

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL OPERATIONS OF
MANDERA 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 MANDERA COUNTY ASSEMBLY FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

Introduction

The financial operations of the County Assembly are subject to audit by the Auditor-General in accordance with 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 establish whether the County Government Act, the Public Procurement and Disposal Act, 2005, Public Finance Management Act 2012 and Government Financial Regulations and procedures were properly followed and also to assess the effectiveness of the internal controls in place in the management of public resources for the benefit of County 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:-

- ❖ Budget Control and Performance
- ❖ Annual Operations/Activity Plans
- ❖ Procurement of Goods, Works and Services
- ❖ Allowances including Travelling and Accommodation Expenses for Local and Foreign trips
- ❖ Consultancy Services
- ❖ Imprests and Advance
- ❖ Cash and Bank Balances
- ❖ Human Resource Records
- ❖ IT Environment
- ❖ Non Current Assets

Key Audit Findings

1.0 Cash Management

1.1 Cash and Cash Balances

During the period under review, the Mandera County Assembly had a cash book that was not adequately prepared in that it was not balanced for the months of April, May and June, 2014. Payment vouchers were also not numbered and not posted to the cash book. In addition it was also not checked by a senior person on daily basis as required by the Government Financial Regulations and Procedures.

1.2 Board of Survey

During the audit, it was observed that no board of survey was conducted at the beginning of the financial year 2014/2015. This is contrary to chapter 5.9.9.2 of the Government Financial Regulations and Procedures which requires that board of surveys on cash should be appointed annually by an accounting officer to examine and verify the cash on hand and the bank balances as at the closure of business on the last working day of the financial year. This examination must be carried out before the opening of business on the first working day of the new financial year.

1.3 Bank Reconciliation Statement

The County Assembly management had not prepared bank reconciliations for the County Assembly accounts and no proper explanation was given as to why the department did not prepare the reconciliation statements as required by financial regulations.

2.0 Expenditure

2.1 Unvouched Expenditure

A review of the Integrated Financial Management Information System (IFMIS) generated vote book, that supports the expenditure returns of the Mandera County Government for the financial year 2013/2014 revealed that, an amount of Kshs.612,043,441 was used by the County Assembly for the period.

However, scrutiny of the County Assembly bank account No.1143310691 held at KCB Mandera, reflect that an amount of Kshs.113,870,980 was released to the Assembly by the Executive for the period. The balance of Kshs.498,172,461 was spent by the Executive on behalf of the Assembly without authority. Further, the County Treasury did not maintain a vote book and there were no payment vouchers and other records availed for audit to support the expenditure.

In the circumstances the propriety of the expenditure could not be ascertained.

3.0 Allowances

3.1 Doubtful Foreign Travel and Accommodation Allowances

A review of the expenditure for travel revealed that an amount of Ksh.16,259,383 was used for foreign travel and subsistence allowances paid to Members of the County Assembly (MCAs) for official trips to Malaysia and Singapore. The following observations were made on the expenditure:-

- a) There were no minutes of the County Assembly Services Board approving the trip and indicating justification of the trip.
- b) The members who travelled were not selected from specific committees. It was however explained that they were drawn from various committees hence the trip was not meant to serve specific purpose.
- c) The expenditure was not supported with travel documents such as copies of the members passports, visa and Air tickets as required.
- d) There were no invitations received or arrangements made by Embassies of the host countries for the trips raising questions as to whether the trips took place.
- e) An amount of Kshs.8,833,250 was paid to Kenfam International, a company which is situated in Nairobi, Kenya being facilitation expenses for the tour. It was not clear how the company was identified since the services were not procured through competitive bidding.
- f) There were no reports submitted by the committee(s) justifying the importance of the foreign trips.

Consequently, the total expenditure on foreign travel and accommodation is doubtful

3.2 Doubtful Local Travel and Accommodation Allowances

Examination of payment vouchers and the supporting documents relating to travel and accommodation allowances on local trips revealed that an amount of Ksh.6,888,070 was paid to MCAs and other staff who were attending workshops and other official duties at Nairobi, Mombasa and Naivasha. The following irregularities were observed:-

- a) The payments were not properly supported with the relevant accountabilities including bus tickets or work tickets as evidence of travel, invitation letters, payment schedules were not signed and in some cases the payment schedules were signed by only one person.
- b) In some cases the period when the alleged meetings or official duties were performed was not stated.

- c) Some MCAs were attending workshops or performing other duties outside Mandera town. Whereas it was discovered that the MCAs were either attending plenary sessions or select committee meeting at Mandera and were signing attendance registers at the same time.

In view of the foregoing observations and anomalies, the payments could not be justified.

