

REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS OF  
NYERI COUNTY ASSEMBLY**

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

## Table of Contents

EXECUTIVE SUMMARY .....	1
Introduction.....	1
Audit Objectives.....	1
Terms of Reference .....	1
Key Audit Findings .....	2
1.0 Vote Book and Budgetary Control .....	2
2.1 Human Resource Planning.....	2
2.3 Irregular Salary Arrears Payments.....	2
2.4 Irregularities in the implementation of Car Loans.....	2
2.5 Unsupported Salaries and Wages Expenditure .....	3
2.6 Irregular Payment of Sitting Allowances to County Assembly Service Board .....	3
3.1 Irregular Procurement Procedures on Installation, Cabling and Trunking of Network Cables .....	4
3.2 Irregular Payment of Ward Offices Rent.....	4
4.1 Excessive Foreign Travel Expenditure .....	4
4.2 Local Travel and Daily Subsistence Allowance .....	5
4.3 Unaccounted for Cash Advances for Local Travel.....	5
4.4 Excessive Cash Payments .....	5
5.0 Lack of Audit Committee .....	5
6.0 Lack of Annual, Operational and Activity Plans.....	6
7.0 Information Communication Technology (ICT) Environment .....	6
DETAILED AUDIT FINDINGS.....	7
1.0 Irregularities in Human Resource Management.....	7
1.4 Irregular Salary Arrears Claims.....	8
1.5 Unsupported Car Loan Funds.....	8
1.6 Unsupported Salaries and Wages Expenditure .....	9
1.7 Irregular Payment of Sitting Allowances.....	10
2.1 Irregular Procurement Procedures on Installation, Cabling and Trunking of Network Cables .....	11
2.2 Irregular Payment of Ward Offices Rent.....	12
3.0 Travel and Subsistence Allowances.....	12
3.1 Excessive Foreign Travel Expenditure .....	12
3.2. Unsupported Daily Subsistence Allowance.....	14
3.3 Unaccounted for Cash Advances for Local Travel .....	14
3.4 Excessive Cash Payments .....	16
4.0 Lack of Audit Committee .....	16

5.0	Lack of Annual, Operational and Activity Plans.....	17
6.0	Information Communication Technology (ICT) Environment .....	17
7.0	Vote book and Budgetary Control .....	17
8.0	Conclusion.....	18

# **REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF NYERI COUNTY ASSEMBLY 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 Further, the County Government Act, 2012 repealed the Local Government Act Cap 265, thus effectively dissolving all the 175 local Authorities and creating 47 County Governments.

### **Audit Objectives**

The objective of the audit was to ascertain whether the systems formulated and applied by the County Government were reliable for the management of the County Assembly'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
- ✓ Imprests and advances
- ✓ Cash and bank balances
- ✓ Human Resource Records
- ✓ IT Environment
- ✓ Non-current assets
- ✓ Debtors
- ✓ Creditors

## **Key Audit Findings**

### **1.0 Vote Book and Budgetary Control**

The County Assembly did not allocate funds to various accounts before spending. Further, the vote book maintained did not record commitments but recorded payments only. It was, therefore, not possible to confirm votes that were under or over spent and there was a possibility of incurring excess vote without the knowledge of the management.

### **2.0 Human Resource Management**

#### **2.1 Human Resource Planning**

The Nyeri County Assembly has not carried out job evaluation of the staff to identify qualifications and experience required for every cadre, and a comprehensive work load analysis to establish optimal staffing levels. The scheme of service and staff establishment had not yet been developed. There was no annual work plan on training to be carried out to optimize on use of available resources or monitoring and evaluations which was carried out in the period. In the view of the foregoing, critical milestones in the human resource planning, development and management have not yet been achieved.

#### **2.2 Irregular Recruitment**

During the period under review, the County Assembly recruited thirty (30) ward secretaries and 30 ward messengers. However, the positions were not advertised contravening the requirements of Section 66 of the County Government, Act 2012. In addition, the County Assembly recruited an additional twenty four (24) staff during the period under review through newspaper advertisement. However, some of the recruited staff did not possess relevant qualifications to merit the respective post they were appointed into. Further, the County Assembly Service Board did not have a criteria of evaluating suitability of the candidates for the various positions. In addition, 30 % ethnic diversity requirement was not achieved during this recruitment process since 100 % of staff were from the dominant ethnic group contrary to the requirements of Section 65 (1)( e) of the County Government Act 2012.

