

**REPUBLIC OF KENYA**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS**

**OF**

**TAITA TAVETA COUNTY EXECUTIVE**

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

## Table of Contents

EXECUTIVE SUMMARY .....	1
Introduction.....	1
Audit Scope and Terms of Reference.....	1
Key Audit Findings .....	1
1.0 Procurement of Goods and Services .....	1
1.1 Hire of Graders .....	1
1.2 Procurement of Motor Graders .....	2
1.3 Procurement IPADS and Desktop.....	2
1.4 Procurement of Motor Vehicles.....	2
1.4.1 Supply of two (2) Toyota Double Cab Pick ups.....	2
1.4.2 Supply of Four Ambulance Vehicles .....	3
1.4.3 Supply of Six Units of Isuzu Pick-ups.....	3
1.5 Supply and Delivery of Farm Tractors and Implements.....	3
1.6 Procurement of Works Without Approved Development Plan .....	4
1.7 Procurement of Works Using Request for Quotation .....	4
1.8 Purchase of Patients Uniforms, Beddings and Mattresses .....	4
1.9 Groundbreaking Ceremony .....	5
2.0 Allowances .....	5
2.1 Domestic and Foreign Travel Costs .....	5
2.2 Accommodation and Conference Services .....	6
2.3 Accommodation Allowances.....	6
3.0 Outstanding Imprest.....	6
4.0 Supply of Drugs and Pharmaceuticals to Sub-County Hospitals.....	7
5.0 Fuel Oils and Lubricants .....	7
6.0 Budgetary Control and Performance.....	7
7.0 Bank Reconciliation Statements .....	7
8.0 Expenditure on Casual Workers .....	8
9.0 Un-serviced Loan .....	8
Detailed Audit Findings .....	9

1.0	Procurement of Goods and Services .....	9
1.1	Hire of Graders .....	9
1.2	Procurement of Motor Graders .....	9
1.3	Procurement IPADS and Desktop .....	10
1.4	Procurement of Motor Vehicles.....	10
1.4.1	Supply of two (2) Toyota Double Cab Pick ups .....	10
1.4.2	Supply of Four Ambulance Vehicles.....	11
1.4.3	Supply of Six Units of Isuzu Pick-ups .....	11
1.5	Supply and Delivery of Farm Tractors and Implements.....	11
1.6	Procurement of Works Without Approved Development Plan .....	12
1.7	Procurement of Works Using Request for Quotation .....	13
1.8	Purchase of Patients Uniforms, Beddings and Mattresses .....	14
1.9	Groundbreaking Ceremony .....	15
2.0	Allowances .....	17
2.1	Domestic and Foreign Travel Costs .....	17
2.2	Accommodation and conference services.....	17
2.3	Accommodation Allowances.....	18
3.0	Outstanding Imprest.....	18
4.0	Supply of Drugs and Pharmaceuticals to Sub-County Hospitals.....	19
5.0	Fuel Oils and Lubricants .....	19
6.0	Budgetary Control and Performance.....	20
7.0	Bank Reconciliation Statements .....	20
8.0	Expenditure on Casual Workers .....	20
9.0	Un-serviced Loan .....	21

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

## **EXECUTIVE SUMMARY**

### **Introduction**

The financial operations of County Executive are subject to audit by the Auditor-General in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003.

### **Audit Objective**

The objective of the audit was to ascertain whether the systems formulated and applied by the County Executive were reliable for the management of the County Executive Finances in the delivery of service to the local residents.

### **Audit Scope and Terms of Reference**

The audit was designed to cover but was 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
- Imprests and advances
- Human Resource Records
- Non-current assets

### **Key Audit Findings**

#### **1.0 Procurement of Goods and Services**

##### **1.1 Hire of Graders**

Information availed for audit review indicated that the County Government incurred an expenditure of Kshs.5,512,000.00 on the hire of graders from two firms, for

maintenance works in the County. It was however, observed that there were no budgetary provisions made for the procurement, contrary to Section 26(3a) of the Public Procurement and Disposal Act, 2005 and Section 196(1&3) of the Public Finance Management Act, 2012 and the expenditure was not within the annual procurement plan of the County contrary to Section 26(3a) of the Public Procurement and Disposal Act, 2005. In addition, user requisition orders raised to initiate the procurement were not availed for audit review contrary to Section 26(3c) of the Public Procurement and Disposal Act.

Further, no inspection and acceptance committee report were availed for audit review and their absence is contrary to Section 7(2d) of the county Governments Procurement Regulations 2013 and Section 17(1-4) of the Public Procurement Regulations 2006 an indication that no works was done in the Country.

## **1.2 Procurement of Motor Graders**

Information availed for audit review indicated that the County Government spent Kshs.59,982,000.00 on the purchase of four (4) Motor Graders from a firm at a unit cost of Kshs.14,995,500.00. However, it was observed that the payment was effected on 30 June 2014 before the delivery of the equipment on 2 July 2014. In addition the log books were not availed for audit verification and even the physical verification was not possible since the location of the graders after they were received by County Executive Committee Member for Roads was unknown. Further, no inspection and acceptance committee report was attached to support the payment that was availed for audit review. Additionally, tender bids for the winning bidder was not availed for audit review and therefore the basis of selection and award of the supply to the firm was not supported.

