existing staff to the structure so as to determine overall staff turnover, staffing levels, staff to be retained, transferred, merged, abolished etc. There were instances of mismatch of resources in terms of some staff who were not working according to their job descriptions.
- (iv) No County Government Human Resource policy was made available for audit verification.

Laxity in putting in place strong human resource management systems may lead in job dissatisfaction, chaos, industrial action by the employees and low productivity.

## **6.0 Non-Current Assets**

### **6.1 Procurement of Two Motor Graders**

During the awarding of tender for procurement of two road graders for County Government, it was observed that nine tenderers responded as per tender committee meeting held at the County office on 30 November 2014.

The tender was awarded to a Nairobi based Company, which however was not the lowest bidder, at a price of Kshs.31,820,000.00. Two other bidders who quoted lower prices of Ksh.25,780,000.00 and 26,100,000 respectively, were not subjected to evaluation.

No explanation was provided for awarding the tender to other than the lowest.

Failure by the procuring entity to subject all bidders to evaluation and lack of uniform specifications led to unfair level of competition and hence loss of public funds.

### **6.2 Direct Procurement of Motor Vehicles**

During the financial year under review, the County Government procured vehicles worth Ksh.41,021,800.00 comprising of 2 pick-ups, 4 Cars and 3 Large lorries.

However, it was noted that the County Government did not advertise for the tender to supply these vehicles. Instead, it relied on a list of prequalified suppliers from the National treasury's supplies branch Nairobi without adequate justification for use of this method. It was further observed that procurement of three large tippers at a cost of Kshs.17,100,000.00 was done through appointed sub-committee, which negotiated the price with the dealers instead of advertising the tender in a national newspaper. In this case there was a clear violation of procurement laws and regulations.

The County Government was therefore in breach of procurement laws and they may not have received value for their money.

## **7.0 Unsupported Bursary awards**

During the financial year under review, the County government disbursed Kshs.50,000,000.00 in respect of bursaries to various wards for awarding to deserving cases in the County.

These bursary funds were disbursed to various accounts which were opened by the county government for various wards. The signatories of these accounts were said to be a County Government officials, the chairman bursary fund committee and an Education official. However, the following observations were made.

- (i) No payment vouchers, cashbooks and ledgers were maintained to account for the disbursement of cash to the works. Further no acknowledgement notes were sent from the beneficiary institutions to confirm the receipt of these funds.
- (ii) The cheque books of these funds were kept at the Members of the County Assembly offices. Their role in the payment process was not immediately clear.
- (iii) Payments were made from Baragwi ward fund to Kianyaga secondary school totalling Kshs.25,032.00 for eight students each at Kshs.3,129.00. Out of them, two did not have any fees balance for that term and the bursary fund was carried forward to the following term. It would appear therefore that they were less deserving.

The propriety of payments made from these account could not therefore be ascertained.



**Edward R.O Ouko, CBS**  
**Auditor-General**

**Nairobi**

**18 May 2015**



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

## **Key Audit Findings**

### **1.0 Budgetary Control and Performance**

#### **1.1 Non Availability of Controller of Budgets approval letters for**

##### **Observation**

The County Executive had incurred an expenditure of Kshs.2,189,036,194.00 as reflected in the expenditure returns for the year ended 30 June 2014. However, no approval letters from the Controller of Budget to confirm the withdrawal of funds for subsequent spending were made available for audit.

No explanation was given for failure to produce the withdrawal approval letters.

##### **Recommendation**

Budget approval letters from the Controller of Budget should be submitted to this office for further audit verification.

#### **1.2 Incomplete Books of Accounts**

##### **Observations**

The County Executive had incurred expenditure totaling Kshs.2,189,036,194.00 as at 30 June 2014 as per expenditure returns made available for audit. However, there were no monthly ledgers to support the expenditure in respect of recurrent and development in accordance with Section 5.11.2 and 5.11.4 of the Government Financial Regulations and Procedures.