#### **2.3 Irregular Salary Arrears Payments**

The County Assembly paid out Kshs.2,136,801.00 in salary arrears to ward staff for the period between July and September 2013. However, it was observed the arrears claim was backdated to three months before recruitment. The staff were appointed on 11 October 2013. This claim was, therefore, not justified as the affected staff were not working at that time. The County Assembly, therefore, may have lost funds through fraudulent claims on salary arrears.

#### **2.4 Irregularities in the implementation of Car Loans**

During the period under review, the County Assembly transferred Kshs.100,000,000 to Family Bank to facilitate car loans to the Members of the County Assembly (MCAs).

However, the loan repayment period was extended up to 31 December 2017, far beyond the time the beneficiary MCAs will be in office.

Further, the County Assembly did not obtain logbooks of the motor vehicles financed by the loans for the purpose of charging them as collateral contrary to Salaries and Remuneration Commission guidelines. Therefore, the loans were unsecured, making it difficult for the County Assembly to recover the funds in case of default in repayment.

In addition, key records such as minutes of the committee/body appointing Family Bank as fund manager, bank statements of the Fund, and the enabling Act and regulations governing the operation of the Fund were not availed for audit review.

The car loan facilities could therefore be abused through non-repayment of the borrowed funds or diversion of funds to other use by the MCAs.

## **2.5 Unsupported Salaries and Wages Expenditure**

During the period under review, the County Assembly paid salaries totaling Kshs.30,090,684.00 according to expenditure vote status. However, the management did not maintain a ledger, payroll summaries and schedules to support the payment of the salaries during the period.

In the circumstances, it was not possible to ascertain whether genuine employees were paid and the accuracy of the salary payment of Kshs.30,090,684.00 could not be confirmed.

## **2.6 Irregular Payment of Sitting Allowances to County Assembly Service Board**

During the period under review, the County Assembly paid sitting allowances to members of various committees without following laid down procedures and regulations. Further, these allowances were paid without deducting the relevant statutory taxes and other deductions as required. Minutes of these committees' deliberations were also not provided for audit verifications.

Further, included in these payments were payments to the County Assembly Service Board members and other non-members in respect of allowances for sitting for more than 8 sittings per week, resulting to an overpayment of allowances totaling Kshs.129,000. The overpayment is contrary to Salaries and Remuneration Commission guidelines on remuneration of Members of the County Assembly Service Board.

In addition, sitting allowances amounting to Kshs.902,200.00 were paid without deducting and remitting to Kenya Revenue Authority (KRA) income tax amounting to Kshs.270,600.00 as required.

### **3.0 Expenditure**

#### **3.1 Irregular Procurement Procedures on Installation, Cabling and Trunking of Network Cables**

During the period under review, the County Assembly procured services for installation, cabling and trunking of network cables at a cost of Kshs.4,653,315.00 using inappropriate procurement procedures. The County Assembly used request for quotation method to procure contrary to the requirements of Section 88 (b) of the Public Procurement and Disposal Act, 2005.

Further, the contract was split into three contracts of Kshs.1,778,906.00, Kshs.1,891,426.00 and Kshs.992,983.00 for “Installation of block ‘A’ cabling and trunking”, “Installation of block ‘B’ cabling, training and networking” and “trunking of Block ‘C’ respectively. This appears as a deliberate effort to circumvent the procurement procedures.

The County Assembly was therefore in breach of the procurement law and regulations.

#### **3.2 Irregular Payment of Ward Offices Rent**

The County Assembly paid office rent totaling Kshs.2,500,000.00 for Members of the County Assembly ward offices during the period under review. However, no lease agreements had been entered into by the time money was paid out. It was also observed that these payments were received by individuals who could not be confirmed as owners of the buildings since no ownership documents were provided. Further, these office spaces were rented without following due procurement process.

The propriety of the payments for these offices could not therefore be confirmed.

