

**REPUBLIC OF KENYA**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS OF  
GARISSA COUNTY ASSEMBLY**

**FOR THE PERIOD**

**1 JULY 2013 TO 30 JUNE 2014**

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# **AUDIT REPORT ON THE FINANCIAL OPERATIONS OF GARISSA COUNTY ASSEMBLY FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014**

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## **1.0 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.

## **1.1 Audit Objective**

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's finances in the delivery of service to the local residents.

## **1.2 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 – Fuel
- Consultancy services
- Bursaries
- Imprests and advances
- Cash and bank balances
- Human Resource Records
- IT Environment
- Non current assets
- Debtors
- Creditors

## **2.0 Audit Findings**

### **2.1 Board of Cash Survey**

Boards of Cash Surveys are carried out on the last day of each financial year in accordance with Chapter 5.9.92 of the Government Financial Regulations and Procedures. However, no Board of Cash Survey Committee was appointed and no board of cash survey was carried out at the close of business on 30 June 2014.

#### **Recommendations**

- Annual board of survey boards should be appointed by the Clerk.
- Board of Cash Surveys should be carried out annually and reports filed appropriately.

### **2.2 Quarterly Management Reports**

The County Assembly did not prepare and submit to the County Treasurer quarterly reports as required by Section 166(1) of the Public Finance Management Act, 2012.

#### **Recommendation**

- The Assembly should always prepare quarterly reports as required.

### **2.3 Ward Funds**

Section 147(1) of the Public Finance Management Act, 2012 and the County Assembly Service (Ward Office) Regulations, 2013 requires economic utilization of ward funds for the effective operations of ward offices.

It was observed that Garissa County Assembly issued each member of County Assembly with Kshs.100,000.00 per month throughout the year 2013/2014.

However, the following anomalies were noted;

- The amount of Kshs.36,000,000 (Schedule 1) paid out was not in the approved budget for 213/2014.
- No lease agreements were signed to support payment of neither rentals nor were the office buildings inspected by the relevant Government technical departments.
- Ward bank accounts were opened and operated without approval of the County Service Board as required under Section 17 of the County Assembly Service Regulations. (CASR) 2013.
- No cash books were maintained for the bank accounts and no bank statements or bank reconciliation statements were provided for audit review.
- Staff recruitment by the MCAs for the Ward offices was not in accordance with CASR Section 25 as required. Salaries for the Ward staff of Kshs.24,840,000.00 for the 29 Wards for the year were not approved.

An amount of Kshs.2,056,872 allegedly deducted as PAYE and other statutory deductions was not remitted as required and may attract penalties and interest charges.

## **Recommendations**

- Ward funds should be operated in accordance with the County Service (ward office) Regulations, 2013.
- Budget and obtain County Assembly Approval before sending any ward funds.
- Office Rentals not supported by lease agreements should be refunded/recovered appropriately.
- Ward bank accounts should be opened in accordance with existing legislation.
- Cashbooks and bank reconciliation statements should be maintained for each bank account maintained by the County Assembly.
- Recruitment of staff for ward offices should comply with the recruitment procedures and policy of the County and in line with the Constitution.
- Remit Kshs.2,056,872 deducted PAYE not surrendered and other unremitted statutory deductions.
- Any salaries paid for staff not properly recruited should be appropriately recovered out of the Kshs.24,840,000 paid during the year.

## **2.4.0 Procurement of Goods, Works and Services**

### **2.4.1 Irregular Procurement of Capital Projects**

An amount of Kshs.36,746,190.000 (Schedule 2) was used to pay for buildings refurbishment, installation of CCTV cameras, firefighting equipment, electric fence and other works at the County Assembly premises. However;

- The items were not in the annual procurement plan, criteria for bidders evaluation was introduced at evaluation stage contrary to Section 66(2) of the Public Procurement and Disposal Act, 2005.
- No contract agreements were signed between the contractors and the County Assembly as required.
- Payments were made without certificates of practical completion of the works from the relevant departments or inspection and acceptance committees as appropriate.

- Physical verification on 27 January 2015 revealed that although full payment had been made for the firefighting equipment installation at Garissa County Assembly, the project was not complete seven (7) months after full payment had been made.

