

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL OPERATIONS OF
BOMET COUNTY ASSEMBLY**

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

Table of Contents

Introduction.....	1
Audit Objectives	1
Terms of Reference.....	1
1.0 Key Audit Findings.....	1
1.1 Integrated Payroll and Personnel Data (IPPD)	1
2.0 IT Control Environment and ICT Governance	1
3.0 IFMIS and G Pay	2
4.0 Unsupported Expenditure on Salaries and Allowances	2
5.0 Overpayment of Per Diem Allowances	2
6.0 Outstanding Temporary Imprest.....	2
7.0 Doubtful Expenditures on Travelling and Allowances.....	2
8.0 Unsupported Expenditure on Travelling and Accommodation	2
9.0 Irregularly Payment of Allowances to MCAs and County staff members	3
10.0 Workshops on Devolution	3
11.0 Foreign Travel.....	3
11.1 Payment of Foreign Trip per diem Allowances.....	3
12.0 Procurement of Goods and Services without approved annual procurement plan.	3
12.1 Irregular Procurement of Goods and Services	3
12.2 Unsupported Expenditure on Rental Payment.....	4
DETAILED AUDIT AUDITINGS	5
1.0 Integrated Payroll and Personnel Data (IPPD)	5
2.0 IT Control Environment and ICT Governance	5
2.1 IFMIS and G Pay	5
3.0 Unsupported Expenditure on Salaries and Allowances	5
4.0 Overpayment of Per Diem Allowances	6
5.0 Outstanding Temporary Imprest.....	7
6.0 Doubtful Expenditures on Travelling and Allowances.....	7
7.0 Unsupported Expenditure on Travelling and Accommodation	8
8.0 Irregularly Payment of Allowances to MCAs and County staff members	8
8.1 Workshops on Devolution	9

9.0 Foreign Travel.....	9
9.1 Payment of Foreign Trip per diem Allowances.....	9
10.0 Procurement of Goods and Services without approved annual procurement plan.....	10
10.1 Irregular Procurement of Goods and Services.....	10
11.0 Unsupported Expenditure on Rental Payment.....	10
14.0 Conclusion.....	11

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

Introduction

The financial transactions of the County Assembly of Bomet for the financial year 2013/2014 are subject to audit by the Auditor-General in accordance with Article 229 (5) of the Constitution of Kenya and the Public Audit Act, 2003.

Audit Objectives

The objective of the audit was to ascertain whether the systems formulated and applied by the County Assembly were reliable for the management of the County Assembly's finances in the delivery of services to the local residents.

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
- 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 and fuel
- Cash and Bank balances
- Human Resource record
- Non-Current Assets

1.0 Key Audit Findings

1.1 Integrated Payroll and Personnel Data (IPPD)

The County Assembly has not implemented IPPD for payroll and human resource data processing and instead depends on the County Government system. Therefore, they are not independent and there is no segregation of duties to control the system users.

2.0 IT Control Environment and ICT Governance

The County Assembly has not formulated a County Assembly ICT Framework. The Assembly has not developed some of the key ICT documents such as ICT policies and procedures, ICT Strategic Plan, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP). Further, an ICT Steering Committee has also not been constituted to address these issues.

3.0 IFMIS and G Pay

The Assembly had not installed IFMIS and maintained a manual cash book and vote book which contravenes section 8 (2) (a) of the County Government Public Finance Management Act 2012.

4.0 Unsupported Expenditure on Salaries and Allowances

The County Assembly incurred expenditure totaling Kshs.83, 685,308 in respect of salaries and allowances of MCAs, County staff and casual labourers during the financial year. However, the expenditure was not supported with documents such as monthly payroll, signed wages schedules of the casual labourers, personal files and the respective payments vouchers used to effect cash transfers to the payees respective bank accounts.

5.0 Overpayment of Per Diem Allowances

Members of the County Assembly and other Officers were overpaid amounts totaling Kshs.1, 085,300 as a result of miscalculations of the number of days they attended various workshops on Capacity Development held on diverse dates in three different venues (Appendix 2).

