

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS OF  
COUNTY ASSEMBLY OF TURKANA**

**FOR THE PERIOD  
1 JULY 2014 TO 30 JUNE 2015**

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

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## EXECUTIVE SUMMARY

### Introduction

The Auditor-General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution of Kenya and the Public Audit Act, 2003. Further, the Constitution and Section 107 of the Public Finance Management Act, 2012 requires the County Treasury to adhere to the principles of public finance.

### Audit Objectives

The objective of the audit was to ensure existence of internal controls for proper accountability of Public resources, confirm that procurement of goods, works and services was done in accordance with the Public Procurement and Disposal Act, 2005 and related regulations and that public funds have been utilized effectively and in accordance with the law.

### Terms of Reference

The terms of reference set for the management and financial operations audit of the Turkana County Assembly for the period 1 July 2014 to 30 June 2015 included the following audit objectives.

- Assessment of controls over management of cash and bank accounts.
- Assessment of controls over management of assets under the control of the County Assembly.
- Assessment of compliance with the procurement laws in process of acquisition of goods or services.
- Assessment of compliance with Public Finance Management Act, 2012 in the utilization of public funds.
- Compliance with other relevant laws and regulations.
- To ascertain the confidentiality integrity and availability of financial and other information used by management in the utilization of public funds.
- To confirm that all necessary supporting documents, records, and accounts have been kept in respect of all transactions.

## **Methodology**

The audit was carried out through:

- Review of applicable legislation and regulations;
- Examination of expenditure records including payment vouchers and supporting documents, cash books, vote books, bank statements, bank in slips, miscellaneous receipts, procurement documents, stores records, asset registers and other related records;
- Interviews with key officers at the County Assembly.
- Review of minutes of various meetings where there were resolutions regarding utilization of public funds;
- Physical inspection and verifications;
- Observation of processes and activities.

## **Scope and Determination of Responsibilities**

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

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

The formulation and maintenance of effective control measures and compliance with laws and regulations is the responsibility of the management. My responsibility is to report on the weaknesses and non-compliance with the Laws and regulations identified in the course of the audit.

The following sections highlight key audit findings noted during the audit of the financial operations for the year ended 30 June 2015.

## **Key Audit Findings**

### **1.0 Budgetary Performance and Controls**

Audit review of the budget and expenditure records revealed that the County Assembly had an approved budget of Kshs.951,887,744 for the year 2014/2015 out of which Kshs.476,887,744 or approximately 50.1% was for recurrent expenses while Kshs.475,000,000 or approximately 49.9% was for Development costs. The expenditure reports available indicate that a total of Kshs.693,963,320 was utilized during the year ended 30 June 2015.



During the year 2013/2014, approved budget amounted to Kshs.1,196,834,342 out of which Kshs.1,111,834,342 or approximately 92.9% was for recurrent vote while Kshs.85,000,000 or approximately 7.1% for development vote. During the same period, expenditure incurred amounted to Kshs.693,484,272 or approximately 57.9% of the budgeted expenditure.

### **1.1 Under/Over Spent Recurrent Expenditure**

According to the expenditure returns, the Assembly overspent on ten (10) expenditure items by Kshs.100,505,463.34 and underspent on ten (10) other items by Kshs.33,429,886.55 and no reason has been provided for non-adherence to the approved budget or why the over/under expenditure was not regularized before the end of the financial year as required.

### **1.2 Under-utilized Development Expenditure**

The County Assembly had approved development expenditure budget of Kshs.475,000,000 out of which an expenditure of Kshs.150,000,000 was incurred through a transfer to the Car Loan and Mortgage Scheme for Members of the County Assembly and the Speaker resulting in an under expenditure of Kshs.325,000,000 or approximately 68% of the approved budget. Three expenditure items with an approved budget of Kshs.235,000,000 recorded nil expenditure.

No reason has however been provided for not utilizing the funds in accordance with the approved budget. Non-adherence to the budget is in breach of the law and denial of services to the people of Turkana.

## **2.0 Cash and Bank Balances**

### **2.1 Understatement of Opening Bank Balance**

Examination of the cash book and the bank reconciliation statement in respect of KCB bank account as at 30 June 2014 revealed a cash book balance of Kshs.308,680.28. However, according to the cash book, the amount was reported as Kshs.135,055.25 on 1 July, 2014 resulting in a variance of Kshs.173,625.03 which has neither been explained nor reconciled. Consequently there is risk of loss of public funds through inaccurate recording or understatement of cash.