In addition, it was observed that the county treasury was using the manual vote book and the Integrated Financial Management Information System (IFMIS) concurrently. The two accounting systems in use did not produce ledger accounts, trial balances, statutory control reports, detailed head/item analysis and AIE expenditure statements complete with grouping of accounts codes in to the prescribed bands as required by Section 5.11.3 of Government Financial Regulations and Procedures. Failure by the systems to produce these crucial accounting records, subsequently failed to achieve the purpose of identifying or isolating both expenditure and revenue items.

It was also observed that no reconciliation of accounting data between the manual accounting system and the IFMIS for the expenditure incurred as at 30 June 2014 had been done.

No explanation was given by the management for its failure to produce accounting statements and reports as required by the Government Financial Regulations and procedures.

### **Recommendation**

The County Executive should enhance accountability in the management of the public funds by ensuring that the accounting system in place is effective and efficient. The necessary reports and accounting statements should be easily produced by the system.

### **Management Comments**

The County Executive is undertaking a review of its accounting system and measures have been put in place to enhance accountability of the system including retraining staff on the IFMIS.

## **2.0 Expenditure**

### **2.1 Irregular Procurement of Spot Improvement Service of Roads**

#### **Observations**

The County Government of Kirinyaga procured the services of spot improvement of Kutus – Kianyaga D458 and Kagumo-Kangaita D457 Roads at cost of Kshs.18,136,600.00 and Ksh.18,195,760.00 respectively through use of Restricted Tendering method instead of open tendering method. The cost of both roads was over Kshs.5,000,000.00 and restricted tendering method was applied in the award of tender as opposed to open tendering method recommended by public procurement and disposal act 2005.

#### **Implication**

The County Government of Kirinyaga flouted the procurement laws and procedures and the value for money may have not been achieved.

#### **Recommendation**

The County government management should always comply with the procurement laws and regulations when procuring for goods and services.

#### **Management Response**

The management will improve the procurement procedure to ensure effective compliance with the procurement laws and regulations.

### **2.2 Payments of Goods before Delivery**

#### **Observations**

The County ministry of Agriculture procured and paid for in advance assorted items supplied before their respective deliveries were made contrary to procurement

procedures. While these items were procured through competitive quotations, no mention was made to the effect that delivery was to be made after payment.

This arrangement would have amounted to undue advantage to the supplier over other competing bidders who did not enjoy this benefit. Further, this would have amounted to financing the supplier to make the supplies at prices higher than the cash purchase prices for the procured items. These procurements included;

- (i) The ministry procured various specialized planting seeds directly from K.A.R.I, Katumani Centre amounting to Kshs. 2,212,950 and made payments before the delivery of the seeds. Further, while the deliveries were made, the acknowledgement of official receipts from the Institute, being a Government institute, were not produced. The pro-forma invoices issued by the institute did not bear any pre- printed numbering and thereby casting doubt regarding their genuineness.
- (ii) Further, the ministry ordered for 199 bags Arabican bulbs worth Kshs 497,500 from m/s Wilma Agro ltd vide LPO No.1226514 on 29/1/2014. The payment was made in advance pending delivery which as at the time of audit on 27/6/14 had not been made.

### **Risk**

Production of questionable pro-forma invoices and the consequent non-acknowledgement of official receipts from such a Government Institute upon payment for goods and services may encourage fraudulent attempts on the part of the institute.

### **Recommendations**

In cases where the supplier of goods and services is a Government institution, all the supporting documents provided should be examined to confirm their authenticity. All payments to such institutions should be acknowledged by way of an official receipt.

### **Management Response**

The Management will confirm the issue and make appropriate response upon the receipt of the management letter.

### **2.3 Unsupported Travel and Subsistence Allowances**

The County Public Service Board incurred expenditure of Kshs.1,323,400.00 in respect of Travel and Subsistence Allowances for its members. However, the following observations were made;

- The basis of the per diem paid to the members was not established. No minutes were availed to authorize the payments. No job group or scales is attached to their titles to warrant use of public service rates.