6.0 Outstanding Temporary Imprest

Records maintained by the County of Assembly Bomet reflected outstanding imprests of Kshs.1.050, 000 as at 30 June 2014. The imprests had been issued to members of County Assembly for ward administration expenses. No evidence was availed to show how the amounts paid as ward expenses was arrived. In the absence of surrender documents, the propriety of the expenditure could not be confirmed.

7.0 Doubtful Expenditures on Travelling and Allowances

The County Assembly paid Kshs.1,700,400 to thirty six (36) Members of the County Assembly and other twenty (20) County Assembly Officers in respect of per diem allowances and transport cost while attending a workshop on Transformational Leadership held at A Hotel in Nakuru County between 28 July and 3 August 2013. A law firm was awarded a contract to conduct the workshop at a contract sum of Kshs.2,959,300. There was no evidence that the law firm was contracted through the prescribed procurement process. The expenditure was not approved by the County Assembly Service Board and the Assembly has declined to pay the law firm the contract amount. The law firm has subsequently sued the Assembly.

8.0 Unsupported Expenditure on Travelling and Accommodation

The County Assembly incurred expenditure totaling Kshs.598,000 in respect of two nights out allowances for thirty-three (33) MCAs and fifteen (15) County officers who were involved in public participation workshop in Kericho town (**Appendix 3**). The Assembly has not explained why the public participation for Bomet County was held in Kericho County.

No travel documents were availed to support the expenditure on travel totaling Kshs.43,000. The specific venue where the meeting was held in Kericho was not disclosed.

9.0 Irregularly Payment of Allowances to MCAs and County staff members

The County Assembly paid Kshs.388, 500 in respect of per diem allowances to MCAs and other County staff members who took part in report writing in respect of Alcohol Bill on 11 March 2014 and County Fiscal Strategy Analysis on 12 March 2014 at the Hotel **(Appendix 4)**. The meeting was held in the Hotel which is within their work stations. No satisfactory explanation has been given as to why the participants were paid night outs.

10.0 Workshops on Devolution

The Assembly incurred expenditure totaling Kshs.1,734,000 in respect of per diem allowances to thirty (30) MCAs, thirteen (13) members of staff of the County Assembly who attended 4 days' workshop on Devolution and Legislative Process in Kisumu between 19 and 23 November 2013. The Assembly also incurred expenditure totalling Kshs.2,590,000 in respect of per diem allowances to thirty five (35) MCAs for attending another work shop on Devolution and Legislative Process at a Hotel in Mombasa from 16 to 22 December 2013. No explanation has been provided for attending similar workshops in two subsequent months. Further, no documentary evidences were provided to support the expenditure on travel.

11.0 Foreign Travel

11.1 Payment of Foreign Trip per diem Allowances

The Assembly incurred expenditure totaling Kshs.8,289,680 in respect of per diem allowances for 52 participants attending a conference on Leadership Integrity and Governance in Tanzania from 29 to 30 May 2014 initiated by the Institute of Certified Public Secretaries (ICPSK). The participants also visited the East Africa Legislative Assembly and the Tanzanian parliament up to 5 June 2014. The Assembly contracted Tours and Travel Company to procure return air tickets and was paid Kshs.1,911,000 without competitive bidding.

12.0 Procurement of Goods and Services without approved annual procurement plan.

The County Assembly did not prepare a procurement plan for the period 1 July 2013 to 14 November 2013 for the financial year 2013/2014.

12.1 Irregular Procurement of Goods and Services

Examination of procurement records availed disclosed that all procurement committees for the financial 2013-2014 were appointed on 7 January 2014. All procurements done before then were in contravention of the Public Procurement and Disposal Act, 2005.

12.2 Unsupported Expenditure on Rental Payment

The County Assembly incurred expenditure Kshs.650,000 in respect of rental payments for the speaker's house. However, the relevant documents in support of the payments including the valuation and lease agreement indicating the details of the house were not availed for audit review. Further, it was not explained how the house was identified as no procurement procedures appear to have been recorded.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

19 August 2015

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

1.0 Integrated Payroll and Personnel Data (IPPD)

The County Assembly has not implemented IPPD for payroll and human resource data processing and instead depends on the County Government system. Therefore, they are not independent and there is no segregation of duties to control the system users.

Recommendations

The County Assembly should implement its independent IPPD system. The County Assembly Service Board should prepare human resource manuals to guide in recruitment, job placements among other aspects.