### **2.2 Failure to Surrender End of Year Surplus Cash Balances**

Audit review of the cash book, the bank statement and the bank reconciliation statement for the month of June, 2014 revealed that the County Assembly had a cash book balance of Kshs.308,680.28 as at 30 June, 2014. The unutilized funds were however not surrendered to the County Exchequer account within the stipulated period.

The management therefore contravened the provisions of the Public Finance Management Act, 2012 in regard to the unspent funds and no reason or explanation has been provided for not complying with the law.

### **3.0 Failure to Observe One Third Staff Establishment Rule**

Audit review of the payroll for the month of June 2015 revealed that Turkana County Assembly had a staff establishment of 221 (two hundred twenty one), out of whom 212 (two hundred and twelve) or 96% of staff are from the same ethnicity leaving only 9 (nine) or 4% from other ethnicities Contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008. This act requires that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community. .

Consequently management is in contravention of the one third ethnic diversity rule on staff establishment as a means of promoting national unity.

### **4.0 Unsecured Car and Mortgage Scheme Loans**

The County Assembly established a car and mortgage scheme fund for its members through the Turkana County Assembly Car Loan (Members) Scheme Fund Regulations, 2014 dated 1 February 2014. On 15 August 2014, an amount of Kshs.150,000,000 was transferred to the fund account held with Cooperative Bank of Kenya, Lodwar Branch.

Information available indicates that on 17 September 2014 an amount of Kshs.96,000,000 was advanced to the 47 Members of the County Assembly and the speaker, each receiving Kshs.2,000,000 towards the purchase of motor vehicles.

On 27 November 2014 an amount of Kshs.54,001,102 was advanced to the 47 MCAs and the speaker in respect of mortgage based on members ability to repay subject to a maximum of Kshs.3,000,000.

However, the Administrators of the two schemes did not prepare and submit financial statements in respect of the funds as required by Section 15(1)(d) of the Car Loan Scheme and section 18(1)(d) of the Mortgage Fund. Further, no logbooks were provided in respect of the 48 car loans advanced to the 47 MCAs and the speaker to confirm that the vehicles were jointly registered between the County Assembly Service Board and the members and kept by the administrator as required by the regulation.

In addition, the mortgage applications were not accompanied by copies of the designs of proposed residential properties, bills of quantities, official search of title to the property to be purchased and copies of the title deeds of the properties.

### **5.0 Unsupported Training Expenses**

Audit review of the budget revealed that staff training was allocated Kshs.13,000,000 in the 2014/2015 financial year. Available expenditure reports revealed that a total of Kshs.16,923,443 was utilized during the year on both local and international trainings attended by various officers of the County Assembly.

However, the County Assembly did not have a training committee in place within the HR department to plan, organize coordinate and recommend appropriate trainings and approve programmes for the County Assembly staff among other functions. It is

not therefore clear how officers who attended various trainings during the year were identified.

In addition, a total of Kshs.6,958,873 was spent on international trainings, most of which are available locally, and there was no justification as to why the trainings could not be conducted locally. The training expenditure was also not adequately supported with copies of passports and certificates as proof of travel and attendance.

Consequently public funds could have been lost through trainings that did not take place or those programs that are not beneficial to the County Assembly and citizens of Turkana County.

## **6.0 Irregular Procurement of Goods and Services**

### **6.1 Single Sourced Motor Vehicle and Staff Medical Insurance**

Examination of expenditure records revealed that during the year under review, the Turkana County Assembly paid Kshs.12,744,727 to an insurance firm towards staff and members of the County Assembly medical insurance and Kshs.5,879,703 in respect of motor vehicle insurance. During the same period, the Assembly paid an amount of Kshs.4,815,594 to a medical service facility in respect of staff and members medical expenses. In addition, staff and MCAs were paid a total of Kshs.165,789 as refund for medical expenses whereas there was a medical cover in force.

Procurement of the staff medical cover and the motor vehicle insurance was single sourced, contrary to Section 29(1)(4) of the Public Procurement and Disposal Act, 2005. The Act recommends the use of open tender on public procurements. In addition, the policy/contract agreement detailing the terms and conditions of the medical cover and also confirming the existence of the cover was not availed for audit review.

Consequently, the propriety of the expenditure of Kshs.18,624,430 on medical and motor vehicle insurance could not be confirmed.

### **6.2 Single Sourcing of Air Ticketing Services**

Examination of expenditure records relating to air travel for the year ended 30 June 2015 revealed that the County Assembly made payments to four (4) firms for air ticketing services amounting to Kshs.20,495,573 without going through competitive bidding process as required by Section 29 of the Public Procurement and Disposal Act, 2005. In addition, the payments were not supported by details of the travellers' destinations and individual cost.

Consequently the propriety of the expenditure of Kshs.20,495,573 could not be confirmed.