- Refund of fuel/transport was supported by a signed schedule. However, no bus tickets or cash sales/receipts of fuel drawn was attached to the payment vouchers.
- Mode of transport for some journeys could not be established, therefore the propriety of the allowances paid could not be confirmed.

### **Implication**

The propriety of this expenditure cannot be confirmed.

### **Recommendation**

It is irregular to pay an employee more than what is recommended by Salaries and Remuneration Commission (SRC) and the County Government Should Remunerate in accordance to SRC and /or public service rates.

### **Management Response**

The management will provide the supporting documents where possible and will also put in place system to ensure such details are present before payment is made.

## **2.4 Flaws in Procurement Procedures - Kimbimbi District Hospital**

### **Observations**

A total of Kshs.416,160.00 was spent to purchase various items such as for Kimbimbi Sub-District Hospital. However, those items were purchased without raising quotations as required by the Public Procurement and Disposal Act 2005.

### **Implication**

Value for money may not have been obtained from the purchases made

### **Recommendation**

Goods and services should be sourced competitively.

### **Management Response**

Follow-up will be made with the hospital management and appropriate response be made when responding to the management letter.

## **2.5 Doubtful Expenditure on Shooting of a Documentary**

### **Observations**

The County Government of Kirinyaga had allocated Kshs. 9,719,406.00 for printing and publishing services in the County Executive Ministry of Finance in the financial year 2013/2014. Records showed that an amount of Ksh.3,712,240.00 was paid to IT fashion Ltd P.O Box 180, Kutus for proving field event organizers for Magical Kenya travel expo stand #92 at KICC from 18 -20 - Oct 013.

The payment was processed vide Department VR No.2279 of 18/2/014 for ksh.3,712,240.00, LPO No.0927362 and an invoice dated 22/11/013.

The bidder was supposed to carry out the following

- a) Concept origination
- b) Detailed exhibition floor plan
- c) Proposal of relevant media to use
- d) Supportive relevant drafts publications

However,

- i. The Ministry of Information and Broadcasting was not involved to provide technical information in this field as required by regulations.
- ii. Though details of the video shooting were attached to the payment voucher it was not indicated whether the film/video was online so as to meet the intended purpose of advertising the county.
- iii. The documentary that was produced and publishing were not produced for our verification.

### **Risk**

The County Government value for their in money in this project may not have been achieved.

### **Recommendation**

Please comment/explain how this video has advertised the county and whether you have realized any tangible benefits.

### **Management Response**

Management to consult with the ICT department and make appropriate response.

## **2.6 Single Sourcing of Insurance Services to County Government Vehicle**

### **Observations**

The county tender committee meeting of 31st July 2013, vide minutes No. 14/31/07/2013, resolved that M/s Disney Insurance Brokers of Nairobi, whose contract was expiring on 31st July 2013, continue providing the insurance services from 31st July 2013 to 31st July 2014.

Further, it was explained that the services were urgently required because the previous cover was about to expire and the procuring committee had just been constituted and therefore there was no time for floating quotations.

The explanation provided was not valid because insurance requirements for motor vehicles are a `must` and are not emergencies. It was therefore expected that they would plan for it in the annual procurement plan.

**Risk**

Denying the government the benefits of competitive bidding which may have led to loss of public funds.

**Recommendation**

The accounting officers should be held responsible for any loss that may occur out of above stated transactions.

**Management Response**

The management to make a comprehensive response on this issue

**2.7 Doubtful Expenditure for Culture, Social Services Gender and Sports to facilitate KICOSCA games in Nairobi****Observations**

An amount of ksh.2,098,000.00 was incurred by the County Secretary, Ministry of Gender, Culture and Social Services Youth and Sports to facilitate KICOSCA games held in Nairobi.

The payment was processed vide department VRNo.042 of 30/8/013 as paid in cash/book VR No.851 of 30/8/2013.