The amounts not supported and with no value for money have to be recovered appropriately.

### **Recommendations**

- The County Assembly should adhere to Public Procurement and Disposal Act, 2005 and Regulations, 2006.
- Prepare and implement an Annual Procurement Plan.
- Draw and sign appropriate contract agreements with clear specifications on project design and implementation.
- Ensure that project payments are made on the strength of practical completion certificates of works.
- Recover the amount of money paid for the incomplete firefighting equipment installation at the County Assembly.

### **2.4.2 Procurement of Furniture, Office Equipment and other Goods**

The County Assembly of Garissa procured furniture, office equipment and other goods for Kshs.25,577,532.00 (Schedule 3) during the year without including items in the annual procurement plan and approved budget for 2013/2014 contrary to Section 20(1) and 26(3) of the Public Procurement and Disposal Act, 2005.

A number of payments lacked necessary supporting documents such as Local Purchase Orders and items were not received and taken on charge in the stores. Issue documents were also not available for audit verification.

Physical verification revealed that office furniture and equipment were not marked and tagged for ease of identification making it difficult to confirm the items purchased during the year.

### **Recommendations**

- Recover all monies paid for office equipment and furniture without supporting documents.
- All items purchased and received should always be taken on charge in the stores record.
- Mark and tag all acquired assets for ease of identification and verification.

### **2.4.3 Irregular Consulting Services Payments**

Examination of payment vouchers revealed that a Consultant was paid Kshs.4,440,000.00 (Schedule 4) for training County Assembly staff during the year 2013/2014. However, the item was not in the annual procurement plan contrary to Section 2(i) and 26(3) of the Public Procurement and Disposal Act, 2005. No Terms of Reference were given to the bidders and no contract agreement was signed between the Consultant and the Assembly. Payment was made without any supporting documents.

The nature of training and the names of the participants could not be confirmed in the absence of documentation.

The entire amount was not supported and is therefore irregular and should be fully recovered.

#### **Recommendations**

- Recover the entire consultancy payment of Kshs.4,440,000.00 from the responsible officers as it is not supported and no evidence of service delivery has been provided.
- Adhere to the provisions of the Public Procurement and Disposal Act,2005 in all procurements of services.

### **2.4.4 Unaccounted for Care Hire**

The County Assembly of Garissa paid Kshs.1,731,000.00 (Schedule 5) for direct procurement of car hire services. Further, no quotation opening and evaluation minutes were seen or work tickets and registration numbers of vehicles used were provided for audit review.

In addition, the Principal Finance Officer alleged to have hired a taxi on two occasions for 20 days each at a flat rate of Kshs.5,000.00. However, the payment was made to the Principal Finance Officer and not the suppliers of the services.

#### **Recommendations**

- Recover the amount of Kshs.1,731,000 from the responsible officers.
- Recover the unsupported taxi payment of Kshs.10,000 from the responsible officer.
- Take administrative action against all officers who failed to carry out their duties responsibly.

### **2.4.5 Unaccounted for Motor Vehicle Maintenance**

The Assembly spent Kshs.1,635,424.13 (Schedule 6) on maintenance of motor vehicles. Kshs.899,724.13 was paid to a dealer for repair of vehicle KBU 668T. However, no inspection certificate from the Chief Mechanical Engineer on the nature



and estimated costs of repairs was provided. Further, the repairs were not entered in the vehicle log book (GP55). No work ticket was also provided for audit review. The balance of Kshs.735,700 was paid to an insurance firm for insurance services on vehicle KBU 668T and KBU 653T. The firm was however single sourced and the contract document was only signed by the supplier.

The propriety of the expenditure of Kshs.1,635,424.13 could not be confirmed and should be recovered.

### **Recommendations**

- Always ensure technical departments are involved in providing technical advise on specialist services to guarantee value for money in the activities of the County Assembly.
- Complete and provide for audit review the relevant motor vehicles repairs documents.
- Recover the amount of Kshs.1,635,424.13 on the unaccounted for motor vehicle maintenance.