### **6.3 Irregular Hire of Motor Vehicles**

Audit examination of expenditure records relating to hire of motor vehicles revealed that the assembly incurred an amount of kshs.8,631,490 on hire of motor vehicles without competitive bidding process. It was also noted that some payees were not



prequalified for provision of the transport service while some were not the owners of the vehicles as per the copies of the log books provided for audit review.

No reason was provided for hire of vehicles without inviting for competitive bids and no explanation has been provided on how the rates charged were determined. Consequently, the propriety of the expenditure of Kshs.8,631,490 could not be confirmed.

#### **6.4 Single Sourcing of Firefighting and Water Equipment**

Audit review of expenditure records relating to purchase of firefighting equipment revealed that a total of Kshs.9,774,080 was paid to a supplies firm for supply of firefighting and water equipment through payment voucher no.744 dated 28 October 2014 for Kshs.5,000,000 and payment voucher No.915 dated 10 December 2014 for Kshs.4,774,080 as per local purchase order No.2038190. The procurement was however, done without going through competitive bidding process as required by Section 29 of Public Procurement and Disposal Act, 2005. Further, there was no report of the Inspection and Acceptance Committee to confirm that the goods received were of the right quantity and quality as ordered.

Consequently, the propriety of the expenditure of Kshs.9,774,080 could not be confirmed.

#### **6.5 Irregular Payment for Purchase of Tablets**

Examination of expenditure records revealed that a payment of KShs.1,000,000 was made to a supplies firm in respect of supply of tablets for the MCAs. However, the payment was not authorized by the accounting officer as required by the Public Finance Management (County Government) Regulations, 2015. The payment was also not supported with an LPO, quotations, delivery notes, minutes of the Inspection and Acceptance Committee and a list of recipients who were issued with the tablets.

The items were also not recorded in the assets register for the purpose of monitoring and safeguarding of government assets as required by the regulation.

Consequently, the propriety of the expenditure of Kshs.1,000,000 incurred on purchase of tablets could not be confirmed.

### **7.0 Domestic and Foreign Travelling Claims/ Allowances**

#### **7.1 Unsupported Foreign Travel**

Audit review of foreign travel records revealed that during the year under review, amounts totalling Kshs.22,644,312 were paid in respect of subsistence and foreign travel. The expenditure however, was not supported with the necessary documents such as copies of passports, boarding passes, or motor vehicle work tickets in case of travel to Southern Sudan and Uganda, contrary to Section 5.5.14 of the Government Financial Regulations and Procedures.

In addition, the amounts were not issued in form of imprest as required by Section 5.6 of the Government Financial Regulations and Procedures, but were instead expensed at the time of issue.

Further, various committee meetings were held in Moroto Uganda and no reason was provided for not holding such meetings in Kenya.

Consequently the propriety of the expenditure of Kshs.22,644,312 could not be confirmed and the expenditure is a waste of public funds through payment for journeys that may not have taken place. Further, there is risk of wastage/loss of public funds for holding numerous and unjustified committee meetings in a foreign country.

## **7.2 Irregularly Paid Domestic Travel Allowances**

Examination of local travel records revealed that an amount of Kshs.27,193,770 out of a total actual expenditure of Kshs.90,651,252 was incurred on domestic travel and substance allowance. The amount was not supported with documents detailing the purpose of the travel, means of travel and in some instances evidence of attendance of the meetings or trainings indicated.

In addition, the payments were not issued in form of imprest as required by the government financial regulations and procedures but were instead expensed at the time of issue.

Further, some payments were made to one officer on behalf of others and no evidence was attached to the payments or provided separately to confirm acknowledgement of receipt of the funds by the said officers.

Under the circumstances the propriety of the expenditure of Kshs.27,193,770 incurred on travelling and substance domestic could not be confirmed.

## **8.0 Weak General Control Environment**

A review of the overall internal control environment of the Turkana County Assembly revealed that there was no formal risk assessment process put in place to mitigate risks. There were also no performance contracts for key employees and formal performance evaluation process. In addition, the County Assembly did not have internal audit function and no reason was provided for lack of this important function.

Consequently, cases of fraud and errors may not be detected and corrected on a timely basis.

## **9.0 Unresolved Prior Year Matter - Irregular Payment of Sitting Allowances to MCAs**

Records availed for audit review indicated that Members of the County Assembly were paid sitting allowances totalling Kshs.52,997,000 for the eight month period ended 30 June, 2014 out of which Kshs.1,092,000 was irregularly paid to Members of the County Assembly as sitting allowance while the members were out of the country in the months of February and March, 2014.

