

**REPUBLIC OF KENYA**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS OF**  
**MIGORI COUNTY EXECUTIVE**

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

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

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## **EXECUTIVE SUMMARY**

### **Background Information**

The Constitution of Kenya 2010 created a decentralized system of government by setting up the County of Migori. The County has seven sub-counties namely, Rongo, Awendo, Uriri, Migori, Nyatike, Kuria East and Kuria West with eight constituencies namely; Rongo, Awendo, Uriri, Suna East, Suna West, Nyatike, Kuria West and Kuria East, Nyatike, Kuria East and Kuria West.

### **Introduction**

The management and financial operations audit for the year 2013/2014 covering the period 1 July 2013 to 30 June 2014 was undertaken to assess the adequacy and reliability of the management systems and internal controls instituted by the county management in running its affairs in as far as utilization of public funds is concerned.

### **Terms of Reference**

The Office of the Auditor-General is an independent office mandated by the Constitution of Kenya 2010 under Article 229 to audit the accounts of the National and County Government. In this regard, the office planned an audit of the management and financial operations of Migori County Government for the period July 2013 to 30 June 2014 with the following terms of references:

- Assessment of controls over management of cash and bank accounts.
- Assessment of controls over management of assets under the control of the County Government.
- Assessment of compliance with the procurement laws in process of acquisition of goods and services
- Assessment of compliance with Public Financial Management Act in the utilization of public funds.
- Compliance with other relevant laws and regulations
- To ascertain the integrity and reliability of financial and other information used by management in the utilization of public funds.
- All necessary supporting documents, records, and accounts have been kept in respect of all transactions

## **Methodology**

The approach used in carrying out this audit included the following:

- Interviews with key officers at the County headquarters.
- Review of applicable legislation and regulations.
- Examination of payment vouchers, cashbooks, vote books, bank statements, and bank slips, receipt books, procurement documents, stores records, asset registers and other related records.
- Review of minutes of various meetings and their resolutions regarding utilization of public funds.
- Physical inspection and verification.
- Observation of processes and activities.
- Review of documents used by management to monitor use of funds.

## **Scope and Determination of Responsibilities**

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, expenditure incurred is fairly stated and fair recording is achieved in all financial transactions.

The matters mentioned in this letter are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

The maintenance of effective control measures and compliance with laws and regulations are the responsibility of the management. Our responsibility is to report on the deficiencies that were identified in the course of the audit.

## **KEY AUDIT FINDINGS**

### **1.0 GENERAL CONTROL ENVIRONMENT AND MAINTENANCE OF ACCOUNTING RECORDS**

There is no effective internal audit function at the county. The current office lacks adequate resources and independence to undertake its activities.

General accounting records are poorly maintained and most of the records are manual.

## **2.0 CURRENT ASSETS**

### **2.1 Un-surrendered Imprests**

The County Treasury issued imprests totalling Kshs.29,392,212 during the year under review which were due but had not been surrendered by 30 June 2014.

### **2.2 Unsupported Payment to Kenya Medical Supply Agency**

In the year under review, the County bought drugs worth Kshs. 14,682,051. However, the distribution schedule and delivery records were not provided for audit verification.

### **2.3 Items Paid for but not Delivered**

The Health Sector purchased goods worth Kshs. 770,000 which could not be accounted for. The two payments were made through an "Estimate of costs" instead of an invoice and the attached LPO was not priced hence irregularly paid without proper procedures. Further, the counter receipt documents were not availed at the time of the audit but were later provided though they lacked item description details and other information. Consequently it was not possible to confirm that the goods were delivered.

### **2.4 Advance Payments for various ICT Projects**

During the audit it was observed that in the year under review the County Government incurred expenditure totalling Kshs. 36,831,140 on various ICT projects. The suppliers of the services were paid deposits upfront for services that had not been certified. There was no indication as to whether an assessment of the financial capacities of the firms carrying out the works was done. In some instances, the inspection and acceptance certificates for the projects were not made available for audit verification.

### **2.4 Fuel used in Road Works**

On diverse dates during the year under review, the County Government purchased fuel worth Kshs. 4,500,000 sourced from three suppliers for road works. There were no proper mechanisms in place to ensure that the fuel was properly and fully accounted for and efficiently used.