### **4.0 Travel and Subsistence Allowances**

#### **4.1 Excessive Foreign Travel Expenditure**

During the period under review, the County Assembly sponsored foreign trips to its Members of the County Assembly (MCAs) and some staff to thirteen (13) foreign countries between December 2013 and June 2014 at a total cost of Kshs.89,776,825. However, the County Assembly did not have a budget provision for foreign travel. The amount spent was irregularly charged to daily subsistence allowance and training expenses whose budget had a combined figure of Kshs.151.4 million.

It was also noted that the County Assembly could not provide for audit review, written reports for the foreign trips for implementation by the County Executive. The propriety of spending a colossal sum of almost Kshs.89,776,825 million on foreign trips whose reports might not help develop the various sectors of the County could not be confirmed.

Further, the County Assembly engaged various firms to offer liaison/facilitation services on foreign travel at a cost of Kshs.15,327,060.00. However, some of these firms were engaged directly without following laid down procurement procedures whereas others were not pre-qualified to offer services in that financial year.

In addition, an amount of Kshs.4,376,340 was spent on allowances alone for an Integrated Financial Management Information System (IFMIS) benchmarking trip to Rwanda. The County Assembly, however, has not fully rolled out IFMIS. Most of those who travelled to Rwanda were Members of the County Assembly instead of technical officers who are supposed to implement and oversee the day to day operations of the IFMIS. Further, this exercise could have been done in the country since there are institutions which have rolled out this programme. Therefore, the cost of this foreign trip amounting to Kshs.4,376,340 appears wasteful.

In view of the foregoing, the propriety and value for money on these foreign trips could not be confirmed.

#### **4.2 Local Travel and Daily Subsistence Allowance**

Examination of records provided for audit during the period under review revealed that the County Assembly spent Kshs.76,645,004 on daily subsistence allowance. However, the County Assembly used the same vote to charge foreign travel expenditure which had not been voted for during budget preparation. Further, the County Assembly vote book indicated that the County Assembly incurred a total of Kshs.89,992,935 on daily subsistence allowance during the same period resulting to an unexplained variance of Kshs.13,347,931. In the circumstances, it was not possible to confirm where daily subsistence allowance of Kshs.76,645,004.00 was charged to.

#### **4.3 Unaccounted for Cash Advances for Local Travel**

Examination of payment records for the period under review revealed that the County Assembly made payments amounting to Kshs.1,890,000 as imprest/cash advances to MCAs in respect of domestic travel and subsistence allowances. However, these payments were not supported by details of the journeys made, work tickets, workshop programmes, attendance registers, receipts etc. In the circumstances, the propriety of these payments could not be confirmed.

#### **4.4 Excessive Cash Payments**

During the period under review, the County Assembly paid sitting and subsistence allowances to Members of the County Assembly in form of cash. A total of Kshs.6,197,306.00 was paid in cash between October and December 2013 only. This is contrary to Government Financial Regulations and Procedures which require payments to be made by cheque apart from petty cash payments. It was also observed that the County Assembly had not set a petty cash limit on petty payments and neither was standing imprest system put in place.

Encashment of cheques poses risk of theft when such huge amounts of money are held in the office.

#### **5.0 Lack of Audit Committee**

During the period under review, the County Assembly internal audit function did not have an Audit Committee to report to and has been addressing its reports to the



respective departments. The findings of the Internal Audit could not be enforced in order to ensure that the County Assembly has strong financial controls.

## **6.0 Lack of Annual, Operational and Activity Plans**

It was noted that annual, operational and activity plans were not prepared at the beginning of financial year except the annual budget. It was, therefore, not possible to confirm how the County Assembly was able to execute its activities in absence of such crucial plans for its various departments and sections. Further, there was no clear guide on intended priority activities and the related time frames.

## **7.0 Information Communication Technology (ICT) Environment**

The County Assembly had not deployed information technology especially IFMIS and G-pay as both cash activities and payroll preparation are being done by the County Executive. The County Assembly only uses basic computer applications including word and excel to carry out the rest of the activities. The system is, therefore, vulnerable to manipulation, errors and data may be lost.