Further, attendance registers for the Committee Sittings were not availed for audit review. No explanation has been provided for paying sitting allowances for the days the members did not attend the Assembly sittings.

Although the attendance register was in place during 2014/2015 and allowances only paid for the days attended, management has not provided evidence of recovery of the irregularly paid allowances. Consequently, the County Assembly may lose the

amount of Kshs.1,092,000 that was irregularly paid to MCAs as sitting allowances while they were out of the country if the recoveries are not effected.



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

**Nairobi**

**30 August 2016**

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

## DETAILED AUDIT FINDINGS

### 1.0 Unsatisfactory Budgetary Performance and Controls

Audit review of the budget and expenditure records revealed that the County Assembly had an approved budget of Kshs.951,887,744 for the year 2014/2015 out of which Kshs.476,887,744 or approximately 50.1% was for recurrent expenses while Kshs.475,000,000 or approximately 49.9% was for Development costs. The expenditure reports available indicate that a total of Kshs.693,963,320 or approximately 72.9% of the budget was utilized during the year ended 30 June 2015.

Comparison of the approved budget and expenditure for the year revealed non-observance of budgetary ceilings. It was noted that expenditure on ten (10) expenditure items was exceeded and no reason was provided for the over expenditure (Refer to **Appendix I**). There was also no evidence of approval of reallocation of the funds contrary to Regulation 51(1) (e) of the Public Finance Management (County Government) Regulations, 2015 which require any public officer who holds any post involving, in any degree, the management of public funds, to be aware of the essentials of vote control procedures.

No reason was also provided for not maintaining a proper vote book, contrary to Regulation 51(i) which requires each accounting officer to cause vote book records to be kept in such a form that shall clarify at any time, in respect of each of his or her votes; the total amount of expenditure sanctioned for service of the year; the mount of expenditure charged and any further known liabilities in respect of the year.

### 1.1 Overspent and Under-spent Recurrent Vote

According to the expenditure returns, the County Assembly overspent on ten (10) expenditure items by Kshs.100,505,463.34 and underspent on ten (10) others by Kshs.33,429,886.55. There were no reasons provided for non-adherence to the approved budget or explanations given as to why the over/under expenditure was not regularized before the end of the financial year as required. Details of these anomalies are as follows:

EXPENDITURE ITEM	APPROVED BUDGET (Kshs)	ACTUAL EXPENDITURE (Kshs)	(OVER) EXPENDITURE (Kshs)	UNDER EXPENDITURE (Kshs)	(OVER)/UNDER EXPENDITURE %
Basic Salaries - Permanent Employees	194,182,593.00	94,722,758.62	(540,165.62)		-28%
Hospitality supplies and Services	14,800,000.00	20,650,432.00	(5,850,432.00)		-40%
Fuel, Oil and Lubricants	12,000,000.00	8,327,367.72	(6,327,367.72)		-53%
Purchase of Computer and Equipment	5,000,000.00	5,231,406.00	(231,406.00)		-5%
Domestic Travel and Subsistence and Other Transport Costs	77,007,513.00	90,651,252.00	(13,643,739.00)		-18%
Foreign Travel and Subsistence	32,532,000.00	37,004,053.00	(4,472,053.00)		-14%
Other Operating Expenses	24,200,000.00	61,750,773.00	(37,550,773.00)		-155%

Medical Cover	30,000,000.00	19,052,077.90		10,947,922.10	36%
Air Time/Communication Services	5,300,000.00	3,778,368.70		1,521,631.30	29%
Training and Consultancy Services	13,000,000.00	16,658,995.00	(3,658,995.00)		-28%
General Office Supplies	9,000,000.00	23,670,532.00	(14,670,532.00)		-163%
Printing, Advertising /Community participation	9,500,000.00	5,373,665.00		4,126,335.00	43%
Specialised Supplies	2,050,000.00	-		2,050,000.00	100%
Purchase of Specialised Plant	2,000,000.00	-		2,000,000.00	100%
Motor Vehicle Insurance	7,000,000.00	5,879,703.00		1,120,297.00	16%
Utilities	4,600,000.00	1,561,868.85		3,038,131.15	66%
Motorvehicle Maintenance	10,000,000.00	5,592,842.00		4,407,158.00	44%
Purchase of Furniture	5,915,638.00	4,612,226.00		1,303,412.00	22%
Rental of Produced Goods	5,000,000.00	2,085,000.00		2,915,000.00	58%
Routine Maintenance of Other Assets	<u>13,800,000.00</u>	<u>27,360,000.00</u>	<u>(13,560,000.00)</u>	-	-98%
<b>Total</b>	<b>476,887,744.00</b>	<b>543,963,320.79</b>	<b>(100,505,463.34)</b>	<b>33,429,886.55</b>	<b>(67,075,576.79)</b>