## **1.3 Procurement IPADS and Desktop**

Information availed for audit review indicated that the County Government incurred an expenditure of Kshs.927,000 on the purchase of IPADS and desktop from a firm through the use of invitation of quotations. Further, no documentary evidence was provided for audit review to show how the items were received and distributed to the users therefore making it difficult to physically verify the equipments. In addition, though computer HP core 1.3 of serial number CNC331NW4N is indicated as received through delivery number 136 dated 31.01.2014, the item was not included in the quotation sent to the suppliers and therefore the basis of its supply was not supported.

## **1.4 Procurement of Motor Vehicles**

### **1.4.1 Supply of two (2) Toyota Double Cab Pick ups**

Information availed for audit indicated that the County Government procured two double Cab Pickups from a supplier at a cost of Kshs.9,732,240. However, no information was availed for audit in support of how the supplier was identified, selected and awarded the

contract. It appears the procurement was done through direct procurement even though no documentation of approvals from the tender committee for use of direct procurement were availed for audit review.

Further, the Management made an advance payment for the supply amounting to Kshs.4,663,120 which is against the Public Procurement and Disposal Act, 2005 and the relevant regulations. No evidence was availed for review to show that there was inspection and acceptance report presented before the final payment was made. Additionally, no Government inspection valuation report on the motor vehicle was availed for audit review to confirm that the vehicles supplied were in accordance with the specifications as per the order.

#### **1.4.2 Supply of Four Ambulance Vehicles**

Information availed for audit indicated that the County Government procured four ambulances at a total cost of Kshs.17,156,980 from a supplier. However, no information was availed for audit on how the supplier was identified, selected and awarded the supply of the vehicle. In addition, an advance payment of Kshs.8,578,490 was made for the supply contrary to the Public Procurement and Disposal Act, 2005 and the relevant regulations. Further, no inspection and acceptance committee reports were availed for audit review to show that the supplier satisfied the specification detailed in the order

#### **1.4.3 Supply of Six Units of Isuzu Pick-ups**

Information availed for audit review indicated that the County Government procured six (6) Isuzu Pick Ups at a total cost of Kshs.22,596,002. However, no information was availed for audit review on how the supplier was identified, selected and awarded the supply. The supply appears to have been a direct procurement but no evidence of authority to use this procurement method was availed for audit review. In addition, no inspection and acceptance committee report was availed for review or attached to the payment voucher. Additionally, no Government Inspection and Valuation report on the motor vehicles was availed for audit review to confirm that the vehicles supplied were in accordance with the specifications as per the order.

#### **1.5 Supply and Delivery of Farm Tractors and Implements**

Information availed for audit indicated that the County Government procured farm tractors and implements at a cost of Kshs.23,815,000 from one firm. However, the duly completed tender documents were not availed for audit review. In addition, the basis or criteria of award was not explained as the selected supplier was the highest bidder while all the tabulated tender documents had casting errors. Further, no ownership documents for the tractors were presented for audit review and no inspection and acceptance report was availed for review to confirm that the supply was as specified in the order.

## **1.6 Procurement of Works Without Approved Development Plan**

Information availed for audit indicated that the County Government undertook construction of nine (9) buildings within the County amounting to Kshs.69,171,362 under the development budget for the year 2013/2014. However, no approved development plan describing significant capital projects to be undertaken was made available for audit review in accordance with the provisions of Article 220 of the Constitution of Kenya, Section 126 of the Public Finance Management Act, 2012, Sections 104,107 and 108 of the County Government Act, 2012.

Approval of the projects by the Executive Committee was also not made available for audit review. Further, no documentary evidence was availed for audit review to demonstrate that the relevant procurement committees were appointed as per Public Procurement and Disposal Regulations 2006. In addition, the contract agreements availed for audit review did not have binding seal of the County Government, and did not specify the contract period of the works as required by the procurement law. Also there was no evidence availed for audit review to show that the contractors awarded the works were registered with National Construction Authority in line Section 15 (1) of the National Construction Authority Act 2011.

## **1.7 Procurement of Works Using Request for Quotation**

Information availed for audit indicated that the County Government procured service for construction of six (6) projects amounting to Ksh.28,817,932.80 on diverse dates during the period under review using request for quotations method of procurement. However, the value for all the six projects was above the request for proposal threshold of Kshs.4,000,000 prescribed by the Public Procurement and Disposal Act, 2005, Section 88. In addition, the Management awarded two contracts for building one class at Mazola Pre-school and another at Mlambenyi Village at costs of Kshs.4,368,704 and Kshs.4,316,040 respectively both of which no engineers' bill of quantities were availed for audit review.

## **1.8 Purchase of Patients Uniforms, Beddings and Mattresses**

Records availed for audit indicated that the County Government incurred an expenditure of Kshs.2,210,275.00 on purchase of patients' uniforms, pediatric uniforms, beddings and mattresses vide payment made on 25 march 2014. However, tender evaluation minutes on preliminary, technical and financial evaluation for the procurement were not made available for audit review. It was therefore not possible to confirm how the supplier was identified. Further, the payment was effected on 25 March, 2014 while the first delivery of the items was made on 7 April, 2014 and as at the time of the audit, items worth Kshs.520,000 were yet to be delivered though fully paid for.

Additionally, mattresses worth Kshs.546,000 that were indicated not to have met the specifications as detailed in the inspection and acceptance committee report were received into stores and fully paid for.