- i. It was explained that the money was deposited in the Secretarie's account and it was to cater for the allowances and transport of the participants. However, there were no receipts, work ticket, signed schedules by participants. In the circumstances, the whole expenditure was not accounted for.
- ii. The date of each event was taking place and the date's nights-out was not disclosed.
- iii. The participants did not acknowledged receipts of the allowances.

**Risk**

The County Government might have incurring expenditure on services that were not provided.

**Recommendations**

Please explain why the secretary, participants could not take the imprest and then surrender after the exercise as required by regulations.

The county secretary ministry of Culture, social services Gender and sports should refund the whole amount of Kshs. 2,098,000.00, if the amount cannot be supported.

## **Management Response**

The management requested time to investigate the issue and make appropriate response.

### **3.0 Revenue**

#### **3.1 Unaccounted For Miscellaneous Receipts**

##### **Observations**

The revenue collected by Kirinyaga Sub County covering Gichugu, Central, Mwea and Ndia for the period between 1/7/2013 to 30/6/2014 was Kshs.101,230,050. There was a noted decrease of revenue collection of Kshs.2,680,551 as compared to Kshs.103,910,601 collected in the same period in 2012/2013.

However, 73 miscellaneous receipts issued out for revenue collection to the collectors in the said areas above, were not accounted for during the period from 1/7/2013 to 30/6/2014.

Further, the noted miscellaneous books were not produced to confirm the amounts collected by each of the unaccounted for miscellaneous receipts and the respective subsequent amounts that were not banked. The non-accountability of these miscellaneous receipts could have contributed in the noted drop in revenues collected within the period under review.

##### **Risk**

The amounts collected against these miscellaneous receipt books might have been misused.

##### **Recommendations**

The listed miscellaneous receipt books should be produced and the amounts collected thereof be established and accounted for (by banking).

The collectors responsible for these books should be identified and cautioned for the delayed or non-remittances of revenue.

##### **Management Response**

The follow-up would be made with the relevant revenue officers and appropriate response be made.

#### **3.2 Lack of Bank Reconciliation on Revenue Banking Account**

##### **Observations**

Generally, there was no bank reconciliation done between the revenue banked and the corresponding deposits credited to the respective bank accounts. Whereas all the banking slips were expected to be centrally filed at the bank reconciliation section at the County Finance Office for routine bank reconciliation, the bank slips were kept at the respective revenue division offices un-reconciled.

### **Risk**

Failure to carry out routine bank reconciliation on revenue banked would open room for abuse and loss of revenue, either by the revenue collectors or even by the bank staff either by intention or error. Any such omissions and errors by the bank may not be detected early for corrective measures.

Further, the banking slips may be used fraudulently to make multiple supports for revenues collected.

### **Recommendation**

It is recommended that a bank reconciliation statements should be prepared on a regular basis and be reviewed by a more responsible officer.

### **Management Response**

The management explained that this is being prepared and they will be produced for audit verification once complete.

## **3.3 Unutilized Development Funds for Infrastructure in Health Centers**

### **Observations**

During the financial year 2013/2014, the Ministry of Health Kirinyaga County was issued with an A.I.E of Kshs. 129,334,764.00 for infrastructure in health centres. However, we noted that development funds voted for 2013/2014 for infrastructure was not utilized. At the time of audit only ksh.1,010,000.00 was spent leaving a balance of ksh.128,314,764.00 was outstanding. No explanation was provided for this undue delay or whether the unutilized funds were intact.

### **Risk**

Failure to provide the public with essential services.

### **Recommendation**

Explain the position of the unutilized funds as at the closure of the financial year. Further comment on why you did not implement the stated projects during the financial year.

### **Management Response**

There was no architect and the Quantity Surveyor hence the delay. However, some work were commenced although it had not been completed at the time of the audit and was consequently rolled over to the following financial year.



### **3.4 Revenue collected but not banked**

#### **Criteria**

The County government should ensure that all revenue collected is banked intact. All the revenue collected is received in the system through billing and the same cleared from the system through surrender of banking slips.