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

**Nairobi**

**23 October 2015**

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

---

**DETAILED AUDIT FINDINGS**

**1.0 Irregularities in Human Resource Management**

**1.1 Non-Compliance with Transition Authority Human Resource Guidelines**

Nyeri County Assembly has a total of 101 staff and 48 members of County Assembly. However, the following anomalies were observed;

- (i) The County Assembly had not carried out job evaluation of the staff to identify qualifications and experience required for every cadre;
- (ii) A comprehensive work load analysis to establish optimal staffing levels had not been carried out as directed by the Transition Authority. The number of staff required had therefore not been established;
- (iii) The Scheme of Service and staff establishment had not yet been developed;
- (iv) Though several trainings were carried out, there was no annual work plan on training to be carried out to optimize on use of available resources;
- (v) Monitoring and evaluation had not been carried out although Chapter 5 of the County Assembly strategic plan indicates that evaluation was to be carried out to assess impact of strategies and performance.

Therefore, critical milestones in the human resource planning, development and management have not been achieved.

**Recommendations**

The County Assembly should carry out job evaluation. The Scheme of Service and staff establishment should be developed and implemented. An annual training plan should also be developed for the new financial year. In addition, performance appraisal and evaluations should be carried out as required by the strategic plan.

**1.2 Irregularities in the recruitment of Ward Secretaries and Office Messengers**

During the period under review, the County Assembly recruited thirty (30) ward secretaries and 30 ward messengers. However, the positions were not advertised contravening the requirements of Section 66 of the County Government Act, 2012 and Transition Authority Circular Ref No: TA/2/ dated 18 December 2013.

### **1.3 Failure to Meet 30% Criteria in Recruitment of Staff**

The County Assembly recruited an additional twenty four (24) staff during the period under review. This was done through a newspaper advertisement made on 27 August, 2013. However, the 30 % ethnic diversity requirement was not achieved during this recruitment process since 100 % of staff are from the dominant ethnic group contrary to the requirements of Section 65 (1)( e) of the County Government Act, 2012.

Therefore, the County Assembly was in breach of recruitment laws and regulations.

#### **Recommendation**

All present and future recruitment should be based on values and principles stipulated in the Constitution, other laws and regulations in force.

### **1.4 Irregular Salary Arrears Claims**

The County Assembly paid out Kshs.2,136,801.00 in salary arrears to ward staff for the period between July and September 2013. However, it was observed that the appointment letters which were relied on to compute the amount paid were issued on 11 October 2013, although the arrears claim were from July 2013. The County Assembly Service Board approved recruitment of ward staff in a meeting held on 23 August 2013 and there was no way these staff could have started working earlier.

Further, most Members of the County Assembly had forwarded details of the proposed secretary and messenger for each ward to a meeting held on 20 September 2013 for approval while Board minutes referenced MIN NO.CASB/156/2013 of 31 October 2013 shows that some members had not searched for offices. Consequently, it was difficult to confirm if these offices were operational before this date.

It appears, therefore, the salary claims for three months i.e. July to September 2013 were not justified as the staff were not working.

The County may have lost funds through fraudulent claims on salary arrears.

#### **Recommendation**

The County Assembly should recover the irregularly paid salary from the employees.

### **1.5 Unsupported Car Loan Funds**

The County Government allocated Kshs.200,000,000 towards Members of the County Assembly Car Loans in 2013/2014 financial year budget. Out of this amount, Kshs.100,000,000 was transferred to Nyeri County Loans and Mortgage Fund, Family Bank account No. 055-29243 on 26 March 2014.

A total of Kshs.96,000,000 had been loaned to forty eight (48) Members of the County Assembly in respect of car loans as at 30 June 2014. However, the following anomalies were observed:

### **1.5.1 Unauthorized Car Loan Repayment Period**

Audit review of the Service Level agreement between Family Bank and Nyeri County Government revealed that car loan repayment period was extended up to 31 December 2017. This date comes after the date of the next general election yet the current MCAs will not be in office. This contravenes the requirements of Salaries and Remuneration Commission (SRC) Circular Ref .No.SRC /TS/CGOVT/3/16 dated 15 November 2013.

Further, it was noted that some of the Members of the County Assembly may not have repaid the car loans fully by December 2017 since the installment deducted for some members in some months is very small.

### **1.5.2 Security for the Loans**

The County Assembly did not obtain logbooks of the motor vehicles financed by the loans for the purpose of charging them as securities contrary to SRC guidelines.