## 1.2 Under-spent Development Expenditure

The County Assembly had a development expenditure budget of Kshs.475,000,000 out of which an expenditure of Kshs.150,000,000 was incurred through a transfer to the Car and Mortgage Schemes for Members of the County Assembly and the Speaker. This resulted in an under expenditure of Kshs.325,000,000 or approximately 68% of the approved budget. Three expenditure items with an approved budget of Kshs.235,000,000 recorded nil expenditure as follows:

EXPENDITURE ITEM	APPROVED BUDGET (Kshs)	ACTUAL EXPENDITURE (Kshs)	(OVER) EXPENDITURE (Kshs)	UNDER EXPENDITURE (Kshs)	(OVER)/UNDER EXPENDITURE %
Construction of New Assembly Building	150,000,000.00	-	150,000,000.00	-	100%
Survey for New Office Block	25,000,000.00	-	25,000,000.00	-	100%
Construction of Speaker's Residence	60,000,000.00	-	60,000,000.00	-	100%
Car Loan and Mortgage	240,000,000.00	150,000,000.00	90,000,000.00	-	38%
<b>Total Development</b>	<b>475,000,000.00</b>	<b>150,000,000.00</b>	<b>325,000,000.00</b>	<b>-</b>	<b>68%</b>

There was no justification provided for not utilizing the funds in accordance with the approved budget. Non-adherence to the budget is in breach of the law.

## **Recommendation**

- i. Management should ensure that expenditure is in accordance with approved budget as required by Regulation 51(1) (e) of the Public Finance Management (County Government) Regulations, 2015 which require any public officer involved in the management of public funds to be aware of the essentials of vote control procedures and also Regulation 51(i) which requires each accounting officer to cause vote book records to be kept in such a form that shall clarify the total amount of expenditure sanctioned for service of the year; the amount of expenditure charged and any further known liabilities in respect of the year.
- ii. Management should also ensure that any over expenditure/reallocation is regularized through a supplementary budget
- iii. Officers who contravene the law and regulations should be surcharged accordingly.

## **2.0 Cash and Bank**

### **2.1 Understatement of Opening Bank Balance**

Examination of the cash book and the bank reconciliation statement in respect of KCB bank account revealed a cash book balance of Kshs.308,680.28 as at 30 June 2014. However, the cash book indicated an amount of Kshs.135,055.25 being the balance brought forward on 1 July, 2014 resulting in a variance of Kshs.173,625.03 which has neither been explained nor reconciled. Consequently the cash balance was understated and there is a risk of loss of public funds through inaccurate recording.

### **2.2 Failure to Surrender End of Year Surplus Cash Balances**

Audit review of the cash book, the bank statement and the bank reconciliation statement for the month of June, 2014 revealed that the County Assembly had a cash book balance of Kshs.308,680.28 as at 30 June, 2014. The unutilized funds were however not surrendered to the County Exchequer account within the stipulated period. Instead, the Turkana County Assembly irregularly utilized the funds without the necessary budgetary approvals contrary to Section 136(1) and (2) of the Public Finance Management Act, 2012. The Act states that an appropriation that has not been spent at the end of the financial year for which it was appropriated lapses immediately at the end of that financial year.

The management therefore contravened the provisions of the Public Finance Management Act, 2012 in regard to unspent funds and no reason or explanation has been provided for not complying with the law.

## **Recommendation**

- i. Management should ensure that cash books are accurately maintained and make appropriate adjustment to correct any understatement of cash balances as required by Regulation 22(1) (c) of the Public Finance Management (County Government) Regulations, 2015 which states that



the accounting officer is responsible for preparation of financial reports that reflect a true and fair financial position of the entity.

- ii. The Management should also ensure that any unspent funds are paid to the County Exchequer account within the stipulated period in accordance with the provisions of Section 136 and 84 of the Public Finance Management Act, 2012.

### **3.0 Failure to Observe One Third Staff Establishment Rule**

Audit review of the payroll for the month of June 2015, revealed that the Turkana County Assembly had a staff establishment of 221 (two hundred twenty one) employees, out of whom 212 (two hundred and twelve) or 96% of staff are from the same ethnicity leaving only 9 (nine) or 4% from other ethnicities contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008. The Act requires that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community.

Consequently the management is in contravention of the one third ethnic diversity rule on staff establishment as a means of promoting national unity.

#### **Recommendation**

Management should ensure compliance with Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires all public establishments to seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community; and initiate appropriate measures to comply with the law. Failure to comply with the law should result in the Accounting officer being held liable.