#### **Observations**

During the financial period under review, in the sub-county of Sagana/Kagio an amount of Kshs. 4,305,620 had been collected but had not been banked. This money include Kshs.863,090.00 from one collector who has not surrendered revenue at the time of this audit as follows;

#### **Implication**

The money collected without banking may have been lost.

#### **Recommendation**

The County government to explain how the unbanked amount was accounted for

#### **Management Response**

The management will investigate and make appropriate response.

### **4.0 CASH AND BANK BALANCES**

#### **4.1 Uncontrolled Petty Cash Withdrawals**

#### **Observations**

The County Executive of Kirinyaga maintained the petty cash float at Kshs.500,000.00. However, the following observations were made about the reimbursement process;

The cash float was not recouped as and when exhausted, rather cash withdrawal cheques were haphazardly drawn without any prior basis of support.

That petty cashier was holding cash beyond the authorized float of Kshs. 500,000 at a time due to the uncontrolled petty cash withdrawals.

It was observed that there were no payment vouchers was prepared in support of the said withdrawal cheques and as such there were no controls in place before such cash withdrawals were effected.

During the period between 31/7/2013 and 25/6/2014, an analysis of all petty cash cheques, both for Coop bank imprest account and KCB operating account amounting to

Kshs.87,256,390 was done. A corresponding cash payment analysis for the same period showed that Kshs.77,552,876.80 was paid out leaving a balance of Kshs.9,703,513.20.

There was un-surrendered imprest totalling Kshs.4,512,770.00 which was issued on diverse dates. They were held by the County treasury cashier as partly paid vouchers after having paid the imprests from the office float.

### **Risk**

There was no control of petty cash withdrawals and the amounts withdrawn were not based on amounts spent but by the decision of the designated bank signatories. As such abuse of this facility could not be entirely ruled out.

### **Recommendations**

It is recommended that: Firstly, only the amounts spent out of the authorized petty cash float be reimbursed at a time to restore the authorized cash float.

Secondly, that to avoid frequent withdrawals, the cash float be increased and proper controls be initiated to monitor usage and subsequent recoupment/reimbursements of the petty cash.

Thirdly, the County Government should explain why there is large amount of outstanding unsurrendered imprests.

Finally, the management should also ensure that all reimbursement cheques are supported by the payment vouchers.

### **Management Response**

The County maintain an analysis cashbook, when the cash is exhausted, a cheque is written from the operations account which is controlled by the analysis cashbook hence no need to maintain petty cash floats.

## **4.2 Closure and Transfer of Bank Balances Held By the Defunct Local Authorities Observations**

The bank accounts operated by the defunct Local Authorities within the Kirinyaga County had not been closed as was required as at 11/9/13. However;

The bank transactions between 1/7/2013 and the time of closure for all the bank accounts could not be determined since no bank statements were made available for audit verifications.

No bank reconciliation statements for all the accounts were prepared for the period before their respective closures.

Whereas, there were 21 bank accounts held by the former Local Authorities within the now County Government of Kirinyaga, only 14 banks accounts with a total balance of

Kshs 9,059,060 were revealed as at 1/7/13. The balances for the remaining below 7 bank accounts could not be established.

From the list of closed defunct councils bank accounts provided, two bank accounts namely; KCB a/c 112-957-7236 and a Family bank account no 057-0000-14917 were not included. Their respective bank statements and confirmation certificates of balances therein were not provided. These bank accounts had opening balances as at 1/7/2013 of Kshs 5,745,506.40 and Kshs 159,260 respectively.

### **Risk**

Failure to disclose bank balances and bank accounts at the time of the mandatory closure of bank accounts may conceal important facts concerning the accuracy of bank balances.

### **Recommendations**

It is recommended that; the status of all the 21 bank accounts should be determined, that all the transactions between 1/7/14 to the time of closure should be established, that the balances at the time of closure must be confirmed to agree to the amounts credited in the receiving bank accounts upon closure and all outstanding bank reconciliation issues before closure be determined and cleared.

### **Management Response**

The County treasury to provide the correspondences with the banks to show that the accounts were closed down as directed.