### **1.5.3 Failure to Avail Records for Car and Mortgage Fund**

The County Assembly did not avail the following records for audit review:

- Minutes of the committee/body appointing Family Bank as fund manager
- Bank Statements of the Fund
- The enabling Act and regulations governing the operation of the Fund

In the circumstances, some loans might not be recovered fully by the end of the term of the MCAs. Further, the County Assembly might not recover funds paid on behalf of a member in case of default since there is no security.

### **Recommendations**

- (i) The period of the loans repayment period should be adjusted to remain within the term of office of the MCAs.
- (ii) The County Assembly should immediately obtain and charge log books of the cars financed by the Car Loans Fund.

### **1.6 Unsupported Salaries and Wages Expenditure**

During the year under review, the County Assembly paid salaries totaling Kshs.30,090,684.00 according to expenditure vote status. However, the management did not maintain a ledger, payroll summaries and schedules to support the payment. In the circumstances, it was not possible to ascertain whether genuine employees were paid and the accuracy of the salary payment of Kshs.30,090,684 could not be confirmed.

### **Recommendation**

The County Assembly should ensure that payments are supported with relevant documents. Relevant ledgers should also be maintained.

## 1.7 Irregular Payment of Sitting Allowances

During the financial period under review, the County Assembly paid sitting allowances to members of various committees without following the Salaries and Remuneration Commission guidelines. Minutes of these committees' deliberations were also not provided for audit verifications.

These payments include;

- i. Between 7 and 11 October 2013, some members of the County Assembly Service Board and other non-members were paid allowances for upto 11 sittings resulting in over paid allowances amounting Kshs.41,000.
- ii. During the week between 21 and 26 October 2013, eight (8) members of the County Assembly Service Board together with non- members were paid allowances for 10 and 11 sittings resulting into overpayment of allowances of Kshs.87,000.

Further, records made available for audit review revealed that the County Assembly paid sitting allowances amounting to Kshs.68,422,800 for plenary and committee meetings held as follows:-

<b>Month</b>	<b>Amount</b>
	<b>Kshs</b>
June 2014	6,727,500
May 2014	5,739,500
April 2014	5,815,200
March 2014	6,911,500
February 2014	7,448,400
January 2014	6,401,200
December 2013	7,056,500
November 2013	4,911,000
October 2013	5,417,000
September 2013	5,013,000
August 2013	4,216,000
July 2013	<u>2,766,000</u>
<b>Total</b>	<b><u>68,422,800</u></b>

However, the following anomalies were noted:

- The notes emanating from the respective committee clerks addressed to the County Assembly internal auditor to facilitate the preparation of the committee sitting allowance payment schedules did not indicate the week when the meetings were held.
- The attendance register for all the committees do not show the agenda/ items of discussion for ease of comparison with the minutes.
- Scrutiny of the minutes for all the committees indicates that the meetings were not well planned since they were too frequent and most of the meetings had single agenda which could have been aggregated to achieve value for money.
- There are instances when the meetings held and paid were in breach of the law for example, Tourism, Sports, Youth, Culture, Gender and Social Development Committee held two meetings on 20 February 2014 and 24 February 2014 to discuss Ward Development Fund Bill 2014. The Budget and Appropriations Committee also held a meeting on 12 May, 2014 to discuss the same bill. This is in breach of the Constitution, the Public Finance Management Act, 2012 and the Salaries and Remuneration guidelines as highlighted by the Transition Authority vide letter Ref No. TA/6/12 of 11 July 2014.

In addition, sitting allowances amounting to Kshs.902,200.00 were paid without deducting and remitting to Kenya Revenue Authority (KRA) income tax amounting to Kshs.270,600.00.

## **Recommendations**

The County Assembly should ensure that proper records for meetings including minutes are maintained. Further, activity plans should be developed to identity number of sittings so as not to exceed the limit set by the regulations.

In addition, the undeducted and unpaid taxes should be recovered from the payees and remitted to KRA.