## **1.9 Groundbreaking Ceremony**

Information availed for audit indicated that the County Government incurred an expenditure totalling Kshs.6,427,750 in respect of Groundbreaking Ceremony of the county headquarters at Mgeno. However, the expenditure was captured as purchase of land even though it constituted payments made to suppliers and as allowances to staff and general public during the ground breaking ceremony held on 25 April, 2014 at Mgeno where the proposed County headquarters is to be build.

The Political Affairs Director was issued with an imprest amounting Kshs.3,607,750.00 while the Personal Assistant to the CEC members Adm & Devolution was issued with imprest amounting to Kshs.540,000.00 all of which were meant to pay for allowances for public participation, transportation to and from Mgeno and provision of services by suppliers.

The entire amount was never factored in the budget neither was there any approval for reallocation that was availed for audit review.

The schedule of payments amounting to Kshs.3,260.716 made out of the Kshs.3,607,750 paid to political affairs director and includes unsurrendered amount of Kshs.347,034.

Imprest issued to Personal Assistant to the CEC member for administration and devolution was spent and accounted for with an unexplained excess of Kshs.25,000.

In addition, no documents were availed to show the basis of paying the allowances was established and no evidence in support of how various supplies were identified, selected and awarded the contracts to supply goods and services were availed for audit review. Head of County Treasury approval as per the requirement of Public Finance Management Act, 2012 for reallocation of funds from development vote to recurrent expenditure was also not availed for audit verification.

Further, Local Service Orders (LSOs) appear to have been issued on a date after the groundbreaking ceremony though dated 24 April 2014 because earlier LSO in the same book (LSO No. 0973815) was issued on 29<sup>th</sup> May 2014 and it was therefore not clear how the Services were ordered.

## **2.0 Allowances**

### **2.1 Domestic and Foreign Travel Costs**

Reports generated from the IFMIS System on travelling costs indicates that the total costs amounted to Ksh.58,810,423.05 as at 30 June 2014. The report does not classify the travel costs in foreign and Domestic components. Therefore the audit was not able



to ascertain the proportion of foreign and domestic travelling costs. Examination of payment vouchers availed however, revealed that Ksh.8, 325,048 was transferred to the Clerk to the County Assembly to facilitate payments for foreign Trips by MCAs.

However no minutes from the Executive indicating the resolution and approval of the foreign trips were attached to support the payment. Further, no documents were availed to support the balance of Kshs.50,485,375.05 which was incurred by the County Government.

## **2.2 Accommodation and Conference Services**

Examination of expenditure records availed for audit review disclosed that the County Government made payments totaling Kshs.1,232,375.00 to a supplier in respect of accommodation and conference services for induction session for sub county administrators and chief officers held on 10 to 14 Feb. 2014. However, no document in support of how the supplier was identified, selected and awarded the contract were availed for audit, verification. In addition, no duly signed attendance register was availed for audit to demonstrate the occurrence of the activity.

## **2.3 Accommodation Allowances**

Information availed for audit indicated that an amount of Kshs.1,533,000.00 was paid to Local Authority Transfer Fund bank account and charged to domestic accommodation expenditure account. However no details of the beneficiaries and purpose of the payments was made available for audit review. In addition it's not clear why the LATF bank account was used yet the Transition authority had instructed the County Government to close all the bank accounts operated by defunct Local Authorities and Transfer all monies in those account to a single account in the Central bank of Kenya.

## **3.0 Outstanding Imprest**

Public Finance Management Act, 2012 Section 152 require a public officer to whom a cash advance is made to account for the use of the advance within reasonable time.

Records made availed for audit review indicated that the County Government was operating two parallel imprest systems. The outstanding imprests as per the manual register was Kshs.11,392,041.50 while the one operated through IFMIS had an outstanding balance of Kshs.33,154,809 making the total outstanding imprest to stand Ksh.44,546,850 at 30 June 2014. It was however noted that surrender of imprest was not being done immediately the official duty for which the imprest had been issued was completed.

A scrutiny of the imprest surrender vouchers amounting to Ksh.1,811,625 availed for audit review indicated that surrenders are not satisfactorily supported before they are captured in the system.

Further, nine officers with imprest amounting to Kshs.10,925,463.10 had multiple imprests issued to them contrary to the Government Financial Regulations and Procedures.

#### **4.0 Supply of Drugs and Pharmaceuticals to Sub-County Hospitals**

Information availed for audit indicated that the County Government paid a total of Kshs.17,806,818.50 to Kenya Medical Supplies Authority for supply and delivery of drugs to hospitals in the county through payment voucher number 3129 dated 12.05.2014 and 2726 dated 09.05.2014.

However, drugs worth Kshs.2,632,393.50 delivered to Moi Voi District Hospital through delivery note number EMB-2-093762-2013/2014 on 25 March 2014 could not be traced to the hospitals stores records. It was therefore not possible to confirm if the drugs were used within Voi District hospital.

#### **5.0 Fuel Oils and Lubricants**

Information availed for audit review indicated that the County Government spent a total of Kshs.70,073,785.00 on fuel oils and lubricants during the financial year ended 30 June 2014. However, examination of a sample of payment vouchers listed below revealed that fuel oils and lubricants worth Kshs.3,858,200.00 failed to reflect fuel consumption supporting documents such as work tickets and the amount of fuel consumption contrary to section K.11 of the code of regulation 2006.