2.0 IT Control Environment and ICT Governance

Section 8 (2) of the Public Finance Management Act, 2012 require the Assembly to ensure that the financial management system developed by the National Treasury under section 12 of the Public Finance Management Act, 2012 is effectively applied to facilitate standard financial management including budgeting, accounting and reporting.

It was observed that County Assembly has not formulated a County Assembly ICT Framework which illustrates the intended future plans for the ICT Department. The County Assembly is also yet to develop and implement some of the key ICT documents such as ICT policies and procedures, ICT Strategic Plan, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP). Further, an ICT Steering Committee has also not been constituted to address these issues. In addition, the County Assembly IT section had only one permanent employee.

2.1 IFMIS and G Pay

It was noted that IFMIS had not been installed for the period under review and the Assembly maintained a manual cash book and vote book. This contravenes section 8 (2) (a) of the County Government Public Finance Management Act 2012.

Recommendations

- i) The County Executive should enhance ICT capacity so as to facilitate faster implementations of projects. ICT governance documents should be formulated and adopted by the management of the County Assembly.
- ii) The management should ensure that they adopt both IFMIS and G pay.

3.0 Unsupported Expenditure on Salaries and Allowances

Records held at the County Assembly indicate that the Assembly incurred expenditure totaling Kshs.83, 685,308 in respect of salaries and allowances of MCAs, County staff and casual labour during the financial year. However, the expenditure was not supported with documents such as monthly payroll, signed wages schedules of the casual labour, personal files and the respective payments vouchers used to effect cash transfers to the payees respective bank accounts.

It was explained that the payment of salaries was done by the County Executive Government. This may compromise the Assembly's independence.

Further, although the salary records reflect monthly statutory deductions which as at 30 June 2014 accumulated to Kshs.11,058,572 no supporting evidences of remittances were made available for audit purpose.

Consequently, the accuracy and propriety of the expenditure on salaries and allowances could not be confirmed.

Recommendations

All documents such as monthly payroll, signed wages schedules of the casual labour, personal files and the respective payments vouchers used to effect cash transfers to the payees respective bank accounts should be availed to confirm the expenditure on salaries and wages.

4.0 Overpayment of Per Diem Allowances

Examination of expenditure records held at Bomet County Assembly revealed that Members of the County Assembly and other Officers were overpaid amounts totaling Kshs.1,085,300 as a result of miscalculations of the numbers of the members and other officers attended workshop on Capacity Development held on diverse dates in three different venues as indicated;

- i) The County Assembly members and some staff were paid seven (7) per diem while attending induction course at a Hotel in Mombasa from 28 July to 3 August 2013. However, the bus ticket for bus hire revealed that the team travelled on 28 July and came back on 2 August 2014. They should have been paid for 6 days instead of the 7 days paid.
- ii) The County Assembly members and some staff were paid four (4) per diem night outs while attending capacity training in Kericho from 10 to 13 October 2013. The team departed from Kericho on 13 October 2013 at 2.00pm and should therefore have been paid per diem for three nights.
- iii) The County Assembly members and some staff were paid 4 per diem night outs and transport while attending training at Guest House in Nakuru from 25 to 28 September 2013. However, the program for the seminar showed that the arrival was to be on 26 September 2013 and not 25 September 2013. No bus ticket was availed to account for the transport paid to each team member. The team did not qualify for per diem on 25 September 2013.

The propriety of the expenditure could therefore not be confirmed.

Recommendations

The County Assembly should provide documents to show the number of days the workshops took. Overpaid amounts should be recovered from the respective officers.

5.0 Outstanding Temporary Imprest

Records maintained by the County of Assembly Bomet reflected outstanding imprests of Kshs.1.050, 000 as at 30 June 2014. The imprests had been issued to members of County Assembly for ward administration expenses. No evidence was availed to show how the amount paid as ward expenses was arrived. In the absence of surrender documents, the propriety of the expenditure could not be confirmed.

Recommendations

The management should ensure that the imprests are accounted on the due dates as provided in the Public Finance Management Act. The Assembly should recover the amount where imprest holder failure to account or surrender imprests issued.