#### **2.4.6 Irregular payment of Catering Services**

Examination of payment vouchers revealed that Kshs.3,842,800 (Schedule 7) was paid for single sourced catering services supplier without Local Service Orders (LSOs). Further, copies of invoices were used to support payments is an indication of double payments. In addition, no schedule/list of participants who were offered the catering services was provided for audit review.

The payments authenticity could therefore not be confirmed.

### **Recommendation**

- Recover the irregular payment for catering services of Kshs.3,842,800.00.

#### **2.4.7 Unauthorized Expenditure**

Section 5.2.3.2 of the Government Financial Regulations and Procedures requires that the Authority to Incur Expenditure (AIE) Officer delegates these powers in writing. However, the Assembly's Principal Finance Officer made payments of Kshs.58,958,225 (Schedule 8) without the express authority of the Authorized Officer (Clerk of the County Assembly). Further, Kshs.42,773,221.00 of the amount of Kshs.58,958,225 was not signed off by the Accountant-in-Charge.

The propriety of the expenditure could not be ascertained.

## **Recommendation**

- Recover the unauthorized expenditure of Kshs.58,958,225 which has not been properly authorized by the responsible officer.

### **2.5.0 Allowances**

#### **2.5.1 Doubtful Foreign Travel and Accommodation Allowances**

An amount of Kshs.15,096,450.00 (Schedule 9) was spent by two County Assembly Committees on foreign travel to China and Dubai. However, the following anomalies were noted:

- Approval minutes by the County Assembly Services Board were not made available
- Copies of travel documents such as passports, Visas and airtickets to support the expenditure were not produced for audit review.
- Invitation letters from the Embassies of China and Dubai were not availed. The purpose of the trips was not clear.
- Training Institute was paid Kshs.6,412,590 for conference charges, taxi charges, visa processing and payment of return air tickets for both committees. It was not clear how the Institute was identified and acquired and how it provided conference facilities in China and Dubai.
- Kshs.3,342,096 was used as subsistence allowance and other charges such as Visa processing and hire of conference for eight (8) non-committee persons of Agriculture, Livestock and Fisheries accompanying the committee to Dubai.
- Two non-committee members in Roads and Infrastructure committee were paid a total of Kshs.45,808.00 for the China trip. Their role was not disclosed.
- The committee on Agriculture, Livestock and Fisheries never went to Israel as stated but to Dubai without explanation of the purpose of the visit.
- A report on the tour was not provided as is expected.
- As a result, it is not clear that the trips/tours took place and that there was value for money obtained from the trip.

## **Recommendations**

- Recover the expenditure of Kshs.15,096,450 spent by the two committees as it was not approved, budgeted and accounted for as at 30 June 2014.
- Recover the payments to non-committee members whose role in the trips have not been justified.

### **2.5.2 Doubtful Local Travel and Accommodation Allowances**

The County Assembly spent Kshs.3,411,000 (Schedule 10) on Local Committee and staff travel to Nairobi, Mombasa and Naivasha without the pre-requisite supporting documents such as work tickets, bus tickets, invitation letters, payment schedules signed by participating payees. In some cases, the payment schedule was signed by one person while other committee member purported to be attending plenary sessions or select committee meetings at Garissa and signed attendance registers.

The amount of double payments are recommended for full recovery from the responsible persons.

#### **Recommendation**

Recover the amount of Kshs.3,411,000 that is doubtful on local travel and accommodation expenses from the responsible officers.

### **2.5.3 Unsupported Local Travel and Accommodation Allowances**

An amount of Kshs.1,917,000 (Schedule 11) was paid to members of County Assembly and other staff for attending workshops and other official duties in Nairobi and other areas without supporting documents. Payment schedules were unsigned, work tickets or bus tickets were not provided for audit review. The period of the activities was not indicated.

#### **Recommendation**

- Recover and or refund the amount of Kshs.1,917,000 that was unsupported.

### **2.5.4 Irregular Mileage Allowance Payment**

Salaries and Remuneration Commission circular No.SRC/TS/GOVT/3/61 of 13 June 2013 and SRC/3/CGOVT/3/61/(53) of 12 July 2013 requires payment of mileage allowance to MCAs on a flat rate of Kss.20,000. However, the County Assembly of Garissa paid an MCA Kshs.512,920 (Schedule 12) based on distance travel between his home and office without any schedule of distances travelled and meetings attended.

