

**REPUBLIC OF KENYA**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS OF**  
**NANDI COUNTY ASSEMBLY**

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

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

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## **EXECUTIVE SUMMARY**

### **1.0 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 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.

### **2.0 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.

### **3.0 Terms of Reference**

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

- Budgetary 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
- Consultancy services
- Imprests and advances
- Cash and bank balances
- Human Resource Records
- IT Environment
- Non-current assets
- Debtors
- Creditors

## **4.0 Key Audit Findings**

### **4.1 Mortgage and Car Loans for Members of the County Assembly**

A review of the County Assembly records indicated that forty eight (48) members of the County Assembly and speaker were each given Kshs. 5,000,000 comprising of Kshs.3,000,000 for mortgage and Kshs.2,000,000 for car loan which was approved by the Salaries and Remuneration Commission (SRC). As at 30 June 2014, a total of Kshs.245,000,000 had been incurred on the facility. It was however, noted that none of the members purchased a residential house or a car but instead used the funds to repay personal bank loans which were outstanding as at 31 March 2014. Under the circumstances, it has not been possible to confirm the propriety of the mortgage loans amounting to Kshs.245,000,000.

### **4.2 Sitting Allowances to Members of the County Assembly**

Examination of records on the payment of sitting allowances to the Members of the County Assembly revealed that an amount of Kshs.5,993,700 was incurred in the period July 2013 and June 2014. However, the payments were not supported with minutes of the meetings held, although Assembly members signed the attendance register. As a result, the validity of the payments could not be confirmed in absence of record of proceedings indicating that the sittings actually took place and the allowances were genuinely earned.

### **4.3 Supply of Office Furniture and Installation of Chamber Seats**

A review of procurement records revealed that a supplier was competitively awarded contract on 20 May 2014 to supply office furniture and install chamber seats at a cost of Kshs.5,875,400. The contract was to commence on 22 May 2014 to 22 June 2014. However, as at the time of this audit, the supplier had not supplied the furniture. Further, the County Assembly did not issue local purchase order to the supplier specifying the quantity and type of furniture purchased. Although as at the time of audit no payment had been made, no explanation was provided for the delay in the execution of the contract.

## **4.4 Records of Assets and Goods Procured**

### **4.4.1 Motor vehicles and Equipment**

Information made available for audit review indicate that the County Assembly procured and paid for six (6) motor vehicles and three (3) photocopying machines valued at Kshs.38,704,400 and Kshs.975,000 respectively. However, the assets were not taken on charge in an assets register. Consequently, no proper control systems were put in place to ensure security and tracking of the assets were not taken on charge in an assets register.

#### **4.4.2 Consumable Stores and Stationery**

A review of records of the County Assembly further revealed that equipment, consumable stores and fuel purchased at a cost of Kshs.187,290 and stationery procured at a cost of Kshs.932,700 were not taken on charge in stores records showing details of goods, suppliers' name and to whom issued. It was not possible therefore to confirm that the procured items were actually received and if the payment was a proper charge to the public funds.

#### **4.5 Petty Cash Management**

During the year under review, an officer was issued with petty cash for office operation totalling to Kshs.3,551,750. However, petty cash book was not maintained to record receipts, payments and balance on hand at a particular date. It was therefore, not possible to confirm how the petty cash was utilized and accounted for as at 30 June 2014.



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

**Nairobi**

**28 May 2015**

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

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## **Detailed Audit Findings**

### **1.0 Mortgage and Car Loans for Members of the County Assembly**

A review of the County Assembly records indicated that forty eight (48) members of the County Assembly and speaker were each given Kshs. 5,000,000 comprising of Kshs.3,000,000 for mortgage and Kshs.2,000,000 for car loan which was approved by the Salaries and Remuneration Commission (SRC). As at 30 June 2014, a total of Kshs.245,000,000 had been incurred on the facility. It was however, noted that none of the members purchased a residential house or a car but instead used the funds to repay personal bank loans which were outstanding as at 31 March 2014 and the balance paid to the MCAs as advances thus not serving the intended purpose of the loan.

#### **Recommendation**

The Accounting officer should ensure that provisions contained in the SRC Circular No. SRC/TS/CGVT/3/16 are complied with and the management should review the above payments made and if found contrary to SRC circular, the same is recovered from the respective members.