6.0 Doubtful Expenditures on Travelling and Allowances

Records available indicate that the County Assembly paid Kshs. 1,700,400 through payment voucher number 220 dated 26 August 2013 and payment voucher number 283 dated 6 September 2013 to thirty six (36) Members of the County Assembly and other twenty (20) County Assembly Officers in respect of per diem allowances and transport cost while attending workshop on Transformational Leadership held at a Hotel in Nakuru County between 28 July and 3 August 2013.

On 21 August 2013, a law firm based in Nairobi was awarded a contract to hire the venue, purchase, supply, bind and deliver various assorted copies of booklets necessary for the workshop at contract sum of Kshs. 2,959,300. The contract sum included legal services and lunches for three (3) days' workshop at the rate of Kshs. 35,000 per participant for 56 participants. Although the workshop was scheduled to officially be opened by Governor of Bomet County, he declined on the grounds that the workshop was hurriedly organized without following appropriate procedures. Subsequently, the County Assembly refused to pay the contract sum to the lawyer firm citing irregularities in awarding the contract.

The following unsatisfactory matters noted have not been explained:-

- i) The training and expenditure was not approved by the County Assembly Services Board.
- ii) No procurement records were made available to confirm how the law firm was identified to offer the services or even whether a law firm was best suited to offer the services.
- iii) It has not been explained how the rate of Kshs.35,000 per participant was arrived at in the absence of procurement process.
- iv) The participant fee of Kshs.35,000 also included lunch while the participants were given a full per diem. This constituted a double payment for lunch.
- v) Some participants who were paid per diem allowance were also accommodated in said hotel as evidenced from hotel bills from the Hotel to the Law firm. It is not clear who is supposed to honour the bills.

vi) Even though the schedule attached to the payments for per diem indicate that the workshop was held between 28 July and 3 August 2013 no evidence in form of signed attendance registers was availed to confirm that the participants attended the work shop.

vii) The expenditure on travel was not supported.

Consequently, the validity and propriety of the expenditure Kshs.1,700,400 could not be ascertained. Further, the Assembly is exposed to a law suit of Kshs.3,120,733 which includes the contract amount of Kshs.2,959,300 and other legal charges.

Recommendations

- i. The Assembly should confirm when the workshop was held.
- ii. All procurement of goods and services should be done in line with the Public Procurement and Disposal Act.
- iii. Any overpayment should be recovered from the respective MCAs and officers.

7.0 Unsupported Expenditure on Travelling and Accommodation

The County Assembly paid Kshs.598,000 in respect of two night out allowances to thirty-three (33) MCAs and fifteen (15) County officers who were involved public participation while staying in Kericho between 28 and 29 June 2014. The Assembly has not explained why the public participation for Bomet County was held in Kericho County.

Further, each participant was paid Kshs.1,000 totaling Kshs.43,000 for transport. However, no travel documents were availed to support the expenditure.

In addition, the specific venue where the meeting was held in Kericho was not disclosed.

Consequently, the validity and propriety of the expenditure Kshs.598,000 could not be ascertained.

Recommendations

The Assembly should explain why seminars on public participation for Bomet County were held in a different county.

All expenditure should be accounted for failure to which the amounts should be recovered from the respective MCAs and officers.

8.0 Irregularly Payment of Allowances to MCAs and County staff members

The County Assembly paid Kshs.388,500 in respect of per diem allowances to MCAs and other County staff members who took part in report writing in respect of Alcohol Bill on 11 March 2014 and County Fiscal Strategy Analysis on 12 March 2014 at Tenwek Hotel. The meeting was held in Tenwek Hotel which is within their work station. No satisfactory explanation has been given as to why the participants were paid night outs.

8.1 Workshops on Devolution

The Assembly incurred expenditure totaling to Kshs.1,648,000 in respect of per diem allowances to thirty (30) MCAs, thirteen (13) members of staff of the County Assembly and transport of Kshs.2,000 per participant for transport all totaling Kshs.1,734,000 who attended 4 days' workshop on Devolution and Legislative Process in Kisumu between 19 and 23 November 2013. The Assembly also incurred expenditure of Kshs.2,415,000 in respect of per diem allowances to thirty five (35) MCAs and transport of Kshs.175,000 all totaling Kshs.2,590,000 for attending another work shop on Devolution and Legislative Process at Sairock Hotel, Mombasa from 16 to 22 December 2013.