## **4.3 Unsurrendered Imprests**

### **Observations**

It was observed that within the period between 1/7/2013 and 26/6/2014, various officers from different ministries were issued with imprests for various reasons. However, as at the time of audit, imprests amounting to Kshs 4,552,770.00 whose surrender dates had lapsed, were still unaccounted for and unsurrendered.

### **Risk**

Failure to account for imprests at the due dates may lead to falsification of surrender documents in a bid to clear the outstanding imprests.

### **Recommendations**

The County Government should adhere to the laid down policies on accounting for imprests within forty eight (48) hours after returning to the office and that all long outstanding imprests should be recovered from the respective imprest holders.

## **Management Response**

Management is looking at the issue and will make appropriate response when responding to the management letter.

### **5.0 Human Resource management Observations**

#### **5.1 Un-procedural/Doubtful Engagement and Payment of Casuals**

The County Government paid casual wages during the year amounting to Kshs.3,309,103.00. However, no provision for employment of casuals was made in the budget in the year 2013/2014. The basis of the rates of payments used was not known since different rates were used to pay same tasks. The CPSB was not involved in the identification and engagement of the casuals as required.

#### **5.2 Staff Head Count Audit**

Transition Authority letter Ref TA/7/3/Vol. 1/67 dated 24 July 2013, directed the County Government to carry out staff audit through head count to confirm job placement and needs assessment for proper management of the human resources aspect of the County. The status of the process was not established since no report was availed by the Human Resource Manager to confirm that there was proper matching between the payroll and the human resource records to identify the ghost workers.

Further, confirmation of the existing casuals through head count has not been done by the C.P.S.B so that their plight can be addressed to avoid future costly litigation in relation to the long outstanding casuals.

#### **5.3 Unpaid Dues**

The county Government was in debt in respect of leave allowances arrears amounting to Kshs.11,099,060.00, Salary arrears of Kshs.22,943,633.00 for Defunct County Council of Kirinyaga and Kshs.5,199,986.00 for Defunct Town Council of Sagana.

Whereas it's the responsibility of the CPSB to deal with the above issues, no action has been taken to clear the arrears as at May 2014 so as to motivate the affected staff and promote their productivity. This may lead to conflict with the Union that advocate for the staff.

#### **5.4 Double Payment of Devolved Staff**

The county Government paid 52 (fifty two) officers from the Ministry of Youth, who also drew salaries from the National Government for the months of January and February 2014, therefore double paying them. The Ministry of Devolution and Planning had communicated the anomaly to the County Government. However, no effort has been made to recover this most needed funds in spite of the direction given by the ministry to make a formal claim so that recoveries can be effected. The actual amount paid could also not be immediately be established by the payroll department due to complications of the payroll system used by the County Government.

### **5.5 Payment of Salaries Outside IPPD Payroll**

A total of Kshs.14,675,880.00 was paid from Jan14 – May14 to staff who are not in the County Government payroll. They included ECDE Teachers and ESP Health workers. The County Government reasoned that they have not been assigned PIN numbers Personal number. However, no explanation was given on why they have not been assigned personal numbers.

### **5.6 Unsupported Statutory Deductions**

Deductions had been made from the salaries in respect of LAPROFUND of Kshs.5,373,712.00 and LAPTRUST - Kshs.12,550,199.00 as at May 2014 and remitted to the respective statutory bodies. However, no payment vouchers were produced for audit verification. Further, these bodies have not acknowledged receipt of the monies to confirm the expenditure.

### **5.7 Weaknesses in Human Resource Management**

Correspondences file were not maintained in the department to access the management of staff matters and other related issues i.e. report on the Head Count exercise. The status of the following issues was also not established;

- No communication has been made to notify the 58 employees who are due for retirement before the end of the year. This is for ease of processing of their dues.
- Management systems have not been put in place to organize transfer of all human resource records for the devolved staff. Further, no staff personal files have been opened for county Government staff to file correspondences such as leave forms, deployment letters, transfers, and other personal documents.
- No organization structure has been prepared to match the existing staff to the structure so as to determine overall staff turnover, staffing levels, staff to be retained, transferred, merged, abolished etc. Idle resources on some staff not working according to their job descriptions was not confirmed.
- Guidelines on terms and conditions of service for all staff have not been put in place to determine and manage emoluments, salaries, leave entitlement etc.
- No County Government Human Resource policy was made available for audit verification.