3.3 Erroneous Payment of Committee Sitting Allowances

A total of Kshs.608,400 was paid to MCAs in form of sitting allowances. The MCAs who are members of various committees were performing official duties in the Sub-Counties. It was however, noted that the members were paid subsistence allowances amounting to Ksh.1,744,000 during the same period. It was not clear as to why the members were paid sitting allowances while at the same time they were paid subsistence allowances for official duties outside their working stations.

3.4 Doubtful /Unsupported Expenditure

An amount of Kshs.6,114,824.00 was incurred on procurement of various items. However, the following irregularities were observed:-

- a) The payment vouchers had no departmental numbers and were not posted to the cash book, the payments were not examined, vote book certificate not signed and in some cases the payment vouchers lacked proper narrations. It was therefore not possible to ascertain what was being paid for.
- b) The payment vouchers (F.O.20 revised) were single leafs which were not supported with relevant supporting documents such as cash sales, LPOs, invoices and payment schedules.
- c) All payments were signed by the Clerk as an A.IE holder and as an accountant at the same time in disregard of internal controls. As a result, the to be expenditure of Kshs.6,114,824 on procurement remain doubtful and/or unsupported.

4.0 Procurement of Goods and Services

The Mandera County Assembly procured goods and services totaling to Kshs.1,026,000.00 from various suppliers of goods and services. However, the following irregularities were observed:-

- (a) The County Assembly did not prepare Annual procurement plan for the year under review to confirm expenditure incurred was budgeted for.
- (b) Goods and Services were directly procured without quotations.

- (c) Payment vouchers lacked L.P.Os and L.S.Os and so it was not clear how goods and services were ordered for.
- (d) The payment vouchers were not authorized by the AIE holders, had no departmental numbers and were not posted to the cash book, the payments were not examined, vote book certificate not signed and in some cases the payment vouchers lacked proper narrations. It was therefore not possible to ascertain what was paid for.

In the circumstances, the expenditure of Kshs1,026,000 on procurement of goods and services could be not be confirmed as a proper charge on public funds.

5.0 Human Resources Management

5.1 Lack of Policy Documents

Mandera County Assembly did not operate under approved scheme of service, and there were no recruitment policy Human Resource manual approved by the County Assembly Service Board.

5.2 Personal Files

Personal files lacked vital documents/information such as Birth Certificates, copies of National Identity Cards, Medical Certificates, Oath of Secrecy and Next of Kin forms among any other. In some cases the personal files contained only the appointment letters of the staff recruited. It was further noted that the certificates and other testimonials of the staff recruited were not certified as true copies by issuing institutions. It was therefore not possible to confirm the genuineness of those certificates.

Accurate personnel records are vital for effective and efficient management of human resources.

5.3 Staff Recruitment

5.3.1 Posts Not Advertised

Mandera County Assembly recruited eleven (11) staff some of them in senior positions without advertisement of the posts. The positions were not competitively filled, hence it was not possible to ascertain whether the County Assembly got people of the right qualifications and competencies required.

5.3.2 Recruitment of Staff Below the Minimum Requirements

A review of the personal records and the advertisement revealed that some staff were recruited who had no minimum qualifications as required by the advertisement.

Recruiting the right caliber of staff and posting them appropriately helps the County Assembly to achieve its strategic goals and enhance service delivery to be residents.

6.0 Information Technology Environment

The financial operations of the Mandera County Assembly were being undertaken on manual vote books and cash book as Integrated Financial Management Information System (IFMIS) and G-PAY system had not been adopted.

It was not clear why IFMIS and G-Pay was not used as required by Public Finance Management, Act, 2012.

7.0 Non-Current Assets - Failure to Maintain Asset Register

Mandera County Assembly does not maintain permanent and expendable register to record the assets of permanent nature. There were no inventories of the assets maintained showing description of the items, date acquired, where issued to and the location of the items contrary to chapter 18.5.2 of the Government Financial Regulations and Procedures. The assets were also not coded for ease of identification. It was therefore difficult to confirm the ownership of some of the inventories or assets.



Edward R. O. OUKEO, CBS
AUDITOR-GENERAL

Nairobi

25 May 2015

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

Audit Findings and Recommendations

1.0 Cash Management

1.1 Cash and Bank Balances

Mandera County Assembly had a cash book that was not adequately prepared. It was not balanced for the months of April, May and June 2014. Payment vouchers were not given numbers and not posted to the cash book. It was also not checked by a senior person on daily basis as required by the Government Financial Regulations and Procedures.

Recommendation

The Cash book should be balanced daily, checked and signed by senior officers on daily basis and any deficit or surplus that arise should be investigated without delay, as required by the Government Financial Regulations and Procedures.