The following anomalies were noted;

- i) No explanation has been provided for attending similar workshops in two subsequent months.
- ii) No documentary evidence was provided to support the expenditure on travel.
- iii) No annual work plans were made available for audit verifications.
- iv) The expenditure was not approved by the County Assembly Service Board.

9.0 Foreign Travel

9.1 Payment of Foreign Trip per diem Allowances

Records held at Bomet County Assembly indicate that the Assembly incurred expenditure totaling Kshs.8,289,680 in respect of per diem allowances on a tour to attend a conference on leadership integrity and Governance held at Arusha in Tanzania from 29 to 30 May 2014 by thirty-six (36) Members of the County Assembly and sixteen (16) County staff Officers. The three days conference was initiated by the Institute of Certified Public Secretaries (ICPSK) who were paid Kshs.3,215,000. The payment included the allowances to facilitate their extension stay in Tanzania up 5 June 2014 for the participants to visit the East Africa Legislative Assembly and the Tanzanian parliament. The Assembly contracted Tours and Travel Company to provide fifty two (52) return air tickets and was paid Kshs.1,911,000.

The following anomalies were noted;

- i) There was no evidence that ICPSK was competitively sourced to offer the training services as required by the Public Procurement and Disposal Act, 2005.
- ii) It has not been explained how the contracted Tours and Travelling Company was identified to offer the services. No procurement procedures appear to have been followed. It was therefore not possible to confirm that the Assembly received value for money on this procurement.
- iii) The County Assembly Services Board (CASB) approved thirty six (36) MCAs and fourteen (14) staff to attend the conference. However, sixteen (16) staff attended

the conference. It has not been explained how and why two more staff were included in the list.

- iv) In addition, the rationale regarding the composition of the list of other staff included in the foreign trip to Tanzania was not made available for audit purpose.
- v) No reason has been provided what motivated CASB to approve a foreign travel to visit Tanzania parliament and African Legislative Assembly yet the same relevant services were available in the Kenya National Assembly.

Recommendation

- Any overpaid amount paid should be recovered
- The county Assembly should ensure that all expenditure on foreign travel is properly accounted for.
- Imprests issued for the foreign should be surrendered or the amounts recovered from the imprest holders
- Clear guidelines should be put in place regarding foreign trips so as to avoid loss of public funds.

10.0 Procurement of Goods and Services without approved annual procurement plan

The County Assembly did not prepare a procurement plan for the period 1 July 2013 to 14 November 2013 for the financial year 2013/2014, the annual procurement plan was prepared by the head of procurement unit which was approved by the head of procuring entity on 14 November 2013.

10.1 Irregular Procurement of Goods and Services

Examination of procurement records availed disclosed that all procurement committees for the financial 2013/2014 were constituted and approved on 7 January 2014. However, expenditure records available indicate that several purchases of good had been carried out prior to the formation of procurement committees. All procurements done before the appointment of the tender committee were done in contravention of the Public Procurement and Disposal Act, 2005.

Recommendations

The Assembly should ensure that all procurements are done within the law.

11.0 Unsupported Expenditure on Rental Payment

Records maintained at Bomet County Assembly Treasury revealed that, the County Assembly incurred expenditure Kshs.650,000 in respect of rental payments for the speaker's house. The payments were in monthly installment paid to a local landlord based in Bomet County at the rate of Kshs.65,000 for the period September 2013 to June 2014.

However, the relevant documents in support of the payments including the valuation and lease agreement indicating the details of the house were not availed for audit review. In

consequence, the correctness of the expenditure of Kshs.650,000 could not be confirmed as proper charge to public funds.

Further, it was not clear how the house was identified as no procurement procedures appear to have been followed.

Recommendations

The Assembly should avail the lease agreement. All procurements should be done competitively as required by the Public Procurement and Disposal Act, 2005.

14.0 Conclusion

The Bomet County Assembly should address the anomalies noted in order to ensure effective delivery of services to the people of Bomet County. Laid down Government procedures and regulations should be adhered to ensure public resources are only utilized for purposes for which they were intended.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

19 August 2015