### **Implications**

On long servicing casuals, the County Government was in breach of the employment Act of 2007 section 35(1).

- On staff audit through head count, the County Government was contravention of the Transition Authority directive. This has also led to the misplacement of staffs such that there are some departments which are overstaffed while others are understaffed.

- The role of the Human resource Manager has not been confirmed.

## **Recommendations**

- Long serving casual's issues should be streamlined according to the provisions of the employment Act 2007 section 35(1).
- On staff audit through head count, the C.P.S.B should be facilitated to finalize the process. This will in turn facilitate proper placement and comprehensive need assessment of all the staffs.
- The role of the Human Resource Manager should be confined so as to correspond with the role of the CPSB on human resource Management.

## **Management Response**

The management will make appropriate response when responding to the management letter. However they concurred with observations 8.4, 8.5 and 8.6.

## **6.0 NON-CURRENT ASSETS**

### **6.1 Flawed Procurement Procedures on Procurement of Two Motor Graders Observations**

#### **Tendering and Award of Contract**

During the awarding of tender for procurement of two motor graders for County Government, it was observed that nine tenderers responded as per tender committee meeting held at the procurement office on 26/11/2013 at 12.00 noon.

However the following observations were made,

- i). Records showed that M/S Auto Sueco Kenya LTD flouted two proposals, each for a different type of a grader which were treated as two independent proposals. The number of the items on each proposal was inaccurate and therefore did not qualify. This violates section 31 5 of the disposal act 2005.
- ii). The tender was awarded to M/s Avic Shantui Construction Machinery LTD at a price of 31,820,000.00. However, audit verification showed, M/s Avic Shantui Construction Machinery LTD were not the lowest bidders.
- iii). Further, review of the audit documents revealed that Holman's Brothers E.A Ltd and Car and General Ltd, who quoted for the price of Ksh.25,780,000.00 and 26,100,000 respectively, were not subjected to evaluation . Holman's Brothers E.A Ltd bids were allegedly received late and no explanation was provided for not considering Car and General for evaluation. This contravenes section 38 1 b of

the disposal Act. Further, tender document for Car and General, were not provided contrary to section 56 1 of the disposal act 2005.

- iv). A close scrutiny of tender documents for Holman's Brothers revealed that they were received and opened and if they were late, then that was contrary to section 38(1) and 58(3) of the disposal act 2005.
- v). Further, specifications of the motor graders were not similar and the procuring entity did not indicate the currency to be used by the interested bidders. This contravenes section 52 (3) and 34 (1) of the public procurement and disposal act 2005.

### **Expenditure**

M/S Avic Shantui Machinery construction was paid for the supply of the graders vide payment voucher no. 2109 of 14.11.2013

### **Implication**

Failure by the procuring entity to subject all bidders to evaluation and lack of uniform specifications leads to unfair level of competition and hence loss of public funds.

### **Recommendations**

- (i) The County Government Provide evidence to confirm that Holman's Brothers tender document were indeed received late and was therefore not eligible for evaluation.
- (ii) Explain why Car and General was not considered for evaluation.
- (iii) Explain why public procurement procedures were flouted.

### **Management Response**

Holman brother and Car and General turned out that they were one company during the evaluation process. Head of Supply chain to produce the documents to prove that this was the case and appropriate response would be made after receipt of the management letter.