#### **Recommendation**

- Recover the amount of Kshs.512,920 from the relevant Members of County Assembly.

### **2.6 Unsupported Training Expenses**

A total of Kshs.3,860,000 (Schedule 13) was used for training of Garissa County Assembly staff during the year 2013/2014.

However;-

- Kshs.2,490,000 paid to a Research and Consulting firm for training 30 ward managers was supported by an invoice only.
- No LSO, participants schedule, nature of training were made available to support payment, nor period and venue of training.
- Further, payment of Kshs.1,370,000 to a consultant for training PAC/PIC members in Nairobi was not supported at all including mode of travel to Nairobi, schedule of participants and legal agreement between the consultant and County Assembly.

### **Recommendation**

- Recover the unsupported amount of Kshs.1,370,000 paid to the Consultant.
- Recover the unsupported amount of Kshs.2,490,000 paid to the Research and Consulting firm.

## **2.7.0 Human Resource**

### **2.7.1 Lack of Policy Documents**

The Assembly operates without an approved scheme of service for staff, recruitment policy and Human Resource Manual.

### **Recommendation**

- Prepare and implement relevant Human Resource Policies for the smooth management of the Human Resource of the County Assembly.

### **2.7.2 Personnel Records**

The personal files did not contain vital records on staff such as birth certificates, copies of National Identity Cards, Medical Certificates, Next of kin forms and copies of academic and professional certificates as required.

Further, appointment letters were not signed by the Clerk of the County Assembly casting doubt on the authenticity of the staff appointments.

### **Recommendation**

Keep and update personnel records appropriately.

### **2.7.3 Staff Recruitment**

The County Assembly recruited 13 staff without advertisement into senior positions while others did not meet the minimum requirements for the positions advertised.

Further, some staff were hired on higher scales than the positions advertised including Procurement Assistant I, Hansard Recorder I and Principal Accountant. It was not clear which criteria was applied in their recruitment to posts which were not advertised.

#### **Recommendation**

- Recruit and deploy staff in accordance with appropriate Human Resources policies and regulations to assure performance and morale in the workforce.

### **2.7.4 Unrecovered Salary Advance Payment**

Payment Voucher No.416 of 2 May 2014 revealed that one MCA was paid salary advance of Kshs.123,750 to be recovered in May and June 2014. However, the recovery was not instituted.

#### **Recommendation**

- Recover the unrecovered salary advance of Kshs.123,450.00.

### **2.8 IT Environment**

The County Assembly of Garissa used manual records to record its transactions such as cash books and vote books since IFMIS and G-PAY systems have not been adopted. No explanation has been provided for failure to adopt IFMIS and G-PAY as required.

#### **Recommendation**

- Adopt and implement IFMIS and G-PAY as required.

### **2.9 Asset Register Maintenance**

The County Assembly of Garissa did not maintain a permanent and expendable asset register as required. No inventories were kept contrary to Chapter 18.5.2 of Government Financial Regulations and Procedures. Further, the assets were not coded, marked and tagged for ease of identification.

#### **Recommendation**

- Maintain an updated fixed assets register for all the County Assembly assets.

### **3.0 Overall Recommendations**

- The County Assembly of Garissa should adhere to the Public Procurement and Disposal Act, 2005 and Regulations 2006.
- The Assembly should adhere to the provisions of the Public Finance Management Act, 2012 and Government Financial Regulations and Procedures in its financial management operations.
- All payments/funds/moneys not supported, accounted or irregularly paid should be received appropriately from the relevant parties/persons.
- The Assembly should comply with the staff recruitment procedures and ensure establishment and compliance to all Human Resource Management policies.

#### **4.0 CONCLUSION**

The County Assembly of Garissa should comply with the relevant legislations to enhance its financial management operations for the benefit of Garissa County residents.



**Edward R.O. Ouko, CBS**  
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**Nairobi**

**25 May 2015**