#### **6.0 Budgetary Control and Performance**

Information availed for audit review indicated that during the period under review, the County Government had budgeted expenditure amounting to a total of Kshs.2,920,380,772.92, against a budgeted income of the same amount. This was never achieved as the budgeted revenue from internal sources which amounted to Kshs.214,119,909.21 was not collected but instead a total of Kshs.147,717,191 was collected leading to a shortfall of Kshs.66,402,718.20 and shortfall in remittances from exchequer amounting to Kshs.217,977,238.

#### **7.0 Bank Reconciliation Statements**

Information available indicated that the County Government prepared a bank reconciliation statements as at 30 June 2014 for both the recurrent and development bank accounts reconciling the cashbook balance of Kshs.81,823,661.09 and Kshs.154,892,398.10 respectively to the bank statement balances of Kshs.203,250,366.20 and Kshs.242,910,080.30. However, the reconciling items reflected that there were payments in the bank and not updated in the cash book totalling to Kshs.70,981,554.25 whereby Kshs.36,238,088.35 relate to recurrent account and Kshs.34,743,465.90 in respect to development account respectively. However, a review of the payments revealed that some of the payments dated back to November 2013 which clearly demonstrated that critical non update of the cashbook. In the

circumstances, it has not been possible to ascertain the cashbook balance of Kshs.81,823,661.09 in respect of Recurrent Account and Kshs.154,892,398.10 in respect of Development Account as at 30 June 2014.

## **8.0 Expenditure on Casual Workers**

A review of the records availed for audit of the County Government reflected payment to casual workers amounting to Kshs.15,324,724.90. However, no casual hiring approval letters from the County Public Service Board were availed for audit review. In addition the County Government engaged casual workers for more than three months against the stipulations of the labour laws. Records availed revealed that some casuals were inherited from the defunct local authorities and had been engaged for more than twenty years in service.

## **9.0 Un-serviced Loan**

Information availed for audit indicates that the County Government inherited from the defunct County council of Taita Taveta loan of Kshs.21,807,865.25 by National Housing Corporation. However, the loan balance had not been recorded in the County Government's accounting system and there has been no repayment since the County Government took over. It is not possible to determine financial cost arising from penalties due to defaulting on repayment.



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

**Nairobi**

**25 May 2015**

# **DETAILED AUDIT REPORT ON FINANCIAL OPERATIONS OF TAITA TAVETA COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014**

## **Detailed Audit Findings**

### **1.0 Procurement of Goods and Services**

#### **1.1 Hire of Graders**

Information availed for audit review indicated that the County Government incurred an expenditure of Kshs.5,512,000.00 on the hire of graders from two firms, for maintenance works in the County. It was however, observed that there were no budgetary provisions made for the procurement, contrary to Section 26(3a) of the Public Procurement and Disposal Act, 2005 and Section 196(1&3) of the Public Finance Management Act, 2012 and the expenditure was not within the annual procurement plan of the County contrary to Section 26(3a) of the Public Procurement and Disposal Act, 2005. In addition, user requisition orders raised to initiate the procurement were not availed for audit review contrary to Section 26(3c) of the public procurement and Disposal Act.

Further, no inspection and acceptance committee report were availed for audit review and their absence is contrary to Section 7(2d) of the County Governments Procurement Regulations 2013 and Section 17(1-4) of the public procurement regulations 2006 an indication that no works was done in the Country.

### **Recommendation**

The Management should adhere to the Public Procurement and Disposal Act, 2005 on procurement of goods, works and services. Further all documents in support of the procurement processes should be availed for audit review failure to which the responsible officers are held accountable.

#### **1.2 Procurement of Motor Graders**

Information availed for audit review indicated that the County Government spent Kshs.59,982,000.00 on the purchase of four (4) Motor Graders from a firm at a unit cost of Kshs.14,995,500.00. However, it was observed that the payment was effected on 30 June 2014 before the delivery of the equipment on 2 July 2014. In addition the log books were not availed for audit verification and even the physical verification was not possible since the location of the graders after they were received by County Executive Committee Member for Roads was unknown. Further, no inspection and acceptance committee report was attached to support the payment that was availed for audit review. Additionally, tender bids for the winning bidder was not availed for audit review and therefore the basis of selection and award of the supply to the firm was not supported.

From the foregoing, it has not been possible to ascertain if the County Government obtained value for money in the procurement process.

## **Recommendations**

The Management should adhere to the Public Procurement and Disposal Act, 2005 on procurement of goods, works and services. Further, all documents in support of the procurement processes should be availed for audit review failure to which the responsible officers are held accountable.

### **1.3 Procurement IPADS and Desktop**

Information availed for audit review indicated that the County Government incurred an expenditure of Kshs.927,000 on the purchase of IPADS and desktop from a firm through the use of invitation of quotations. Further, no documentary evidence was provided for audit review to show how the items were received and distributed to the users therefore making it difficult to physically verify the equipments. In addition, though computer HP core 1.3 of serial number CNC331NW4N is indicated as received through delivery number 136 dated 31.01.2014, the item was not included in the quotation sent to the suppliers and therefore the basis of its supply was not supported.