1.2 Board of Cash Survey

During the audit it was noted that no board of survey was conducted at the closure of the financial year 2013/2014 contrary to chapter 5.9.9.2 of the Government Financial Regulations and Procedures which requires that board of surveys on cash should be appointed annually by an accounting officer to examine and verify the cash on hand and the bank balances as at the closure of business on the last working day of the financial year.

Recommendations

- The County Assembly should ensure a board of cash survey is carried out at the closure of every financial year.

1.3 Bank Reconciliation Statement

The County Assembly had not prepared bank reconciliation statement for the County Assembly account and no proper explanation was given as to why the Assembly did not prepare the reconciliation statements as required by the Government Financial Regulations and Procedures.

Recommendation

The County Assembly should ensure bank reconciliation statements are prepared on a monthly basis to assure on cash and cash equivalents balances of the County Assembly.

2.0 Unvouched Expenditure

A review of the (IFMIS) Integrated Financial Management Information System generated vote book, that supports the expenditure returns of the Mandera County Government for the financial year 2013/2014 revealed that, an amount of Kshs.612,043,441 was used by the County Assembly for the period.

However, scrutiny of the County Assembly bank account No.1143310691 held at KCB Mandera, reflect that an amount of Kshs.113,870,980 was released to the Assembly by the Executive for the same period. The resulting difference of Kshs.498,172,461 was spent by the Executive on behalf of the Assembly County without authority.

Further, the County Treasury did not maintain vote book and there were no payment vouchers and other records made available for audit review to support the expenditure.

In the circumstances, the propriety of the expenditure of Kshs.498,172,461 could not be ascertained as a proper charge on public funds.

Recommendations

- The County Assembly should adhere to the Government Financial Regulations and Procedures and avail all the payment vouchers for audit review.
- Any expenditure that is not supported should be recovered from the responsible officers.

3.0 Allowances

3.1 Doubtful Travel Foreign and Accommodation Allowances

A review of the expenditure for foreign travel revealed that an amount of Kshs.16,259,383 as reflected in Schedule 1 was used for foreign travel and subsistence allowances to Members of the County Assembly (MCAs) who travelled for official trips to Malaysia and Singapore. However, the following observations were made:-

- (a) There were no minutes of the County Assembly Services Board approving the trip and indicating justification of the trip.

- (b) The members who travelled were not from specific committees. It was further explained that they were drawn from various committee hence the trips were not meant to serve specific purpose.
- d) The expenditure was not supported with travel documents such as copies of the members passports, visa and Air tickets as required.
- e) There were no invitations received or arrangements made by Embassies of the host countries for the trips raising questions as to whether the trips took place.
- f) An amount of Kshs.8,833,250 was paid to Kenfam International, a company which is situated in Nairobi, Kenya being facilitation expenses for the tour. It was not clear how the company was identified since the services were not procured through competitive bidding.
- g) There were no reports submitted by the committees justifying the importance of the foreign trips.

Consequently, the to be expenditure of Kshs.16,259,383 on foreign travel and accommodation is doubtful.

Recommendation

- The County Assembly should ensure that expenditures on foreign trips are approved and properly supported and are done for the benefit of the County.
- Recover the amount in full from the MCAs as the expenditure was not incurred for the benefit of the County residents.

3.2 Doubtful Local Travel and Accommodation Allowances

Examination of payment vouchers and the supporting documents relating to local travel and accommodation allowances revealed that an amount of Kshs.6,888,070 as reflected in schedule 2 was paid to MCAs and other staff who were attending workshops and other official duties at Nairobi, Mombasa and Naivasha. However, the following irregularities were observed:-

- a) The payments were not properly supported with bus tickets or work tickets as evidence of travel, there were no invitation letters, payment schedules were not signed and in some cases the payment schedules were signed by only one person.
- b) In some cases the period when the alleged meetings or official duties were performed was not stated.

- c) Some MCAs were attending workshops or performing other duties outside Mandera town. It was however observed that the MCAs were either attending plenary sessions or select committee meetings at Mandera and were signing attendance registers at the same time.

In view of the foregoing, observations and anomalies, the payments could not be justified as a proper charge on public funds.

Recommendation

- The County Assembly should recover all the allowances irregularly paid to the payees on local travel and accommodation.

3.3 Erroneous Payment of Committee Sitting Allowance

A total of Kshs.608,400 detailed in Schedule 5 was paid to MCAs who are members of various committees were performing official duties in the Sub-Counties as sitting allowances. However, the Members were also paid subsistence allowances amounting to Kshs.1,744,000 during the same period. Further, it was not clear as to why the members were paid sitting allowances while at the same time they were paid subsistence allowances for official duties outside their working stations.

Recommendation

- Recover the erroneous payment of sitting allowances from the members of the County Assembly.