## **3.0 NON-CURRENT ASSETS**

### **3.1 Purchase of Furniture**

Purchase of furniture at a cost of Kshs. 6,457,200 was made through restricted tender. The procurement method used did not meet the requirements specified in the Public Procurement and Disposal Act, 2005 since there are many suppliers for such items and there was no time constraint. Further, payment of Kshs. 1,855,500 was made on the basis of a proforma invoice.

### **3.2 Unaccounted for Photocopier Machines**

The Ministry of Trade procured two Kyocera photocopier machines at a cost of Kshs 445,138. The photocopier machines were not physically available during the audit. The chief officer and the accountant could not confirm whether they were actually purchased since both were not working with the department when the order was placed.

## **4.0 PURCHASES OF ASSORTED ITEMS FOR THE DEPUTY GOVERNOR'S OFFICE**

### **4.1 Purchases of Curtains and Other Items**

A payment of Kshs.145,000 for the supply of curtains was not supported. It was not possible to confirm that the said items were ever supplied.

### **4.2 Purchase of Motor Vehicles**

The County Government procured 41 Motor Vehicles at a cost of Kshs.231,678,610 by use of supplies branch circular no. R04/2011-2012 which had expired on 31 November 2013. The procurements were done by selecting a supplier from the list based on the preferred vehicle type without reference to other suppliers in the list who had different models.

## **5.0 BUDGET PERFORMANCE**

### **5.1 Budget Over Run (Purchase of Motor Vehicles)**

The approved budget allocation for the year 2013/2014 for purchase of motor vehicles to various ministries and departments in the County was Kshs. 122,700,000. However, the actual amount used for purchase of motor vehicles was Kshs. 267,988,539. This therefore means that there was budget over run on purchase of motor vehicles of Kshs. 145,288,539 (118%). There was no supplementary budget approved by the assembly for the over expenditure.

### **5.2 Purchase of Plastic Water Tanks**

The Ministry of Water and Energy purchased one hundred (100) 10,000 litres capacity plastic water storage tanks at a price of Kshs 92,000 each. The procurement was not in the procurement plan and hence no budgetary allocation for it. The procurement procedure used was also not appropriate considering the amounts involved for which open tendering should have been used. There was no competitive process as all suppliers quoted the same price.

### **5.3 Purchase of Water Pipes**

The Ministry of Water and Energy also purchased water pipes of different sizes at a total cost of Kshs.7,004,500. The purchase was done from one supplier through direct procurement method even though 67 suppliers had been prequalified for the same. There is no evidence that the other suppliers had been invited to bid.

#### **5.4 Water Pan Project**

The Department of Agriculture undertook to construct three water pans in the County, namely;-Dak Magwar (Kshs. 2,000,000), Bam Got (Kshs. 2,000,000) and Okenge (Kshs. 2,908,250). The Dak Magwar water pan whose construction commenced on 15 February 2014 and estimated to take 32 days had not been completed by the time of audit in February 2015. The Okenge Pan project which was to be completed in March 2014 was 80% complete at the time of audit. The contractors hired to construct the pans did not have capacity to undertake the projects within the stipulated period, a fact which ought to have been detected during tender evaluation.

#### **5.5 Payment Vouchers without Support Documents**

Most suppliers' payment vouchers for goods did not have adequate support documents such as stores receipt records (S 13) and inspection services reports. Some of the counter receipt vouchers provided as support/ responses to audit queries had no details as to the nature of items being received, quantities, dates or unit of measure. This is an indication that the documents were completed long after the goods were received and receipt of such goods could not be confirmed.

#### **5.6 Procurement of Motor Vehicle Insurance Services**

Insurance services for motor vehicles were procured from one insurance company at a total cost of Kshs.7,986,750 using direct procurement method. The reasons advanced for use of this methods were not justified.

#### **5.7 Hotel Services**

Payment for hotel services totalling Kshs.3,244,345 were made to single sourced hotels. Hospitality service was not prequalified in the financial year under review hence the basis of contracting the hotels was not explained. No quotations were sent out and hence it is not clear how charges were determined. Further, the lists of staff who attended meetings in such hotels were not availed for verification casting doubt as to whether such meetings were actually held.

#### **5.8 Variation of Structural Designs without reference to the County Tender Committee**

During the year under review, the County Government of Migori entered into a contract for the construction of a Medical Training Centre at a contract sum of Kshs.13,434,320. Additionally, there was a contract for construction of a Paediatric Ward at Migori District Hospital at a contract sum of Kshs.14,151,783. Both contract agreements were dated 15 January, 2014. The Bill of Quantities made available for audit verification indicated that the structures were to be bungalows. However, during physical verification, it was found out that the contractors were constructing storey buildings. The redrawn structural designs and cost implications as approved by the County Tender Committee were not availed for audit verification.