#### **Recommendation**

The Management should adhere to Public Procurement and Disposal Act, 2005 and the relevant regulations. Further, the Management should avail for audit review all documentary evidence on how the electronic gadgets were received from the supplier and the list of the officers issued with the items, failure to which the responsible officer is held accountable.

### **1.4 Procurement of Motor Vehicles**

#### **1.4.1 Supply of two (2) Toyota Double Cab Pick ups**

Information availed for audit indicated that the County Government procured two double Cab Pickups from a supplier at a cost of Kshs.9,732,240. However, no information was availed for audit in support of how the supplier was identified, selected and awarded the contract. It appears the procurement was done through direct procurement even though no documentation of approvals from the tender committee for use of direct procurement were availed for audit review.

Further, the Management made an advance payment for the supply amounting to Kshs.4,663,120 which is against the Public Procurement and Disposal Act, 2005 and the relevant regulations. No evidence was availed for review to show that there was inspection and acceptance report presented before the final payment was made. Additionally, no Government inspection valuation report on the motor vehicle was

availed for audit review to confirm that the vehicles supplied were in accordance with the specifications as per the order.

#### **1.4.2 Supply of Four Ambulance Vehicles**

Information availed for audit indicated that the County Government procured four ambulances at a total cost of Kshs.17,156,980 from a supplier. However, no information was availed for audit on how the supplier was identified, selected and awarded the supply of the vehicles. In addition, an advance payment of Kshs.8,578,490 was made for the supply contrary to the Public Procurement and Disposal Act, 2005 and the relevant regulations. Further, no inspection and acceptance committee reports were availed for audit review to show that the supplier satisfied the specification detailed in the order. Additionally, no Government inspection valuation report on motor vehicle was availed for audit review to confirm that the vehicles supplied were in accordance with the specifications as per the order.

#### **1.4.3 Supply of Six Units of Isuzu Pick-ups**

Information availed for audit review indicated that the County Government procured six (6) Isuzu Pick Ups at a total cost of Kshs.22,596,002. However, no information was availed for audit review on how the supplier was identified, selected and awarded the supply. The supply appears to have been a direct procurement but no evidence of authority to use this procurement method was availed for audit review. In addition, no inspection and acceptance committee report was availed for review or attached to the payment voucher. Additionally, no Government Inspection Valuation report on motor vehicle was availed for audit review to confirm that the vehicles supplied were in accordance with the specifications as per the order.

### **Recommendation**

The Management should ensure that all procurements are done in line with the Public Procurement and Disposal Act 2005 and Public Procurement and Disposal Regulations 2006 and 2013.

In addition, the Management should avail documentary evidence in support of the procurement processes for all the motor vehicles purchased, failure to which the responsible officer is held liable and accountable for contravening the Procurement Law and failure to provide documentary evidence. Further, all vehicles purchased should be supported with Government Inspection Valuation Report as per the Law.

#### **1.5 Supply and Delivery of Farm Tractors and Implements**

Information availed for audit indicated that the County Government procured farm tractors and implements at a cost of Kshs.23,815,000 from one firm. However,

information obtained from the copies of the tender committee minutes revealed the following state of affairs:

<b>Items description</b>	<b>Firm A</b>	<b>Firm B</b>	<b>Firm C</b>	<b>Firm D</b>
Farm tractor 2 wheel HP 82-83	3,500,000	13,500,000	19,300,000	2,600,000
Disc plough-3 bottom maschio ADF 3660 disc plough	500,000	1,900,000	2,350,000	200,000
Planter 4 row JM 2040 row planter	500,000	810,000	1,380,000	500,000
Harrow off set-20 disc	750,000	460,000	785,000	950,000
Total as per tender committee minutes	21,250,000	18,830,000	23,450,000	15,450,000
Correct Totals	5,250,000	16,670,000	23,815,000	4,250,000
variance	16,000,000	2,160,000	365,000	11,200,000

However, the duly completed tender documents were not availed for audit review. In addition, the basis or criteria of award was not explained as the selected supplier was the highest bidder while all the tabulated tender documents had casting errors. Further, no ownership documents for the tractors were presented for audit review and no inspection and acceptance report was availed for review to confirm that the supply was as specified in the order.

### **Recommendation**

The Management should ensure that Public Procurement and Disposal Act, 2005 and the related regulations are adhered to upon procurement of goods and services. Further, the documents in support of the procurement of tractors should be availed for audit verification, failure to which the responsible officer is held liable and accountable. Also the tractors registration certificates should be availed for audit review.

### **1.6 Procurement of Works Without Approved Development Plan**

Information availed for audit indicated that the County Government undertook construction of nine (9) buildings within the County amounting to Kshs.69,171,362 under the development budget for the year 2013/2014. However, no approved development plan describing significant capital projects to be undertaken was made

available for audit review in accordance with the provisions of Article 220 of the Constitution of Kenya, Section 126 of the Public Finance Management Act, 2012, Sections 104,107 and 108 of the County Government Act, 2012.

Approval of the projects by the Executive Committee was also not made available for audit review. Further, no documentary evidence was availed for audit review to demonstrate that the relevant procurement committees were appointed as per Public Procurement and Disposal Regulations 2006. In addition, the contract agreements availed for audit review did not have binding seal of the County Government, and did not specify the contract period of the works as required by the procurement law. Also there was no evidence availed for audit review to show that the contractors awarded the works were registered with National Construction Authority in line Section 15 (1) of the National Construction Authority Act 2011.