### **4.0 Unsecured Car and Mortgage Schemes for Members of the County Assembly**

Audit review of financial records provided revealed that the County Assembly of Turkana established a Car Loan and Mortgage Scheme Fund through the Turkana County Assembly Car Loan (Members) Scheme Fund Regulations, 2014 dated 1 February 2014.

On 15 August 2014, an amount of Kshs.150,000,000 was transferred to the fund account held with Cooperative Bank of Kenya, Lodwar Branch.

Information available indicates that on 17 September 2014 an amount of Kshs.96,000,000 was advanced to the 47 Members of the County Assembly and the speaker, each receiving Kshs.2,000,000 towards purchase of motor vehicles.

On 27 November 2014 an amount of Kshs.54,001,102 was advanced to the 47 MCAs and the speaker in respect of house mortgage based on the member's ability to repay and subject to a maximum of Kshs.3,000,000.

However, the Administrators of the two schemes did not prepare and submit financial statements in respect of the funds as required by Section 15(1)(d) of the Car Loan Scheme and section 18(1)(d) of the Mortgage Fund. Further, no logbooks were

provided in respect of the 48 vehicles' loans advanced to the 47 MCAs and the speaker to confirm that the vehicles were actually purchased and jointly registered between the Service Board and the members, and kept by the administrator as required by the regulation.

In addition, the mortgage applications were not accompanied by copies of the designs of proposed residential properties, bills of quantities, official search of title to the property to be purchased and copies of title deeds of the properties purchased.

Failure to provide security for car and mortgage loans exposes the County Assembly to risk of loss of public funds in case of default.

The management did not also comply with the law requiring preparation and submission of financial statements of the scheme to the Auditor-General for audit.

### **Recommendation**

- i) The management should ensure that Car and Mortgage Scheme is implemented in accordance with the regulation governing it.
- ii) Management should prepare and submit the financial statements of the scheme to the Auditor-General for audit as required by the Public Finance Management Act, 2012 and the regulations governing the two schemes.

### **5.0 Unsupported Training Expenses**

Audit review of the budget revealed that staff training was allocated a budget of Kshs.13,000,000 during the 2014/2015 financial year. Available expenditure reports revealed that a total of Kshs.16,923,443 was utilized during the year on both local and international training attended by various officers of the County Assembly as detailed in **Appendix II**.

However, the County Assembly did not have a training committee within the HR department in place to plan, organize, coordinate and recommend appropriate training and approve training programmes for the County Assembly staff among other functions. It is not therefore clear how officers who attended the various trainings during the year were identified.

In addition, a total of Kshs.6,958,873 was spent on international training, most of which is available locally, and there was no justification as to why the training could not be conducted locally.

Further, the training expenditure was not supported with copies of passports and certificates as proof of travel and attendance.

This is contrary to Section 104(i) of the Public Finance Management Act, 2012 and Regulation 22(1) (b) of the Public Finance Management (County Government) Regulations, 2015 which require each County Treasury to put in place proper management and control of, and accounting for finances of county government and its entities in order to promote efficient and effective use of the county's budgetary resources.

Consequently there is risk of loss of public funds through training that may not have taken place and programs that are not beneficial to the County Assembly and the citizens of Turkana County.

## **Recommendation**

Management should ensure an adequate system of internal controls is put in place and all payments are adequately supported as required by Regulation 104 of the Public Finance Management (County Governments) Regulations, 2015.

### **6.0 Procurement of Goods and Services**

#### **6.1 Single Sourced Motor Vehicle and Staff Medical Insurance**

Expenditure records availed for audit during the year under review, revealed that an insurance agency was paid an amount of Kshs.12,744,727 towards staff and members of the County Assembly's medical insurance and Kshs.5,879,703 in respect of motor vehicle insurance. During the same period, an amount of Kshs.4,815,594 was paid to a medical services firm in respect of staff and members medical expenses. In addition, staff and MCAs were refunded medical claims of Kshs.165,789 whereas there was a medical cover in force.

The procurement of the staff medical cover and the motor vehicle insurance was single sourced, contrary to Section 29(1)(4) of the Public Procurement and Disposal Act, 2005 which recommends the use of open tender on public procurements and states the conditions for alternative procurement methods. In addition, the policy/contract agreement detailing the terms and conditions and also confirming existence of the cover was not availed for audit review.

In the absence of a policy document, the propriety of the expenditure of Kshs.18,624,430 on medical and motor vehicle insurance could not be confirmed.