#### **5.9 Construction of Aedo - Nyamage - Wang'chieng Lela Road**

Examination of payment vouchers and other support documents as well as physical verification of works did not provide evidence on how the contractor was sourced



and appointed. Further it could not be determined whether the road works were in the procurement plan for the year 2013/2014 and whether an inspection and acceptance committee was appointed for the work.

#### **5.10 Hire of Plant and Equipment for Unspecified Works**

The Department of Roads hired excavator, tippers, steel roller, bull dozer, water tanker, motor grader and low loader at a total cost of Kshs. 10 million from the Mechanical Department – Ministry of Roads and Public Works to perform works on unspecified roads in the sub counties. Information to show where the machinery and equipment hired were used was not provided by management for audit verification.

#### **5.11 Procurement of Seedlings**

During the year under review, the department of environment procured seedlings worth to Kshs.43,832,325 through the use of quotations contrary to the provisions of the Public Procurement Regulations, 2013 that limit procurement through quotations to a maximum of Kshs.2,000,000.

It was also noted that no provision was made in the budget for maintenance of the planted seedlings given that most of the seedlings were planted during the dry spell. As a result, most of the seedlings withered and dried off. Our physical verification at Achama hills where 20,000 seedlings were planted and Oyani demonstration farm where 14,040 seedlings were planted revealed that the survival rate was about 60%.

#### **5.12 Payments for Hire of Tools**

The Ministry of Environment hired working tools from various suppliers at a total cost of Kshs.852,000. From scrutiny of the supporting documents, it was noted that the quantities of working tools (jembes, mattocks, wheelbarrows) required was not specified. Although the tools were to be used in the planting of tree seedlings by various youth groups it was not clear how their use controlled. There should be direct relationship between services rendered and value for money earned.

### **6.0 PERSONNEL MATTERS**

The payroll of Migori County was not clearly structured, separating staff from different Ministries or Departments. By the time of the audit, there were staff who were not captured within the IPPD system.

There were 29 casual workers whose existence could not be established even though their names were in the monthly payment schedules. The casuals were being paid Kshs.4,000 each per month.

### **7.0 GROUNDED MACHINERY AT AGRICULTURAL MECHANIZATION CENTRE - MIGORI**

A physical verification of equipment and machinery at the Agricultural Mechanization Centre revealed that all the machinery, except for five tractors purchased in the year 2014, are not operational and various hand mechanical problems. The funds estimated to meet the repair costs amount to Kshs.4,669,446. The net effect is that

the Centre is not able to fulfil its mandate of promoting agriculture, constructing soil and water conservation structures and generating revenue.

## **8.0 ADVANCE PAYMENT FOR SUPPLY OF ELECTRICITY CONNECTION TO THE DEPARTMENT OF FISHERIES-NYATIKE**

The Department of Fisheries and Livestock Development paid Kenya Power & Lighting Company, Kisumu an amount of Kshs 3,002,651 through LSO No 0610971 dated 27th May, 2014 for electricity connection to Nyatike Office. However by the time of audit, the service had not been rendered.

## **9.0 RECEIPT OF MEDICAL SUPPLIES AT THE HEALTH CENTRES**

A review of delivery notes of medical supplies to health facilities revealed that the same had not been acknowledged by an inspection, acceptance and disposal committee as required by the Public Procurement and Disposal Act, 2005. These supplies were instead being received by officers in charge of the health facilities.

An inspection of some of the facilities that were receiving large quantities of medical supplies indicated that they may not have the capacity to handle them both in terms of manpower and storage. For example, Othoro Sub-county hospital had received drugs worth Ksh.885,049 in May 2014 yet had only one medical officer handling clinical and drugs dispensing functions. The storage facility was also not secure to safeguard against theft. The facilities were also not making proper use of the stock cards as a tool to control movement of the received items. Stock takes were also not being done regularly as noted in some facilities visited and when done, discrepancies were being noted between the balances as per the cards and the physical counts balances. This was noted in Othoro Sub-Count hospital, Otacho Dispensary and Begumbe dispensary.