### **Recommendation**

The Management should ensure compliance with the National Construction Authority Act 2011 when appointing contractors. In addition, Management should always comply with the Public Procurement and Disposal Act, 2005 and the relevant regulations. Further, all development projects should be included in the approved annual development plan before implementation. The respective officer should be held liable for any losses incurred out of these contracts.

### **1.7 Procurement of Works Using Request for Quotation**

Information availed for audit indicated that the County Government procured service for six (6) construction projects amounting to Ksh.28,817,932.80 on diverse dates during the period under review using request for quotations method of procurement. However, the value for all the six projects was above the request for proposal threshold of Kshs.4,000,000 prescribed by the Public Procurement and Disposal Act, 2005, Section 88. The six construction works are summarized below:

<b>Item/Description</b>	<b>Contract cost (Kshs)</b>
Proposed construction of laboratory at St Joseph Sec. School	5,103,971.20
Proposed street lighting in Voi sub county	4,999,368.00
One classroom at Mazola pre-school in Chawia ward	4,368,704.00
One typical classroom at Mlambenyi Village in Mwatate ward	4,316,040.00
Construction of storm water drain	4,997,048.00



Proposed construction of Dispensary block at Kirumi-Sagalla	5,032,801.60
<b>Total</b>	<b>28,817,932.80</b>

In addition, the Management awarded two contracts for building one class at Mazola Pre-school and another at Mlambenyi Village at costs of Kshs.4,368,704 and Kshs.4,316,040 respectively both of which no engineers' bill of quantities were availed for audit review.

### **Recommendation**

Management should ensure that there is adherence to Public Procurement and Disposal Act, 2005 and the relevant regulations. Additionally, the Management should also avail for audit review engineers' bill of quantities and other related details in respect of the cost of constructing the two classrooms.

### **1.8 Purchase of Patients Uniforms, Beddings and Mattresses**

Records availed for audit indicated that the County Government incurred an expenditure of Kshs.2,210,275.00 on purchase of patients' uniforms, pediatric uniforms, beddings and mattresses vide payment made on 25 March 2014. However, tender evaluation minutes on preliminary, technical and financial evaluation for the procurement were not made available for audit review. It was therefore not possible to confirm how the supplier was identified. Further, the payment was effected on 25 March, 2014 while the first delivery of the items was made on 7 April, 2014 and as at the time of the audit, items worth Kshs.520,000 were yet to be delivered though fully paid for. Again the items distribution record indicated that distribution was done even before the supplies were officially received into the store as indicated below:

<b>ITEM</b>	<b>QUANTITY</b>	<b>UNIT COST (Kshs)</b>	<b>VALUE (Kshs)</b>	<b>REMARKS</b>
Sheets	150 pieces	1580	237,000	Distributed before official receipt
Blankets	150 pieces	1500	225,000	Not delivered to date
Cellular blankets	130 pieces	4000	520,000	Not delivered to date
Mattresses	65 pieces	8400	546,000	Not meeting the specifications
Patients uniforms (all sizes) – male	141 pieces	1650	232,650	Distributed before official receipt
Patients uniforms (all sizes)– female	200 pieces	1450	290,000	Distributed before official receipt
Pediatric uniforms (all sizes) male	70 pieces	1150	80,500	Distributed before official receipt

Pediatric uniforms (all sizes) female	75 pieces	1055	79,125	Distributed before official receipt
		<b>TOTAL</b>	<b>2,210,275.00</b>	

Additionally, mattresses worth Kshs.546,000 that were indicated not to have met the specifications as detailed in the inspection and acceptance committee report were received into stores and fully paid for.

### **Recommendations**

The Management should ensure full compliance with the procurement law. Further, the respective officer responsible should be surcharged for the approval of payments before the items were delivered and for receiving into the stores mattresses which were rejected by the inspection and acceptance committee all worth Kshs.1,066,000.00. In addition, the management need to demonstrate how the distribution of the items was done before the official receipt failure to which the entire expenditure should be recovered from the concerned officer(s).

#### **1.9 Groundbreaking Ceremony**

Information availed for audit indicated that the County Government incurred an expenditure totalling Kshs.6,427,750 in respect of Groundbreaking Ceremony of the county headquarters at Mgeno. However, the expenditure was captured as purchase of land even though it constituted payments made to suppliers and as allowances to staff and general public during the ground breaking ceremony held on 25 April, 2014 at Mgeno where the proposed County headquarters is to be build.

The Political Affairs Director was issued with an imprest amounting Kshs.3,607,750.00 while the Personal Assistant to the CEC members Adm & Devolution was issued with imprest amounting to Kshs.540,000.00 all of which were meant to pay for allowances for public participation, transportation to and from Mgeno and provision of services by suppliers.

The entire amount was never factored in the budget neither was there any approval for reallocation that was availed for audit review.

The schedule of payments amounting to Kshs.3,260,716 made out of the Kshs.3,607,750 paid to political affairs director includes unsurrendered amount of Kshs.347,034.

Imprest issued to Personal Assistant to the CEC member for administration and devolution was spent and accounted for with an unexplained excess of Kshs.25,000 as shown below:

<b>Purpose of payment</b>	<b>Amount Ksh.</b>
Payment to task force (19)members for Mgeno	450,000.00
Five(5) member task force for public participation	115,000.00
<b>Total</b>	<b>565,000.00</b>
LESS Amount advanced as above	540,000.00
<b>Unexplained over expenditure</b>	<b>25,000,00</b>

However, in both cases no documents were made available for audit in support of the indicated expenses.