## **Recommendation**

- i. The management should ensure that procurement of goods and services is done through competitive process in accordance with Section 29 of the Public Procurement and Disposal Act, 2005 and the related regulations of 2006 and 2013.
- ii. The management should also ensure that the medical policy/contract agreement document is in place and that the medical scheme is run in accordance with the provisions of the policy, failure to which the Accounting officer is held liable for the omission.

#### **6.2 Single Sourcing of Air Ticketing Services**

Examination of expenditure records relating to air travel expenses for the year ended 30 June 2015 revealed that the County Assembly made payments amounting to Kshs.20,495,573 as detailed in **Appendix III** to four (4) firms for air ticketing services without going through a competitive bidding process as required by Section 29 of the Public Procurement and Disposal Act, 2005. In addition, the payments were not supported by details of the travellers' destinations and individual cost.

Consequently the propriety of the expenditure of Kshs.20,495,573 could not be confirmed.

## **Recommendation**

Management should adhere to provisions of Section 29 of the Public Procurement and Disposal Act, 2005 and related regulations of 2006 and 2013 in the acquisition of goods and services. In addition, the procurement officer and other staff involved in the breach of the procurement regulations should be surcharged.

### **6.3 Irregular Hire of Motor Vehicles**

Audit examination of expenditure records relating to hire of motor vehicles revealed that the Assembly incurred an amount of Kshs.8,631,490 as per **Appendix IV** on hire of motor vehicles without going through a competitive bidding process. It was also noted that some payees were not prequalified for provision of the transport service while some were not the owners of the vehicles as per the copies of log books provided.

No satisfactory reasons were provided for hire of vehicles without inviting for competitive bids and no explanations have been provided on how the rates charged were determined.

Consequently, the propriety of the expenditure of Kshs.8,631,490 could not be confirmed.

## **Recommendation**

- i. Management should ensure that hire of vehicles is out of necessity and that the procurement is done in accordance with Section 29 of the Public Procurement and Disposals Act, 2005 and related regulations of 2006 and 2013.
- ii. Management should also take disciplinary measures including surcharge, against the procurement officer and all the staff involved in the irregular hire of vehicles.

### **6.4 Single Sourcing of Firefighting and Water Equipment**

Audit review of expenditure records relating to purchase of firefighting equipment revealed that a firm was paid a total of Kshs.9,774,080 for supply of fire and water equipment through payment voucher no.744 dated 28 October 2014 for Kshs.5,000,000 and payment voucher No.915 dated 10 December 2014 for Kshs.4,774,080 as per local purchase order No.2038190. The procurement was however, done without going through a competitive bidding process as required by Section 29 of Public Procurement and Disposal Act, 2005. Further, there was no report of the Inspection and Acceptance Committee to confirm that the goods received were of the right quantity and quality as ordered.

Consequently, the propriety of the expenditure of Kshs.9,774,080 could not be confirmed.

## **Recommendation**

The management should adhere to the provisions of the Public Procurement and Disposal Act, 2005 and related regulations of 2006 and 2013 in the procurement of goods and services. In addition, disciplinary measures including surcharge should be taken against the officers involved in the irregular procurement process.

## **6.5 Irregular Payment for Purchase of Electronic Tablets**

Expenditure records reviewed indicated that a payment of Kshs.1,000,000 was made to a firm for supply of tablets for use by MCAS. However, the payment was not authorized by the accounting officer as required by the Public Finance Management (County Government) Regulations, 2015. The payment was also not supported by an LPO, a quotation, delivery notes, minutes of the Inspection and Acceptance Committee and a list of recipients who were issued with the tablets.

Further, the items were not recorded in the assets register for the purpose of monitoring and safeguarding of government assets as required by the regulation.

Consequently, the propriety of the expenditure of Kshs.1,000,000 incurred on purchase of tablets could not be confirmed.

### **Recommendation**

Management should comply with the provisions of the Public Finance Management (County Government) Regulations, 2015 and also ensure adequate and effective internal controls to safeguard public resources are in place. The officer responsible for the procurement should be held liable for failure to adhere to the law.

## **7.0 Domestic and Foreign Travelling Claims and Allowances**

### **7.1 Unsupported Foreign Travel Expenses**

Audit review of expenditure records for the year under review indicated amounts totalling Kshs.22,644,312 as per **Appendix VI** paid in respect of subsistence and foreign travel allowances were not supported with the necessary documents such as the copies of passports, boarding passes or motor vehicle work tickets in case of travel to Southern Sudan and Uganda. This is contrary to Section 5.5.14 of the Government Financial Regulations and Procedures which require among others, that only payments which have been examined and found to be properly supported by original documents can be processed for payment. In addition, Section 104 of the Public Finance Management (County Governments) Regulations, 2015 require that all receipts and payment vouchers of public moneys be properly supported by pre-numbered receipt and payment vouchers and appropriate authority and documentation.