## **10.0 APPOINTMENT OF COUNTY PUBLIC SERVICE BOARD SECRETARY**

Migori County Public Service Board has operated without a substantive Secretary for almost one year in contravention of the County Government Act that requires the board to have a qualified secretary. During this period, the chairman has been performing the duties of both the secretary and chair.

## **11.0 PUBLIC SERVICE MANAGEMENT**

### **11.1 Payment to a Football Club**

A payment of Kshs.168,000 was made in favour of a football Club. The management could not explain what the payment was for.

### **11.2 Team Building Seminar at the Reef Hotel**

A payment of Kshs.1,535,440 was made to Reef Hotel in Mombasa for hosting a seminar between 27 September 2013 and 28 September 2013. The participants list indicates 82 participants who included MCAs and other staff, however the invoice was for 91 persons. The correct procurement process was not followed to procure the

Hotel services as no quotations were sent out, and further no LSO was raised. Also the payment voucher was not fully processed as it was not entered in the vote book.

### **11.3 Travelling, Accommodation & Subsistence Claims not Supported**

Various travelling, accommodation and subsistence claims of security officers and other officials attached to the Governor's offices were not adequately supported. Some of the schedules were not signed to acknowledge receipt of the money and some payment vouchers were not fully processed e.g AIE holders did not sign the payment vouchers. Further there were instances where large purchases of soft drinks were done in Nairobi without imprests issued and the functions where the purchases were used were not disclosed. The total sum of payments identified as not having adequate support documents from the audit sample tested was Kshs.24,438,613.

### **11.4 Hire of Motor Vehicles**

During the year under review, the County Government hired motor vehicles/ taxis at a total cost of Kshs.3,020,900. The services were in most cases sourced from one supplier. The activities carried out during such trips were not specified. The criteria used for the selection of suppliers and how the amount charged was determined were not explained by management.

### **11.5 Accommodation for Staff at Tiwi Beach Resort**

A payment of Kshs. 1,738,000 was made to Tiwi Beach Resort for hosting a seminar vide a payment made on 24 December 2013. However the payment did not indicate the dates the seminar took place. The payment voucher was not authorized for payment by the AIE holder and there was no evidence it was controlled in the vote book. The procurement procedures were not followed as no quotations were raised and no Local Service Order (LSO) was raised. The minutes for the meeting were not appropriately signed to qualify as adequate support for the expenditure.

## **12.0 FAILURE TO DEDUCT WITHHOLDING TAX FROM PAYMENTS TO CONTRACTORS**

Payments to contractors arising from Engineers' certificates indicated that they were withholding tax deductible. However, the taxes were not deducted. Contractors were paid gross of withholding tax. A review of payments to contractors for the period April to June 2014 indicated that Kshs. 1,839,263 had not been withheld as required by law.

## **13.0 REVENUE**

### **13.1 Revenue Collection Shortfall**

A review of revenue collection revealed that the county had budgeted to collect local revenue of Kshs.795m in the year 2013/2014. However, revenue collection for the period was Kshs.238m leading to a shortfall of approximately Kshs. 557m (70%).

### **13.2 Revenue Collection by Hospitals**

An inspection of records of bankings and daily cash collections for Othoro Sub-district hospital (April, June, July and August 2014) and Isebania Sub-district hospital (June and April 2014) revealed differences between the bankings and the daily collection. Even though, the variances were not individually significant, there is a possibility, that there are other institutions having similar issues but which were not visited. There were also instances where collections were not banked daily from the facilities visited.

### **13.3 Variances in Revenue Figures**

A review of the revenue records maintained revealed discrepancies between the revenue summary report and actual records available at Revenue Office. For example a review of income for the period April to June 2014 revealed the following:

| <b>ITEM</b>             | <b>REVENUE REPORT</b> | <b>RECORDS</b> | <b>VARIANCE</b> |
|-------------------------|-----------------------|----------------|-----------------|
| Cess – sugarcane        | 7,626,605.00          | 6,651,290.00   | (975,315.00)    |
| Public works (building) | 165,000.00            | 156,000.00     | (9,000.00)      |
| Physical planning       | 7,000.00              | 367,000.00     | 360,000.00      |
| Fisheries               | 60,210.00             | 62,400.00      | 2,190.00        |
| Survey fees             | -                     | 137,370.00     | 137,370.00      |

It was therefore not possible to ascertain the correct revenue figures.