In addition, no documents were availed to show the basis of paying the allowances was established and no evidence in support of how various supplies were identified, selected and awarded the contracts to supply goods and services were availed for audit review. Head of County Treasury approval as per the requirement of Public Finance Management Act, 2012 for reallocation of funds from development vote to recurrent expenditure was also not availed for audit verification.

Further, Local Service Orders (LSOs) appear to have been issued on a date after the groundbreaking ceremony though dated 24 April 2014 because earlier LSO in the same book (LSO No. 0973815) was issued on 29 May 2014 and it was therefore not clear how the Services were ordered.

<b>Particulars</b>	<b>LPO/LSO No</b>	<b>Date issued</b>	<b>Amount.</b>
T.Shirts	0973845	24/4/2014	1,067,000.00
Lunches	0973833	Not dated	350,000.00
Drinking water	No details	No details	250,000.00
Furniture	0973828	24/4/2014	270,000.00
Branded vikois( lessos)	0973830	24/4/2014	343,000.00

## **Recommendations**

The Management should always ensure that all expenditures are incurred in line with approved budgets and according to the Public Finance Management Act, 2012 and Government Financial Regulations and procedures. In addition, the respective officer should be held accountable for all procurement that have been made in contravention of the Public Procurement and Disposal Act, 2005. Additionally, all allowances paid that are not in accordance with Government Financial Regulations and Procedures should be recovered from the concerned staff while payments to members of public should the surcharged to the paying officer responsible.

## **2.0 Allowances**

### **2.1 Domestic and Foreign Travel Costs**

Reports generated from the IFMIS System on travelling costs indicates that the total costs amounted to Ksh.58,810,423.05 as at 30 June 2014. The report does not classify the travel costs in foreign and Domestic components. Therefore the audit was not able to ascertain the proportion of foreign and domestic travelling costs. Examination of payment vouchers availed however, revealed that Ksh.8, 325,048 was transferred to the Clerk to the County Assembly to facilitate payments for foreign Trips by MCAs.

However no minutes from the Executive indicating the resolution and approval of the foreign trips were attached to support the payment. Further, no documents were availed to support the balance of Kshs.50,485,375.05 which was incurred by the County Government.

### **Recommendations**

- The Management should make sure that payment vouchers are adequately supported prior to authorization and effecting payments.
- The Management should classify the costs into Foreign and Domestic components in line with Government Financial Regulations and Procedures.
- The Management should account for the amount of Kshs.50,485,375.05 in the domestic and foreign travel account by identifying the nature of the travel, names of the officers and an evidence of travel like the passports, boarding passes, work tickets including evidence of reports prepared on lesson learned from the foreign trips.
- Failure to avail documentary evidence in support of the travel expenditure, the expenditure is recovered from the respective officers.

### **2.2 Accommodation and conference services**

Examination of expenditure records availed for audit review disclosed that the County Government made payments totaling Kshs.1,232,375.00 to a supplier in respect of accommodation and conference services for induction session for sub county administrators and chief officers held on 10 to 14 Feb. 2014.

However, no document in support of how the supplier was identified, selected and awarded the contract were availed for audit, verification. In addition, no duly signed attendance register was availed for audit to demonstrate the occurrence of the activity.

### **Recommendation**

The county executive should ensure that all procurement are done in line with the requirements of the Public Procurement and Disposal Act 2005 and also should avail for audit review documents showing how the service was sourced and duly signed attendance register.

Also receipts from the supplier in support of payment should also be availed for audit review, failure to which the amount is recovered from the respective officer.

### 2.3 Accommodation Allowances

Information availed for audit indicated that an amount of Kshs.1,533,000.00 was paid to Local Authority Transfer Fund bank account and charged to domestic accommodation expenditure account. However no details of the beneficiaries and purpose of the payments was made available for audit review. In addition it's not clear why the LATF bank account was used yet the Transition authority had instructed the County Government to close all the bank accounts operated by defunct Local Authorities and Transfer all monies in those account to a single account in the Central Bank of Kenya. The payments is as analyzed below:

Item Desc	Payee	Batch No.	Cheque	Bank
Accommodation - Domestic	TAITA TAVETA COUNTY LATF	DEC 2	409	820,000.00
Accommodation - Domestic	TAITA TAVETA COUNTY LATF	DEC 3	410	713,000.00
			<b>Total</b>	<b><u>1,533,000.00</u></b>

### Recommendation

The Management should explain the purpose and circumstances under which the above payments were made and provide details of the beneficiaries for audit review failure to which the amount is recovered from respective officers.

### 3.0 Outstanding Imprest

Public Finance Management Act, 2012 Section 152 require a public officer to whom a cash advance is made to account for the use of the advance within reasonable time.

Records made availed for audit review indicated that the County Government was operating two parallel imprest systems. The outstanding imprests as per the manual register was Kshs.11,392,041.50 while the one operated through IFMIS had an outstanding balance of Kshs.33,154,809 making the total outstanding imprest to stand Ksh.44,546,850 at 30 June 2014. It was however noted that surrender of imprest was not being done immediately the official duty for which the imprest had been issued was completed.

