

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL OPERATIONS OF
MAKUENI COUNTY ASSEMBLY**

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

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REPORT OF THE AUDITOR–GENERAL ON THE FINANCIAL OPERATIONS OF MAKUENI COUNTY ASSEMBLY FOR THE PERIOD 1 JULY, 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

Introduction

The Office of the Auditor General has the mandate to audit and report on the accounts and financial operations of both the National and County Governments under Article 229 of the Constitution of Kenya and Public Audit Act, 2003. Further, Section 107 of the Public Finance Management Act, 2012 requires the County Treasury to enforce fiscal responsibilities in the management of County Government public finances.

Audit Objective

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's finances in the delivery of service to the local residents. The terms of reference set for audit included verification and confirmation of transactions in respect to but not limited to the following areas:

- Budgetary controls and performance
- Annual operational / Activity plans
- Procurement of goods, works and services
- Allowances including travelling and accommodation expenses for local and foreign trips.
- Imprests and advances
- Cash and bank balances
- Human Resource Records and Management
- Creditors

Key Audit Findings

1.0 Irregular Recruitment

The following county assembly officials were recruited but were not in the list of shortlisted candidates for the advertised jobs:

- i. Procurement officer-
- ii. Commissioner III
- iii. Sergeant at arms-
- iv. Librarian/ research officer

It was not explained why the shortlisted candidates for the advertised posts were not taken through the recruitment process.

2.0 Allowances

2.1 Irregular Payment of Travelling and Subsistence Allowance

- i. Examination of payment vouchers disclosed that Four (4) MCA's were irregularly paid travelling and subsistence allowance totaling Kshs.168, 800 while attending workshops in Mombasa and Nairobi during the period. Further, it was observed that

six (6) more MAC's were irregularly paid Kshs.300,000 while in Mombasa but information available indicated the MCA's were in Makueni attending various committee meetings during the same period.

- ii. An expenditure of Kshs. 3,641,500 was incurred in payment of subsistence and travelling allowances to officers who allegedly attended workshops in Nairobi and Kwale. However, the supporting documents were not made available for audit review to confirm the training took place.
- iii. A total of Kshs. 8,960,000.00 was paid as transport and accommodation allowances contrary to the provision of code of regulations, paragraph K. 5 (1).

2.2 Foreign Travel Expenses

An expenditure of Kshs. 8,461,193 was incurred in respect of foreign trips to Israel, Rwanda and the USA made by various select committees and the Speaker of the County Assembly of Makueni. However, no documents were made available for audit verification to indicate the purposes of such trips and thereby casting doubts as to whether due procedures were followed before the trips were undertaken.

2.3 Mileage allowance

Examination of payment vouchers revealed that an amount of Kshs. 14,266,581 was paid to Members of County Assembly (MCAs) as subsistence and mileage allowances contrary to Salary and Remuneration Commission circular on mileage allowance.

3.0 Purchase of Office Furniture and General Equipment

The Makueni County Assembly procured goods and services worth Kshs.14,275,089 during the period. However, no documentary evidence was provided to ascertain that the Public Procurement and Disposal Regulations, 2006 had been adhered to.

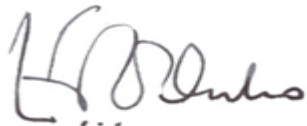
4.0 Creditors and Ledgers

Creditor's ledger was not maintained and in its absence, it was not possible to ascertain the indebtedness of the assembly to its various suppliers.

5.0 Non Preparation of Annual / Activity plans

The County Assembly of Makueni did not prepare annual operation/activity plans and in the circumstances, it was not possible to ascertain whether the County was operating within set targets and the extent to which the targets were achieved.

No explanation was given for failure to prepare the annual/activity plans.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi
19 May 2015

DETAILED REPORT OF THE AUDITOR–GENERAL ON THE FINANCIAL OPERATIONS OF MAKUENI COUNTY ASSEMBLY FOR THE PERIOD 01 JULY, 2013 TO 30 JUNE 2014

Detailed Audit Findings and Recommendations

1.0 County Assembly Policies and Procedures Implementation

The County Assembly of Makueni did not have any approved policies and operational manuals. Without policies and procedures in place, it is not possible to ensure that duties and services are performed in a consistent manner.

1.1 Non Preparation of Annual / Activity Plans

The County Assembly of Makueni did not prepare annual operation/activity plans and in the circumstances, it was not possible to ascertain whether the County was operating within set targets and the extent to which the said targets were achieved.