### **13.4 Non Collection of Revenue-Parking Fees**

A spot check of collection of parking fees revealed that motor vehicles parking in most spots in town were not paying parking fees. A spot check at the post office area revealed that forty one vehicles, taxis and private vehicle stationed there at the time of the visit had not paid.

### **13.5 Unaccounted for Revenue.**

In the process of reviewing the revenue collection processes, it was noted that there are loopholes being exploited by some of the County staff to misappropriate funds. For example, one employee, who was a revenue collector and has reportedly left employment, misappropriated a total of Kshs 126,980. He is also reported to be in possession of receipt books, Ref: MCG//A/2014/016 of May5 2014;as per the internal audit department letter

### **14.0 ALLOWANCES PAID TO THE PROCUREMENT COMMITTEE MEMBERS**

The committees involved in procurement were paid sitting allowances totaling Kshs.2,500,000 in the months of April, May and June 2014. It was noted that, the members were paid between 4 and 6 allowances per procurement meeting based on the item being discussed. It was also noted that there are very many officers involved in one meeting with several support staff included.

## **15.0 PROCUREMENT OF ICT EQUIPMENT AND SERVICES**

A review of the procurement plan for the year 2013/2014 indicated that Kshs 47,687,259 was set aside for establishment of ICT infrastructure and purchase of related ICT equipment for service delivery. However, scrutiny of payment vouchers and other documents availed for audit indicated that a total of Kshs 130,528,306 was spent. Further, it was noted that eight (8) Citizen Service Centres have been established at a cost of Kshs 87,174,040. Each Centre was supplied with 12 computers, 13 desks and chairs, 1 server, one printer and networking infrastructure. In all a total of 101 computers were supplied to the eight centres. It was however observed that these computers have not been branded. Although training was provided to 76 members of staff to offer services at these centres, they have not been deployed to these stations. The citizens are yet to benefit fully from the centres.

It was also observed that the County Government purchased 65 computers at a cost of Kshs 7,205,995 for distribution to the Youth Polytechnics within the County. However, upon physical verification, it was noted that the computers were still in store and are yet to be distributed to polytechnics. The computers were delivered on 9 June 2014 vide delivery note No. 191.



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

**Nairobi**

**27 May 2015**

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

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## **DETAILED FINDINGS**

### **1.0 GENERAL CONTROL ENVIRONMENT**

#### **1.1 Internal audit Unit**

##### **Findings**

- The Internal Audit has not been allocated adequate resources. The Unit has only two officers who may not be capable of handling all the work at the County Government.
- There was no formal channel of communication between the internal audit and the County Government thus making it difficult for the department to have any effective oversight over the various functions at the county.
- The Accounting Officer has not issued any letter providing the Internal Auditor unrestricted access to all records, departments, assets etc. of the entity.
- The internal audit charter detailing the scope, responsibilities and purpose of internal audit has not been developed.
- The Internal Auditor has not prepared and operationalized annual audit plans.
- There was no evidence of documented audit approach followed for internal audit assignments. The relevant audit programs and sample items for audit have not been identified.
- The Audit Committee does not exist contrary to the requirements of Treasury Circular No. 16/2005 and section 155 of the Public Financial Management Act 2012 that provides for internal audit arrangements according to guideline by the Accounting Standards Board that require all entities in the Public Service to establish and operationalize internal audit committees.
- There is no evidence of value addition accruing from the services of the internal audit office in as far as oversight functions expected from such a unit.

##### **Recommendation**

- Internal audit unit should be strengthened and given adequate resources
- Internal audit reports should be addressed to the Accounting Officer
- Audit committee should be established and operationalized.
- The internal auditor should prepare relevant audit programs

## 1.2 Maintenance of Accounting Records

i) Generally accounting records are poorly maintained by the county Government. Most transactions are processed and recorded manually.

ii) Petty cash management

There is a significant amount of cash transactions by the County which by its nature is susceptible to misuse and also poses security challenges.

iii) Review and approval of postings to the cash books

There is no evidence of review of cash books to ensure proper records are being maintained for the transactions that have taken place. There are also numerous cases of corrections and cancellations which is inherent in such cases of manual records.

iv) Multi location processing of payment vouchers

There are various points of processing payment vouchers and recording of the same making it difficult to track payments. There were payment vouchers at the ministries, treasury and other departments and cash books maintained at various locations with no regular reconciliations amongst them evident.

v) Budgetary control

There is no evidence of comparison or tracking of actual expenditures to the approved budgets. This is a key accounting control which is not evident from the payments verified.