Further, the amounts were not issued in form of imprest as required by Section 5.6 of the Government Financial Regulations and Procedures, but were instead expensed at the time of issue. There were also various committee meetings held in Moroto, Uganda and no reason was provided for not holding such meetings in Kenya.

Consequently the propriety of the expenditure of Kshs.22,644,312 could not be confirmed and the expenditure could amount to wastage of public funds through payment for journeys that did not take place. Further there is a risk of wastage/loss of public funds for holding numerous and unjustified committee meetings in a foreign country.

## **Recommendation**

- i) Management should ensure that travelling and subsistence allowances are issued in form of imprest and accounted for in accordance with Section 5.6 of the Government Financial Regulations and Procedures.
- ii) Management should also ensure that all payments are properly supported as required by Section 5.5.14 of the Government Financial Regulations and Procedures which require among others that only payments which have been examined and found to be properly supported by original documents can be processed for payment.
- iii) In addition, management should comply with Regulation 104 of the Public Finance Management (County Governments) Regulations, 2015, which require that all receipts and payment vouchers of public moneys be properly supported by pre-numbered receipts and payment vouchers and supported by appropriate authority and documentation.
- iv) Management should ensure that journeys out of the country are out of need and that sittings of the committees of the County Assembly are held locally in order to promote local economy and also save the county government unnecessary expenditure in form of foreign travel allowances.
- v) Disciplinary action should be taken against the officers who approved the meetings to be held in a foreign country and recover the irregularly paid foreign travel allowances from the members who held the meetings abroad.

## **7.2 Unsupported Local Travel Expenses**

Examination of local travel documents showed that amounts totalling Kshs.27,193,770 as per **Appendix VII** incurred on domestic travel and substance were not supported with documents detailing the purpose of the travels, means of travel and in some instances evidence of attendance of the meetings or training indicated.

In addition, the payments were not issued in form of imprest as required by the government financial regulations and procedures but were instead expensed at the time of issue.

Further, some payments were made to one officer on behalf of others and no evidence was attached to the payments or provided separately to confirm acknowledgement of receipt of the funds by the said officers.

Under the circumstances, propriety of the expenditure of Kshs.27,193,770 incurred on domestic travelling and substance could not be confirmed.

## **Recommendation**

- i) Management should ensure that travelling and subsistence allowances are paid in accordance with Section 5.6 of government financial regulations and procedures.



- ii) Management should also ensure that all payments are properly supported and that separate imprests are issued to each officer and accounted for after return from the journeys as required by regulations.
- iii) Management should also ensure imprest issued is recovered from those officers who fail to account for it as required.

## **8.0 Weak General Control Environment**

A review of the overall internal control environment of the Turkana County Assembly revealed that there was no formal risk assessment process put in place to mitigate risks. There were also no performance contracts for key employees and formal performance evaluation process. In addition, the County Assembly did not have an internal audit function and no reason was provided for lack of this important function.

Consequently, cases of fraud and errors may not be detected and corrected on a timely basis.

### **Recommendation**

Management should ensure that a functioning internal audit department is in place and develop an audit charter appropriately. In addition there should be an Audit Committee to discuss and dispense all audit issues.

## **9.0 Unresolved Prior Year Matter - Irregular Payment of Sitting Allowances to MCAs**

Records availed for audit review indicated that Members of the County Assembly were paid sitting allowances totalling Kshs.52,997,000 for the eight month period ended 30 June, 2014 out of which Kshs.1,092,000 was irregularly paid to Members of the County Assembly as sitting allowance while the members were out of the country in the months of February and March, 2014.

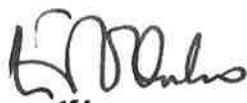
Further, attendance registers for the Committee Sittings were not availed for audit review. No explanation has been provided for paying sitting allowances for the days the members did not attend the Assembly sittings.

Although the attendance register was in place during 2014/2015 and allowances only paid for the days attended, management has not provided evidence of recovery of the irregularly paid allowances. Consequently, the County Assembly may lose the amount of Kshs.1,092,000 that was irregularly paid to MCAs as sitting allowances while they were out of the country if the recoveries are not effected.

### **Conclusion**

This report highlights weaknesses noted in the budgetary performance, procurement of goods and services, payment of allowances and unsupported expenditure. The management therefore needs to come up with proper and adequate control measures to safeguard public funds and utilize the appropriated funds in accordance with the law.

The recommendations should be implemented in an endeavour to improve on the management of public resources for the benefit of the citizens of Turkana County.



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

**Nairobi**

**30 August 2016**