3.4 Doubtful /Unsupported Expenditure

An amount of Kshs.6,114,824.00 detailed in Schedule 3 was incurred on procurement of various items. However, the following irregularities were observed:-

- a) The payment vouchers had no departmental numbers and were not posted to the cash book. The payments were not examined, vote book certificate not signed and in some cases the payment vouchers lacked proper narrations. It was therefore not possible to ascertain what was being paid for.
- b) The payment vouchers (F.O.20 revised) were single leafs which were not supported with relevant supporting documents such as cash sales, LPOs, invoices and payment schedules.
- c) All payments were signed by the Clerk as an Authority to Incur Expenditure holder and as an accountant and therefore, no internal controls were in place.

Recommendations

- Payments must be properly and fully supported.
- Vote book and Cash books should be opened and maintained well.

- Recover all the unsupported expenditure.

4.0 Procurement of Goods and Services

The Mandera County Assembly procured goods and services totaling to Kshs.1,026,000.00 as detailed in schedule 4 from various suppliers of goods and services. However, the following irregularities were observed:-

- (a) The County Assembly did not prepare Annual procurement plan for the year under review to confirm expenditure incurred was budgeted for.
- (b) Goods and Services were directly procured without quotations.
- (c) Payments lacked L.P.Os and L.S.Os so it was not clear how goods and services were ordered for.
- (d) The payment vouchers were not authorized by the AIE holders, had no departmental numbers and were not posted to the cash book, the payments were not examined, vote book certificate were not signed and in some cases the payment vouchers lacked proper narrations. It was therefore not possible to ascertain what was paid for.

Recommendation

- Comply with Government Financial Regulations and Procedures and ensure that all goods and services are procured competitively, received and properly accounted for.

5.0 Human Resources Management

5.1 Lack of Policy Documents

Mandera County Assembly did not operate with an approved scheme of service, and there were no recruitment policy in place and there were no Human Resources manual approved by the County Assembly Service Board.

Recommendation

- The County Assembly should develop and implement on approved scheme of service and HR manual should be put in place.

5.2 Personal Records

The personal files lacked vital documents/ information such as birth certificates, copies of National Identity Cards, Medical Certificates, Oath of secrecy and next of kin forms. In

some cases the personal files contained on the appointment letters of the staff recruited. It was further noted that the certificates and other testimonials of the staff recruited were not certified as true copies by issuing institutions. It was therefore not possible to confirm the genuineness of those certificates.

Accurate personal records are vital to the effective and efficient management of human resources.

Recommendation

- All staff employed by the County Assembly should have the relevant certificate and true copies of original documents in the files.
- County Assembly should ensure that personnel records comply with the Human Resource policies and procedures

5.3 Staff Recruitment

5.3.1 Posts Not Advertised

Mandera County Assembly recruited eleven (11) staff some of them in senior positions without advertisement of the posts. The positions were not competitively filled, hence it was not possible to ascertain whether the County Assembly got people of the right qualifications and competency as required to assure the County residents of effective service delivery.

Recommendation

- All positions should be advertised and competitively filled to get staff with right qualifications and competency to assure the County residents of effective service delivery.

5.3.2 Recruitment of Staff Below the Minimum Requirement

A review of the personal files and the advertisements revealed that some staff were recruited who had no minimum qualifications as required by the advertisement.

Recommendations

- The County Assembly should ensure recruitment of staff with the required minimum requirements to ensure effective service delivery to the County residents.

6.0 Information Technology Environment

The financial operations of the Mandera County Assembly were being undertaken on manual vote books and cash book as Integrated Financial Management Information System (IFMIS) and G-PAY system had not been adopted.

It was not clear why IFMIS and G-Pay were not used as required by the Public Finance Management, Act, 2012.

Recommendation

- IFMIS and G-Pay system should be put in use and all payment should be processed through IFMIS and G-Pay system.
- All the financial modules of IFMIS should be activated and used appropriately.

7.0 Non-Current Assets - Failure to Maintain Asset Register

Mandera County Assembly does not maintain a permanent and expendable register to record the assets of permanent nature. There were no inventories of the assets maintained showing description of the items, date acquired, where issued to and the location of the items contrary to chapter 18.5.2 of the Government Financial Regulations and Procedures. The assets were also not coded for ease of identification. It was therefore difficult to confirm the ownership of some of the inventories or assets.

Recommendation

- The County Assembly should maintain a permanent and expendable register for all its assets at all times and update the same as assets are acquired.

Conclusion

The County Assembly of Mandera had teething challenges in its first year of operation. The Assembly should strive to adhere to the Constitution, the Public Finance Management Act, 2012 and all other relevant legislations to assure effective management of public resources for the benefit of the County residents of Mandera.



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25 May 2015