## **2.0 Expenditure**

### **2.1 Irregular Procurement Procedures on Installation, Cabling and Trunking of Network Cables**

During the period under review, the County Assembly procured services for installation, cabling and trunking of network cables at a cost of Kshs.4,653,315.00 using inappropriate procurement procedures. The County Assembly used request for quotation method to procure the services contrary to the requirements of Section 88 (b) of the Public Procurement and Disposal Act, 2005. Further, the contract was split into three contracts as detailed below:

Quotation No	Date	Details	Ref No	Amount (Kshs)
NCA/ QUOT/040 2013 – 2014	17/1/2014	Installation of Block 'A' Cabling & trunking		1,778,906.00
NCA/QUOT/041/ 2013 – 2014	17/1/2014	Installation of Block 'B' Cabling & training		1,891,426.00
NCA/ QUOT/27/ Local Area 2013 – 2014	17/1/2014	Networking- cabling and trunking of Block 'C'		<u>992,983.00</u>
		<b>Total Kshs</b>		<b><u>4,653,315.00</u></b>

This appears as a deliberate effort to circumvent the procurement procedures.

The County Assembly was therefore in breach of the procurement laws and regulations.

### Recommendations

The County Assembly should explain the above anomalies and ensure all future procurements comply with procurement laws and regulations.

### 2.2 Irregular Payment of Ward Offices Rent

The County Assembly paid office rent totaling Kshs.2,500,000.00 for Members of the County Assembly ward offices during the period under review. However, no lease agreements had been entered into by the time money was paid out. It was also observed that these payments were received by individuals who could not be confirmed as owners of the buildings since no ownership documents were provided. The sourcing of the office spaces was not subjected to competitive bidding contrary to public procurement regulations.

Public funds may have been lost through payment of office rent whose procurement procedure was non-competitive and whose payment was made to building owners whose identity could not be confirmed.

### Recommendation

The County Assembly should justify that the expenditure was a proper charge to public funds. The County Assembly should immediately ensure that lease agreements are signed and the identity of the owners of the buildings ascertained.

### 3.0 Travel and Subsistence Allowances

#### 3.1 Excessive Foreign Travel Expenditure

During the period under review, the County Assembly sponsored foreign trips to its Members of the County Assembly and some staff to eleven (11) foreign countries

between December 2013 and June 2014 at a total cost of Kshs.89,776,825. However, the following anomalies were observed:

- (i) The County Assembly did not have a budget provision for foreign travel. The amount was irregularly charged to domestic travel and subsistence and other transportation costs and also training expenses whose budget had a combined figure of Kshs.151.4 million.
- (ii) The County Assembly did not provide all reports adopted following the foreign trips for implementation by the County Executive. The propriety of spending a colossal sum of Kshs.89.7 million on foreign trips whose reports might not help develop the various sectors of the County could not be confirmed.
- (iii) The County Assembly spent Kshs.4,376,340 on Integrated Financial Management Information System (IFMIS) benchmarking trip to Rwanda yet the County Assembly had not fully rolled out IFMIS. Most of those who travelled were Members of the County Assembly instead of technical officers who are supposed to implement and oversee the day to day operations of IFMIS. Further, this exercise could have been done in the country since there are institutions which had rolled out this programme. Therefore, the cost of this foreign trip was wasteful.
- (iv) The County Assembly engaged various firms to offer liaison/facilitation services on foreign travel at a cost of Kshs.15,327,060.00. However, some of these firms were engaged directly without following laid down procurement procedures whereas others were not pre-qualified to offer services in that financial year. These service providers include;

<b>Date</b>	<b>Payee</b>	<b>Details</b>	<b>Amount Kshs</b>
2/4/14	Kenya College of Accountancy	South Africa Trip	2,338,000
23/4/14	Kenya College of Accountancy	Singapore trip	3,433,600
21/5/14	Pan Africa Institute	Israel Trip	6,029,460
13/6/14	Pan Africa Institute	Israel Trip	3,526,000
			<b>15,327,060</b>

## **Recommendations**

- (i) The County Assembly should budget for Foreign travel expenditure.
- (ii) The County Assembly should limit foreign travel to the most necessary and beneficial to the County. Further, services that are available locally should be sourced locally at cheaper cost.
- (iii) The County Assembly should fast track the adoption of the motions on the reports for implementation so that the County can gain the benefits of the educational and bench marking tours done by the County Assembly.