No explanation was given for failure to prepare the annual/activity plans.

Recommendations

- The management should expedite on formulation of policies and procedures on human resources, finances to safeguard the County assembly from risks and enable performance of duties and activities in a consistent manner.
- The County Assembly should prepare and implement annual activity plans.

2.0 Human Resource Management

2.1 Irregular Recruitment

The following county assembly officials were recruited but were not in the list of the shortlisted candidates for the advertised jobs:

- i. Procurement officer- Jane Mwangeli, Madona Mary Muse, Stephen Muse Kamau
- ii. Commissionair III- Felistas Ngina Matheka, Dennis Kimeu, Stephen Kieti Makau, Josphat Kimanthi Samson
- iii. Sergeant at arms- Clarice Muthina Komu, Leonard Kiilu Ndwala
- iv. Librarian/ research officer- Shadrack Mutunga

The recruitment procedures used in the appointment of the officers were not disclosed during the audit hence it was not possible to ascertain why the shortlisted candidates were not considered for employment. Further, the authority under which some contracted employees at the ward offices were engaged was also not made available for audit review.

It was not explained why the shortlisted candidates for the advertised posts were not taken through the recruitment process.

Recommendation

- The recruitment of personnel should be done in accordance with the prevailing rules and procedures of recruiting public officers.

2.2 Staff Establishment

The County assembly did not have a staff establishment in place.

Recommendation

- The County Assembly should ensure that staff establishment is put in place.

3.0 Allowances

3.1 Irregular Payment of Travelling and Subsistence and Allowance

Examination of payment vouchers for travelling and subsistence allowances revealed the following anomalies:

- i) Four (4) MCAs were paid subsistence allowance vide payment voucher no. 36 of 14 August 2013 totaling Kshs.64,000 for attending a 2-days meeting in Mombasa between 1 and 2 August 2013. A payment schedule, duly signed by the payees was attached in support of the voucher. However, in unexplained circumstances, the same MCAs were paid subsistence and travelling allowances totaling Kshs.104,000 while attending a meeting convened by Association of Members of County Assemblies on the same dates (1/8/13 and 2/8/13) vide payment voucher no. 35 of 14 August 2013. A payment schedule signed on behalf of MCAs by an unidentified person was attached in support of the payment voucher.
- ii) Various MCAs were paid subsistence and travelling allowances totaling Kshs. 690,000 by the County Assembly of Makueni vide cheque no. 1149 of 11 November 2013 while attending a workshop on Sect oral Committee and Finance and Social Economic Planning between 10 and 15 November 2013 in Mombasa. In support of the payment voucher were schedules duly signed by the payees. However, six (6) MCAs who purportedly attended the workshop in Mombasa were paid sitting allowances for having sat in various committee meetings in Makueni during the same period.
- iii) Various officers were paid transport allowances on various occasions for having attended seminars/workshops among other official duties amounting to Kshs.3,017,000. The transport rates varied with the areas travelled with Kshs. 10,000 and Kshs.5,000 paid to officers travelling outside and within the county respectively. Alongside the transport allowances, accommodation allowances of Kshs.5,943,000 were paid. In total, therefore, Kshs.8,960,000 was paid as transport and accommodation allowances contrary to the provisions of paragraph K. 5(1) of the code of regulations, bus tickets or receipts were not produced to account for the funds and/or to evidence that the officers actually travelled out of the duty stations.
- iv) Payments were made vide various vouchers to various payees as shown hereunder:

Payment Voucher No.	Date	Payee	Purpose	Amount (Kshs)
1090	18/6/14	Five (5) county assembly officers	Quarter (1/4) per diem for officers attending Performance Management and Public Relations courses between 9 June 2014 and 29 June 2014 at	192,625

			Kenya School of Government, Mombasa.	
1072	18/6/14	Kenya School of Government, Mombasa.	Performance Management course fees for two (2) officers at the rate of Kshs. 66,120.00 per officer for three weeks i.e between 9 June 2014 and 29 June 2014	132,240
1219	26/6/14	Eighteen (18) Head of Departments	Head of departments retreat between 14 June 2014 and 20 June 2014 in Kilifi.	933,000

However,

- Among the officers who purportedly attended performance management course at Kenya School of Government, Mombasa between 9 June 2014 and 29 June 2014 was the Senior Procurement Officer (Head of the Procurement Section). Travel and accommodation allowances amounting to Kshs.52,000 were paid to the officer. In addition, the County Assembly paid Kshs.66,120 to the School as fees on behalf of the officer.
- In peculiar circumstances, the same officer was paid transport and accommodation allowances amounting to Kshs.58,000 for having attended a retreat in Kilifi between 14 June 2014 and 20 June 2014; a period he purports to be at Kenya School of Government, Mombasa. Further, the officer attended events that occurred at the duty station as follows: construction of office block site meeting on 19 June 2014, tender award committee meeting on 20 June 2014, tender committee meeting on 23 June 2014 and signing of a contract for Construction of Cafeteria Cum Kitchen (phase 1) on 26 June 2014.