### Recommendation

There is a need to urgently address the weaknesses in the accounting environment so that there is proper accountability of the allocated funds. It is necessary that all transactions are automated and minimal use of cash payments be instituted.

The County Government needs to establish a petty cash system based on floats that can only be reimbursed or replenished once a certain set threshold is reached. Such floats ensure accountability because only authorized individuals are provided with such floats. Proper authorization and checking mechanisms should also be set to ensure all funds are accounted for. The preference for cash payment method as evidenced by the large amounts of cash withdrawals every month should be discouraged

The Internal audit function should be strengthened with adequate resources and given necessary independence to enable it undertake its roles.

## 2.0 CURRENT ASSETS

### 2.1 Un-surrendered Imprests

The County Treasury had issued imprests worth Kshs.29,392,212 which were still outstanding by 30 June 2014. There were also cases where some officers held more than one imprest as at the end of the financial year.

#### Recommendation

All the imprests should be surrendered on the due dates, failure to which appropriate recoveries should be made.

The management should institute strict measures in the handling of imprests with the aim of ensuring that officers only handle amounts that they can be able to reimburse.

### 2.2 Unsupported Payment to Kenya Medical Supply Agency

In the year under review, the County bought drugs worth Kshs. 14,682,051. However, the distribution schedule and delivery records were not provided for audit verification.

#### Recommendation

Management should make necessary arrangements to avail the documents to support the payment and accountability of use of the drugs.

### 2.3 Items Paid for but not Delivered

The Health Sector purchased goods worth Kshs. 770,000 which could not be accounted for. The two payments were made through an "Estimate of costs" instead of an invoice and the attached LPO was not priced hence irregularly paid without proper procedures. Further, the counter receipt documents were not availed at the time of the audit but were later supplied though they lacked item description details and other information. Consequently it was not possible to confirm that goods were delivered. The following are details pertaining to the said goods:

| Payment voucher | Cheque number | Payee                        | Amount         | Details  |
|-----------------|---------------|------------------------------|----------------|--|
|                 |               |                              |                |  |
| 3123            | 001103        | Wise Woods Furniture Limited | 420,000        | Supply of various equipment for the Deputy Governor's office |
| 464/1595        | 000439        | Wise Woods Furniture Limited | 350,000        | Supply of curtains for the Deputy Governor's office          |
|                 |               |                              | <b>770,000</b> |  |



## **Recommendation**

- i. Goods should be received in stores and recorded before they are issued out.
- ii. Supporting documents should be attached to the payment vouchers to authenticate payments.
- iii. LPO/LSO should be raised and issued to suppliers before delivery.
- iv. Orders should be given to the prequalified suppliers only.
- v. Sanctions should be instituted in respect of the officers who effected the said payments.

### **2.4 Advance Payments for various ICT Projects**

It was observed that in the year under review, the County Government incurred expenditure totalling Kshs.36,831,140 on various ICT projects. The suppliers of the services were paid deposits upfront for works that had not been certified. There was no indication as to whether an assessment of the financial capacities of the firms carrying out the works was done. In some instances, the inspection and acceptance certificates for the projects were not made available for audit verification.

## **Recommendations**

- i. Any payment to suppliers/contractors should be made after work has been done and a certificate issued.
- ii. Financial evaluation must be carried out to ascertain how the financing of the project will be done by the supplier to avoid advance payments.
- iii. Work should be given out based on the capability of the supplier/contractor in terms of financing the project to be awarded.

### **2.5 Fuel used in Road Works**

On diverse dates during the period under review, the County Government purchased fuel worth Kshs.4,500,000 sourced from three suppliers for road works. There were no proper mechanisms in place to ensure that the fuel was properly and fully accounted for and efficiently used.

## **Recommendation**

Mechanisms should be put in place to ensure efficient use of county resources and proper accountability, particularly of fuel.

### **3.0 NON-CURRENT ASSETS**

#### **3.1 Purchase of Furniture**

Purchase of furniture at a cost of Kshs.6,457,200 was made through restricted tender. The choice of this method used did not meet the requirements specified in the Public Procurement and Disposal Act, 2005 since there are many suppliers for such items and there was no time constraints. Further, payment of Kshs.1,855,500 was made on the basis of a proforma invoice.

#### **Recommendation**

Appropriate sanctions should be instituted in respect of those officers responsible for flouting the procurement laws and regulations and in future strict compliance with the procurement law and regulations should be observed.