- (iv) When an educational trip is organised, technical officers should be included as they are better placed to benefit from knowledge gained.
- (v) Firms for organizing or facilitating international study tours should be properly and procedurally procured.

### **3.2. Unsupported Daily Subsistence Allowance**

The National Treasury circular NO.17/2013 dated 17 December 2013 instructed Government officials to rationalize domestic travel by holding meetings, workshop and retreat in government institutions and where majority of participants are from one duty station, meetings, workshop and retreat should be held within government precincts.

Documents provided for audit review revealed that the County Assembly spent Kshs.76,645,004 on daily subsistence allowance during the year under review. However, the County Assembly used the same vote to charge foreign travel expenditure, which had not been voted for during budget preparation. Further, the County Assembly vote book indicated that the County Assembly incurred a total of Kshs.89,992,935 on daily subsistence allowance during the same period resulting to an unexplained variance of Kshs.13,341,931. In the circumstances, it was not possible to confirm where daily subsistence allowance of Kshs.76,645,004.00 was charged to.

#### **Recommendation**

The County Assembly should budget for local travel. The County Assembly should also reconcile the variance in the daily subsistence.

### **3.3 Unaccounted for Cash Advances for Local Travel**

#### **3.3.1 Unaccounted Cash Advances for Local Travel to Nairobi**

The County Assembly paid Kshs.644,000.00 vide cheque No.0056 dated 04 November 2013 as imprest to MCAs supposedly attending training at Hilton Hotel between 6 and 9 November 2013. It was not possible to confirm if the MCAs attended the training since the attendance register, workshop program and report for this training were not availed for review. Further, the County Assembly did not provide evidence of travel to confirm the MCAs travelled to Nairobi.

#### **3.3.2 Unaccounted Cash Advances for Local Travel to Nanyuki**

The County Assembly paid Kshs.138,000.00 vide cheque number 0072 dated 11 November 2013 as imprest to MCAs supposedly attending a workshop in Nanyuki to write a status report on ECD'S between 12 and 16 November 2013. It was not possible to confirm if the MCAs' went to Nanyuki since the workshop programme, attendance register, workshop report and evidence of use of the venue in Nanyuki where the workshop was purportedly held were not provided for audit review. Further, the County Assembly did not provide journey evidence to confirm the MCAs travelled to Nanyuki.

### **3.3.3 Unaccounted Cash Advance for Local Travel to Nairobi**

The County Assembly paid Kshs.134,000 vide cheque number 00166 dated 09 January 2014 as imprest to County Assembly Service Board members supposedly carrying out market survey for purpose of purchasing computers, Ipad and laptops in Nairobi between 9 and 11 January 2014. It was not possible to confirm if the County Assembly Service Board members travelled to Nairobi to carry out the survey since no survey report was provided for audit review. Further, it was not clear why the Board was carrying out market survey on behalf of procurement department.

In addition, the County Assembly did not provide journey evidence to confirm the members of the Board travelled to Nairobi.

### **3.3.4 Unaccounted Cash for Local Travel to Nairobi, Bomet and Machakos**

The County Assembly paid Kshs.375,000 vide cheque number 0087 dated 09 January 2014 as imprest to Finance and Budget Committee supposedly attending bench-marking survey within Nairobi, Bomet and Machakos Counties between 18 and 22 November 2013. It was not possible to confirm if members of the committee travelled to the said counties since no survey report and journey evidence were provided for audit review.

### **3.3.5 Unaccounted Cash for Local Travel to Kasarani**

The County Assembly paid Kshs.387,000 vide cheque number 0029 dated 18 October 2013 as imprest to members of Committee on Delegated County Legislation while supposedly attending a workshop in Kasarani between 21 and 25 October 2013. It was not possible to confirm the expenditure given that attendance registers, workshop programme, certificates awarded, details of facilitators, venue for the workshop and workshop report were not provided for audit review. Further, the County assembly did not provide journey evidence.

### **3.3.6 Unaccounted Cash for Local Travel to Nairobi**

The County Assembly paid Kshs.212,000.00 vide payment voucher number 000931 dated 18 October 2013 as imprest to Majority and Minority Leaders' purportedly attending a workshop at Safari Park Hotel between 12 and 13 September 2013. It was not possible to confirm the expenditure since attendance registers, workshop programme, certificates awarded and workshop report were not provided for audit review. Further, the County Assembly did not provide journey evidence.