## **6.2 Direct Procurement of Motor Vehicles**

### **Observations**

During the financial year under review, the county government of Kirinyaga procured vehicles worth Ksh.41,021,800.00 comprising of 2 pick-ups,4 Cars and 3 Large tipper lorries. However, it was noted that the County Government did not advertise for the tender to supply these vehicles. Instead it relied on a list of prequalified suppliers from the National treasury's supplies branch Nairobi. It was further observed that procurement of three large tippers at a cost of Kshs.17,100,000.00 was done through appointed sub-committee, which negotiated the price with the dealers instead of

advertising the tender in a national newspaper. In this case there was a clear violation of procurement laws and regulations.

### **Implications**

The County Government was in breach of procurement laws and they may not have received value for their money.

### **Recommendations**

The County Government should explain why it did not comply with the Public Procurement and Disposal Act and Regulation while purchasing vehicles above.

### **Management Response**

The County Government used the Government tenders which is an option available to the County Government.

## **7.0 Weak Internal Audit Department**

### **Observations**

The following weaknesses were identified regarding the functioning of the internal audit unit:

- The Internal audit department do not prepare regular audit reports for the management. The work-plan and their budget were not in place and it was not possible to establish if they completed their work as planned.
- Internal audit has no annual audit plan and no internal audit charter.
- There were no documentation of the audit steps, programmes and the audit evidence obtained in the course of their work.
- There were no progress reports by the internal audit department to the County Secretary regarding their work.

### **Implication**

The Internal Audit department is not well equipped to check the activities of the County Government.

### **Recommendations**

The Internal Audit department should prepare a charter, strategic plan and the annual audit plan in order to carry out their work in a professional manner.

Further, audit work should be well documented and reviewed by a more responsible officer. There should also be an audit committee which the internal Audit department should report to.



## **Management Response**

The management stated that the internal audit department is now well staffed and have started reporting and all the issues would be streamlined in the subsequent financial year.

## **8.0 Bursary Awards**

### **Observations**

During the financial year under review, the County government disbursed Kshs.50,000,000.00 in respect of bursaries to various wards for awarding to deserving cases in the County.

These bursary funds were disbursed to various accounts which were opened by the county government for various wards. The signatories of these accounts were said to be a County government official, the chairman bursary fund committee and an Education official. However, the following observations were made about this balance;

There were no vouchers, cashbooks and ledgers which were maintained to account for the disbursement of cash to the county, no acknowledgement notes were sent from the beneficiary institutions to confirm the receipt of these funds and there was do documents provided to confirm the identity of the signatories.

It was also noted that the cheque books of these funds were kept at the Members of the County Assembly offices. Their role in the payment process was not immediately clear.

Further, Payments were made from Baragwi ward fund to Kianyaga secondary school totalling Kshs.25,032.00 for eight students each at Kshs.3,129.00. Out of them two did not have any outstanding fees balance for that term and the bursary fund was carried forward to the following term. It would appear therefore that they were less deserving.

### **Implication**

The propriety of payments made from these account could not be confirmed and therefore the entire amount of Kshs.50,000,000.00 could not be accounted for.

### **Recommendations**

Firstly, the County government should ensure that there is a bill passed by the County Assembly to regulate the disbursement of the bursary funds,

Secondly, all the bursary beneficiaries must send an acknowledgement note to the county government to confirm receipt of money,

Thirdly, the identity of signatories of this bank account should be produced for audit verification,

Fourthly, the role of the members of the County Assembly should be clarified and especially why the cheque books were maintained in their offices. They should be maintained by a responsible County Government official and;

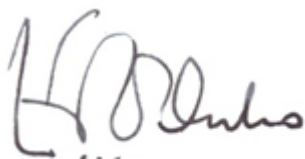
Finally, the County government should ensure that the process of vetting the deserving cases is transparent to avoid issuing the funds to students who do not deserve.

### **Management Response**

The accounting will be made by the sub-county administrators. The County treasury releases the funds through an AIE to the Sub-county Administrators who are expected to make returns.

### **Conclusion**

From the foregoing audit findings, it is clear that Internal Controls both financial checks and managerial are yet to be properly instituted.



**Edward R.O Ouko, CBS**  
**Auditor-General**

**Nairobi**

**18 May 2015**