#### **3.2 Unaccounted for Photocopier Machines**

The Ministry of Trade procured two Kyocera photocopier machines at a cost of Kshs.445,138. The photocopier machines were not physically available during the audit. The Chief Officer and the Accountant could not confirm whether they were actually purchased since both were not working with the Department when the order was placed.

#### **Recommendation**

The procurements must be fully accounted for in accordance with the law.

### **4.0 Purchases of assorted items for the Deputy Governor's office**

#### **4.1 Purchases of Curtains and Other Items**

A payment for the supply of curtains amounting to Kshs.145,000 was not supported. It was not possible to confirm that the said items were ever supplied.

#### **Recommendation**

The inventory record of items in every office should be kept in the offices.

#### **4.2 Purchase of Motor Vehicles**

The County Government procured 41 Motor Vehicles at a cost of Kshs. 231,678,610 by use of supplies branch circular no. R04/2011-2012 which had expired on 31 November 2013. The procurements were done by selecting a supplier from the list based on the preferred vehicle type without reference to other suppliers in the list who had different models. This in our view was not competitive as it locked out other suppliers. Further, there were no tender committee minutes approving such purchases.

#### **Recommendation**

Due to the significant amount of funds used in the procurement of motor vehicles, the County Government should have invited various suppliers to participate in the procurements which would have possibly led to lower prices and more value for money being realized.

## **5.0 BUDGET PERFORMANCE**

### **5.1 Budget Over Run (Purchase Of Motor Vehicles)**

The approved budget allocation for the year 2013/2014 for purchase of motor vehicles to the various Ministries and Departments was Kshs.122,700,000. However, the actual amount used for purchase of motor vehicles was Kshs.267,988,539. Resulting in a budget over run on purchase of motor vehicles amounting to Kshs.145,288,539 (118%). There was no supplementary budget approved by the assembly for the over expenditure.

#### **Recommendation**

The budget once approved should be monitored during the implementation to check any over expenditure and where it is inevitable, appropriate authorization should be sought from the County Assembly.

### **5.2 Purchase of Plastic Water Tanks**

The Ministry of Water and Energy purchased one hundred (100) 10,000 litre capacity plastic water storage tanks at a price of Kshs.92,000 each. The procurement was not in the procurement plan and hence there was no budgetary allocation for it. The procurement procedure used was also not appropriate considering the amounts involved, for which open tendering should have been used. There was no competitive process as all supplies quoted the same price.

#### **Recommendation**

Appropriate action should be taken against those officers charged with the responsibilities of ensuring that appropriate procurement procedures are followed in accordance with the law.

### **5.3 Purchase of Water Pipes**

The Ministry of Water and Energy also purchased water pipes of different sizes at a total cost of Kshs. 7,004,500. The purchase was done from one supplier through direct procurement even though 67 suppliers had been prequalified for the same. There is no evidence that the other suppliers had been invited to bid.

#### **Recommendation**

Appropriate action should be taken against those officers charged with the responsibilities of ensuring that applicable procurement procedures are followed in accordance with the law.

### **5.4 Water Pan Project**

The Department of Agriculture undertook to construct three water pans in the County namely Dak Maguar (Kshs.2,000,000), Bam Got (Kshs.2,000,000) and Okenge (Kshs.2,908,250). The Dak Magwar Water Pan whose construction commenced on 15 February 2014 and estimated to take 32 days had not been completed by the time of audit in July 2014. The Okenge Pan project which was to be completed in March

2014 was 80% complete at the time of audit. The contractors hired to construct the pans appeared not to have capacity to undertake the projects within the required period considering that their equipment was not in a working condition at the time. The cost of completing the pans is likely to increase due to inflation. Delay in projects implementation leads to continued suffering of the targeted residents from effects of drought.

### **Recommendation**

The County Government should ensure projects are completed within reasonable time frames and reputable firms whose performances have been tested should be selected to carry out the works in the future.

### **5.5 Payment Vouchers without Support Documents**

Most payment vouchers did not have adequate support documents such as stores receipt records (S 13) and inspection reports. Some of the counter receipt vouchers provided as support/ responses to audit queries had no details as to the nature of items being received, quantities, dates or unit of measure. This is an indication that the documents were completed long after the goods were received.