### **2.0 Sitting Allowances to Members of the County Assembly**

Examination of records on the payment of sitting allowances to the Members of the County Assembly revealed that an amount of Kshs.5,993,700 was incurred in the period July 2013 and June 2014. However, the payments were not supported with minutes of the meetings held, although Assembly members signed the attendance register. In absence of record on proceedings indicating that the sittings actually took place, it was not possible to confirm that the allowances were genuinely earned.

#### **Recommendation**

- The Accounting officer should ensure that sitting allowance is paid only for actual meetings held.
- The management should review the above payments and recover the unsupported allowances.

### **3.0 Supply of Office Furniture and Installation of Chamber Seats**

A review of procurement records revealed that a supplier was competitively awarded contract on 20 May 2014 to supply office furniture and install chamber seats at a cost of Kshs.5,875,400. The contract was to commence on 22 May 2014 to 22 June 2014. However, as at the time of this audit, the supplier had not supplied

the furniture. Further, the County Assembly did not issue local purchase order to the supplier specifying the quantity and type of furniture purchased. Although as at the time of audit no payment had been made, no explanation was provided for the delay in the execution of the contract.

## **Recommendation**

The management should ensure that procurement of goods and services is done as stipulated in the procurement contract and that the goods and services supplied are as per the specifications.

### **4.0 Records of Assets and Goods Procured**

#### **4.1 Motor vehicles and Equipment**

Information made available for audit review indicate that the County Assembly procured and paid for six (6) motor vehicles and three (3) photocopying machines valued at Kshs.38,704,400 and Kshs.975,000 respectively. However, the assets were not taken on charge in an assets register. Consequently, no proper control systems were put in place to ensure security and tracking of the assets.

<b>Date</b>	<b>LPO No.</b>	<b>Details</b>	<b>Amount (Kshs)</b>
15/5/2014	2042012	3 Photocopiers	975,000
<b>Motor Vehicles</b>			
<b>Date</b>	<b>Supplier</b>	<b>Make Registration No.</b>	<b>Amount (Kshs)</b>
16/12/2013	CADS Motors	Toyota Prado KBW 954V	8,200,000
16/12/2013	CADS Motors	Toyota Prado KBY 029C	10,494,000
16/12/2013	CADS Motors	Toyota Double Cab KBY 017C	4,104,800
16/12/2013	CADS Motors	Toyota Double Cab KBY 057C	4,104,800
16/12/2013	CADS Motors	Toyota Minibus KBY 057C	5,900,400
16/12/2013	CADS Motors	Toyota Minibus KBY 768C	<u>5,900,400</u>
<b>Total</b>			<b><u>38,704,400</u></b>

## **Recommendation**

The County Assembly Clerk should open a fixed assets register to record details of all assets and should be updated to record acquisition of new assets.

#### **4.2 Consumable Stores and Stationery**

A review of records of the County Assembly further revealed that equipment, consumable stores and fuel purchased at a cost of Kshs.187,290. Further, on 21 May 2014 the Assembly issued LPO No. 2042005 to Eldoret based supplier to deliver various stationery materials at a cost of Kshs.932,700. The audit however established that the items were not recorded in stores ledger records showing details of goods, supplier's name and to whom issued. It was not possible to confirm that the procured items were actually received and if the payment was a proper charge to the public funds.

No.	Date	P.V. No.	Details	Cheque No.	Amount (Kshs.)
1	21/5/2014	303	Fuel	154	16,000.00
2	21/5/2014	304	Fuel	154	20,000.00
3	30/5/2014	309	Headphones (5)	156	15,000.00
4	30/5/2014	321	Photocopying paper	156	9,090.00
5	30/5/2014	326	Public Address System	156	31,400.00
6	7/4/2014	253	Stationeries	136	45,800.00
7	31/10/2013	126	Utensils	69	50,000.00
					<b>187,290.00</b>

### Recommendations

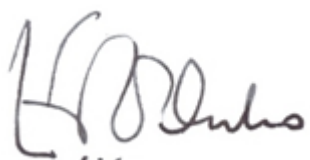
- Inventory ledgers, bin cards and other stores records should be maintained and checked regularly by a senior officer.
- There should be segregation of duties in ordering, receiving, and payment of goods.

### 5.0 Petty Cash Management

During the year under review, an officer was issued with petty cash for office operation totalling to Kshs.3,551,750. However, petty cash book was not maintained to record receipts, payments and balance on hand at a particular date. It was therefore, not possible to confirm how the petty cash was utilized and accounted for as at 30 June 2014.

### Recommendation

The Accounting officer should ensure that office standing imprest is issued and receipt and payments are recorded in a petty cash book.



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

**Nairobi**

**28 May 2015**