It is probable that public funds were lost in absence of supporting documentation.

### **Recommendation**

The County Assembly should fully account for the above cash advances (imprests); otherwise it should be recovered from beneficiaries.

### 3.4 Excessive Cash Payments

During the period under review, the County Assembly paid sitting and subsistence allowances to MCAs in form of cash contrary to Government Financial Procedures and Regulations which require payments to be made by cheque apart from petty cash payments. It was also observed that the County Assembly had neither set a petty cash limit on petty payments nor was there standing imprest system put in place. Between October and December 2013, a total of Kshs.6,197,306.00 had been paid.

<b>Chq. No</b>	<b>Date</b>	<b>Payee</b>	<b>Amount</b> <b>(Kshs.)</b>
034	25/10/13	J.Kimiti	214,000
029	18/10/13	"	387,000
056	5//11/13	"	673,000
063	7/11/13	"	222,000
066	8/11/13	"	459,500
072	12/11/13	"	613,000
086	15/11/13	"	702,500
087	18/11/13	"	451,000
135	10/12/13	"	456,000
Various	2/10-15/10/13		<u>2,019,306</u>
<b>Total</b>			<b><u>6,197,306</u></b>

Encashment of cheques poses risk of theft when such huge amounts of money are held in the office.

#### Recommendations

All payments to officers should be paid to their bank accounts to minimise risk of theft. Further, an imprest system should be introduced as well as setting a petty cash limit in order to minimise cash held in the office from being stolen.

### 4.0 Lack of Audit Committee

The County Assembly internal audit function does not have a formal body/committee to report and has been addressing reports to the respective departments. As a result, there has been no committee to enforce the findings of the internal audit department which plays a crucial role as an internal appraisal activity within an organization, detection and prevention of fraud, ensuring adherence to management policy and carrying out risk assessment. This is contrary to Section 155(5) of the Public Finance Management Act, 2012.

Non enforcement of findings of internal audit means, therefore, that work carried out might not benefit the organization fully.

### **Recommendation**

The Audit committee should be established without further delay to offer governance to the institution as provided for in the Public Finance Management Act, 2012 and other circulars from the National Treasury.

### **5.0 Lack of Annual, Operational and Activity Plans**

It was noted that annual, operational and activity plans were not prepared at the beginning of the financial year except the annual budget. It was, therefore, not possible to confirm how the County Assembly was able to execute its activities in absence of such crucial plans for its various departments and sections.

### **Recommendation**

Annual, operational and activity plans should be developed and put to use as they help an organisation set targets to be met by the various departments and sections and therefore be able to measure output.

### **6.0 Information Communication Technology (ICT) Environment**

The County Assembly has not deployed information technology especially IFMIS and G-pay as both cash activities and payroll preparation are being done by the County Executive. The County Assembly only uses basic computer applications including word and excel to carry out the rest of the activities. The use of basic computer packages is vulnerable to manipulation, errors and data loss.

### **Recommendations**

There is need for the County Assembly to have a better dedicated information management system that is secure and not easy to be manipulated in order to have better data gathering and processing even as the County Executive process the payroll and makes the payments.

### **7.0 Vote book and Budgetary Control**

The County Assembly did not allocate funds to various accounts before spending. The vote book maintained did not record commitments but recorded payments only. It was therefore not possible to confirm votes that were under or over utilised and there was a possibility of incurring excess vote without knowledge of management.

### **Recommendation**

Proper vote book should be maintained, clearly showing allocations to each vote, payments, commitments and outstanding balances on each vote.

## **8.0 Conclusion**

The foregoing observations clearly indicate that Nyeri County Assembly has not yet instituted sound accounting and reporting systems in line with Section 194 of Public Finance Management Act, 2012. The County Assembly should therefore follow the guidelines issued by the Public Sector Accounting Standards Board in developing such systems. Expenditure should be incurred in accordance with the Public Finance Management Act, 2012. Finally, goods and services should be procured in accordance with Public Procurement and Disposal Act, 2005.

A handwritten signature in black ink, appearing to read 'E. R. O. Ouko', with three dots below the name.

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

**Nairobi**

**23 October 2015**