It was evident that the officer neither attended the retreat in Kilifi neither the performance management course at Kenya School of Government, Mombasa.

No explanation was given for irregular payment of allowances.

Recommendations

- Double payment of allowances made to the MCA's should be recovered from their salaries.
- Remedial measures should be instituted to enhance financial discipline among the public officers and strict adherence to the Public Finance Management Act, 2012.
- That the officers provide additional documentary evidence to account for the funds failure to which recovery of the funds should be effected.
- The Senior Procurement Officer should refund Kshs.176,120. Further, disciplinary measures may be recommended by the accounting officer.
- The officers overpaid by Kshs.203,500 should refund the money.

3.2 Irregular Expenditure – Kshs.3,641,500

An expenditure of Kshs. 3,641,500 was incurred in payment of subsistence and travelling allowances to officers who allegedly attended workshops in Nairobi and Kwale as detailed below:

Payment voucher	Date	Period	Amount(Kshs)
186	29/11/13	24/11/13-27/11/13	1,076,000
Chq No. 1282	26/11/13	27/11/13-30/11/13	1,212,000
278	17/12/13	28/11/13-1/12/13	86,500.00
307	30/12/13	18/12/13-22/12/13	<u>1,267,000</u>
Total			<u>3,641,500</u>

However, the following unsatisfactory matters were noted:

- a) Vide payment voucher no. 186 of Kshs.1,076,000; the participants were paid per diem for four (4) nights i.e. between 24th and 27th November 2013, though they were at Kwale for three (3) nights as evidenced by the logistics memo in support of the payment voucher. In total, Kshs. 204,000 was irregularly paid.
- b) Though some officers were paid allowances for having attended the retreat between 27 and 30 November 2013, they were further paid allowances totaling Kshs. 86,500 vide payment voucher no. 278 of 17 December 2013 for having attended a Governing Council and County Assembly's forum in Nairobi during the same period.
- c) The following documents were not made available for audit review to confirm the training took place:
 - i. Invitation letters to attend the training.
 - ii. Back to office reports.

In the circumstances, the propriety of the expenditure could not be confirmed.

Recommendation

- The expenditure of Kshs.3,641,500 should be fully accounted for and or recovered.

3.3 Foreign Travel

During the period under review, an expenditure of Kshs. 27,456,237 was incurred in respect of foreign trips made to Israel, Rwanda, USA, Malaysia, Singapore, UAE and Ethiopia by various select committees and the Speaker of the County Assembly of Makeni. However, no documents such as back to office reports, travelling documents were made available for audit verification hence casting doubts as to whether due procedures were followed before the trips were undertaken. No register for the purpose was maintained as required by subsection (2) of the Standing Order and in some instances; it was observed from the tour program that the purpose of the tour was not related to the mandate of the County Assembly. It has not been explained why the provisions of the Standing Orders were not adhered to.

Recommendations

- Such unnecessary foreign trips should be avoided at all costs.
- Foreign travel should be researched and structured to allow for learning and transfer of such knowledge for the benefit of the county.

- The County Assembly should ensure that Standing Orders are always adhered to.
- The County Assembly should recover appropriately the funds not supported or without value for money from the respective Members of County Assembly (MCAs).

4.0 Procurement of Goods and Services

4.1 Construction of Makueni County Assembly Office Block

The advertisement for the construction works of the Makueni County Assembly office block was initially placed in one of the local dailies on 13 February, 2014 and a correction made thereafter on 21 February 2014. Nineteen (19) bidders responded and the opening of the tenders was done on 4 March 2014 in the presence of ten (10) committee members, a Public Procurement Oversight Authority (PPOA) staff and the bidders. However, at this stage, it was agreed that it would not be fair to use the engineer's estimates to evaluate the bids since these (the estimates) were not disclosed in the tender documents. For this reason, the tender committee decided to terminate and re-advertise for the construction works.