A scrutiny of the imprest surrender vouchers amounting to Ksh.1,811,625 availed for audit review indicated that surrenders are not satisfactorily supported before they are captured in the system.

Further, nine officers with imprest amounting to Kshs.10,925,463.10 had multiple imprests issued to them contrary to the Government Financial Regulations and Procedures.

### **Recommendations**

- All overdue un-surrendered imprest should be recovered from the respective officers through payroll without further delays as per the Government Financial Regulations and Procedures.
- The Management should ensure that adequate supporting documentations are availed for audit examination, failure to which the imprest should be recharged to the concerned officers.
- Imprests should not be issued to an officer with an outstanding imprest
- All imprest that lack supporting surrender vouchers should be charged back to the respective officers.
- Investigate all such imprests and recover from their respective salaries promptly.

### **4.0 Supply of Drugs and Pharmaceuticals to Sub-County Hospitals**

Information availed for audit indicated that the County Government paid a total of Kshs 17,806,818.50 to Kenya Medical Supplies Authority for supply and delivery of drugs to hospitals in the county through payment voucher number 3129 dated 12.05.2014 and 2726 dated 09.05.2014.

However, drugs worth Kshs.2,632,393.50 delivered to Moi Voi District Hospital through delivery note number EMB-2-093762-2013/2014 on 25 March 2014 could not be traced to the hospitals stores records. It was therefore not possible to confirm if the drugs were used within Voi District hospital.

### **Recommendation**

- The drugs should be recorded in the stores records and supporting documentation made available for audit review.
- The county executive should account for drugs worth Kshs.2,632,393.50 which remain unaccounted for, and avail the records for audit verification failure to which the concerned officer is surcharged.

### **5.0 Fuel Oils and Lubricants**

Information availed for audit review indicated that the County Government spent a total of Kshs.70,073,785.00 on fuel oils and lubricants during the financial year ended 30 June 2014. However, examination of a sample of payment vouchers listed below

revealed that fuel oils and lubricants worth Kshs.3,858,200.00 failed to reflect fuel consumption supporting documents such as work tickets and the amount of fuel consumption contrary to section K.11 of the code of regulation 2006.

### **Recommendations**

The Management should avail for audit review documents supporting the drawing of fuel, the respective vehicle and the authority to draw fuel failure to which the indicated amounts should be surcharged on the respective officer.

### **6.0 Budgetary Control and Performance**

Information availed for audit review indicated that during the period under review, the County Government had budgeted expenditure amounting to a total of Kshs.2,920,380,772.92, against a budgeted income of the same amount. This was never achieved as the budgeted revenue from internal sources which amounted to Kshs.214,119,909.21 was not collected but instead a total of Kshs.147,717,191 was collected leading to a shortfall of Kshs.66,402,718.20 and shortfall in remittances from exchequer amounting to Kshs.217,977,238.

### **7.0 Bank Reconciliation Statements**

Information available indicated that the County Government prepared a bank reconciliation statements as at 30 June 2014 for both the recurrent and development bank accounts reconciling the cashbook balance of Kshs.81,823,661.09 and Kshs.154,892,398.10 respectively to the bank statement balances of Kshs.203,250,366.20 and Kshs.242,910,080.30. However, the reconciling items reflected that there were payments in the bank and not updated in the cash book totalling to Kshs.70,981,554.25 whereby Kshs.36,238,088.35 relate to recurrent account and Kshs.34,743,465.90 in respect to development account as detailed in **Appendices V and VI** respectively. However, a review of the payments revealed that some of the payments dated back to November 2013 which clearly demonstrated that critical non update of the cashbook. In the circumstances, it has not been possible to ascertain the cashbook balance of Kshs.81,823,661.09 in respect of Recurrent Account and Kshs.154,892,398.10 in respect of Development Account as at 30 June 2014.

### **Recommendations**

The Management should ensure that the cashbook is regularly updated with financial transactions, bank reconciliations prepared and reviewed by responsible officer and the reconciling items followed up and resolved within reasonable time.

### **8.0 Expenditure on Casual Workers**

A review of the records availed for audit of the County Government reflected payment to casual workers amounting to Kshs.15,324,724.90. However, no casual hiring approval letters from the County Public Service Board were availed for audit review. In addition the County Government engaged casual workers for more than three months against the stipulations of the labour laws. Records availed revealed that some casuals were

inherited from the defunct local authorities and had been engaged for more than twenty years in service.

### **Recommendations**

The County Government should adhere to the financial regulations, County Public Service Human Resource Manual and labour laws.

### **9.0 Un-serviced Loan**

Information availed for audit indicates that the County Government inherited from the defunct County council of Taita Taveta loan of Kshs.21,807,865.25 by National Housing Corporation. However, the loan balance had not been recorded in the County Government's accounting system and there has been no repayment since the County Government took over. It is not possible to determine financial cost arising from penalties due to defaulting on repayment. In the circumstances, it has not been possible to ascertain the total long-term obligations of the County Government as at 30 June, 2014.

### **Recommendation**

The Management should ensure that all contractual liabilities from defunct local authorities are reviewed with a view to establish the genuine ones. The Management should also record in the books of the above loan and commence repayment in line with the loan agreement to avoid penalties as a result of noncompliance with repayment clauses.



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

**Nairobi**

**25 May 2015**