A re-advertisement was placed in one of the local dailies, The Standard, on 27th March, 2014 upon which 18 firms bid. M/S Ginard Construction Company Limited emerged the lowest evaluated bidder and entered into Contract No. MCA/20/13-14 with Makueni County Assembly Service Board at a sum of Kshs. 39,474,010 on 15 May 2014.

However, the following documents were not submitted for audit despite numerous requests:

- i. Duly confirmed and adopted Tender opening minutes of 4 March 2014.
- ii. Letters to all the bidders and PPOA notifying them on termination of the tendering process.
- iii. Duly confirmed and adopted Tender Committee minutes on termination of the process.
- iv. Evidence of communication of tender opening committee to the tender committee, and of the tender committee to the accounting officer on termination of the process.
- v. The Engineer's Estimated Bills of Quantities.
- vi. Duly confirmed and adopted tender opening, evaluation and award committees after the re-advertisement.
- vii. Attendance registers for all the meetings aforementioned above.

The contract period of the project was sixteen (16) weeks commencing on 26 May 2014 and ending at 15 September 2014. However, site visit on 20 February 2015, that is six (6) months after the contractual completion date, revealed that only the substructure and superstructure (without walling) were done. Very minimal activities were noted on site.

Recommendations

- The County Assembly should review the contract performance in light of the six (6) months delay and the capacity of the contractor to deliver.
- All procurement regulations and procedures should be followed to ensure the County Assembly delivers lawfully and effectively.

4.2 Purchase of Office Furniture, Computers and General Equipment

The County Assembly of Makueni procured goods and services amounting to Kshs.14,275,089 as shown hereunder:

Date	PV No	Item Description	Payee	Amount (Kshs)
31/3/2014	686	Air conditioning MCAs office.	Lisa communication Ltd	2,490,040
20/2/2014	448	Air conditioning MCAs office.	Lisa communication Ltd	3,230,000
31/3/2014	552	Purchase of Office Furniture	NAAP Agencies Ltd	2,580,000
31/3/2014	545	Purchase of Office Furniture	NAAP Agencies Ltd	3,630,000
31/3/2014	546	Office Stationery	Springboard marketing	1,453,992
16/4/2014	732	Supply of high back chair	Cash-CA	82,500
30/2/2013	326	Draft the Alcoholic Drinks Control Bill,2013	Jeremiah Walusala Ndombi	450,000
29/11/2013	265	Supply of uniforms and Gowns	J.R Stephens and Co. Ltd	358,556
			TOTALS	14,275,089

However, no documents were made available for audit to confirm that the procurements were made from firms prequalified by the County Assembly as is required by the Public Procurement and Disposal Act, 2005. Further, it was not possible to confirm that, there were conditions warranting restricted procurement since no tender committee minutes and/or other documentation was presented detailing such for audit review.

Recommendation

- The County Assembly should ensure that the Public Procurement and Disposal Act, 2005 and its Regulations 2006 are adhered to in all future procurements.

5.0 Other Operating Expenses

5.1 Missing Payment Vouchers

The County Assembly paid insurance premium amounting to Kshs.20, 342,949 and legal fees amounting to Kshs.6, 227,500 to various firms. However, the County Assembly did not provide payment vouchers and procurement records for audit verification. It was not

possible to ascertain whether the procurement of the services was done in adherence to the Public Procurement and Disposal Act, 2005 and regulations 2006.

In the circumstances, it has not been possible to confirm the accuracy and validity of Kshs.26,970,449 in respect of legal fees and insurance premium paid.

Recommendations

- The accounting officer should always ensure all documents requested are provided for audit verification.
- Any payments made and not supported should be recovered appropriately.

6.0 Creditors

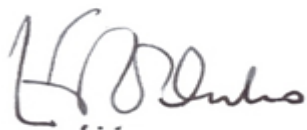
During the period under review, creditor's ledger was not maintained and in its absence, it was not possible to ascertain the indebtedness of the County Assembly to its various suppliers.

Recommendation

- The County Assembly should ensure a creditor's ledger is maintained and updated regularly.

Conclusion

The County Assembly had challenges in its first year of operation regarding procurement of goods, works and services and also staffing and recruitment. However, these challenges should be overcome by strict adherence to the Public Finance Management Act, 2012, the Public Procurement and Disposal Act, 2005 and Regulations, 2006 among others to enhance service delivery to the County residents.



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19 May 2015