Some Payment vouchers such as number 004 and 075 amounting to Kshs. 782,000 have no support documents an indication that they may have never been supplied. There were also payments totalling Kshs 1,375,300 in the ministry of education that lacked various support documents in the form of bus tickets, work tickets and other returns necessary to authenticate the expenditure.

Three primary schools were given financial assistance of Kshs 100,000 each during emergencies when their classrooms were destroyed. However, returns for this expenditure were not made.

### **Recommendation**

Management should prepare and maintain all the supporting documents.

### **5.6 Procurement of Motor Vehicle Insurance Services**

Insurance services for motor vehicles were procured from one insurance firm at a cost of Kshs.7,986,750 using direct procurement method. The reasons advanced for use of this method could not be justified. There was therefore contravention of the law in the procurement of the service.

### **Recommendation**

Procurement procedures should be followed so as to obtain value for money. Quotations should be issued to pre-qualified insurance companies so as to get value for money.

## **5.7 Hotel Services**

Payments for hotel services amounting to Kshs.3,244,345 were made to hotels that were single sourced. Hospitality services were not prequalified in the financial year under review hence basis of contracting hotels was not explained. No quotations were issued out for competitive purposes hence it is not clear how prices charged were arrived at without comparison. Further, the lists of staff who attended meetings in those hotels were not availed for audit verification casting doubt as to whether such meetings were held.

### **Recommendation**

Hospitality services should be prequalified. Procurement department must issue at least three quotations for hotels to quote so that the services required may be competitive. A list of members of staff should be attached to ascertain the number of staff who were in attendance.

## **5.8 Variation of Structural Designs without reference to the County Tender Committee**

During the year under review, the County Government entered into a contract for the construction of a Medical Training Centre at a contract sum of Kshs.13,434,319.60. Additionally, there was a contract for construction of a Paediatric Ward at Migori District Hospital at a contract sum of Kshs. 14,151,782.50. Both contract agreements were dated 15 January, 2014. The Bill of Quantities made available for audit verification indicated that the structures were to be bungalows. However, during physical verification, it was found out that the contractors were constructing storey buildings. The redrawn structural designs and cost implications as approved by the County tender committee were not availed for audit verification. The change in construction works from bungalow to storey is a major contract variation that should have been referred to the County Tender Committee. Also the contractors are engaging in works that were not contained in the Bill of Quantities and contract agreement, which is irregular.

### **Recommendation**

The County Government should ensure compliance with the existing laws and procedures on contracts procurement.

## **5.9 Contract for the Construction of Aedo – Nyamage - Wang'chieng Lela Road**

Examination of payment vouchers and other support documents as well as physical verification of works provided no evidence to show how the contractor was sourced and whether it was in the procurement plan. Further it could not be determined whether the road works were in the procurement plan for the year 2013/2014 and whether an inspection and acceptance committee was appointed for the work.

### **Recommendation**

Payments to such contractors should be made on the strength of the inspection and acceptance committee certificate. Further procurement procedures should be followed in sourcing and appointing contractors.

### **5.10 Hire of Plant and Equipment for Unspecified Works**

The Department of Roads hired excavator, tippers, steel roller, bull dozer, water tanker, motor grader and low loader at a total cost of Kshs. 10 million from the Mechanical Department – Ministry of Roads and Public Works to perform works on unspecified roads in the sub counties. A payment of Kshs 10,000,000 was subsequently made to the Ministry of Roads and Public Works on the basis of a proforma invoice No 17657 of 17.9.13 as per payment voucher No 01 of 19.9.13. Information to show where the machinery and equipment hired were used was not provided by management for audit verification.

#### **Recommendation**

Management should give specifications on projects to be undertaken and the work tickets for machinery should be kept to evidence their movements.

### **5.11 Procurement of Seedlings**

During the year under review, the department of environment procured seedlings worth Kshs.43,832,325 through the use of quotations contrary to the provisions of the Public Procurement Regulations, 2013 that limits the use of quotations to a maximum of Kshs.2,000,000.

It was also noted that no provision was made in the budget for maintenance of the planted seedlings given that most of the seedlings were planted during the dry spell. As a result, most of the seedlings withered and dried off. Physical verification at Achama hills where 20,000 seedlings were planted and Oyani demonstration farm where 14,040 seedlings were planted revealed that the survival rate was about 60%.

#### **Recommendation**

- Procurement regulations should be adhered to as stipulated in the Act.
- Proper planning should be done before implementing any project so as not to incur avoidable losses.

### **5.12 Payment for Hire of Tools**

The Ministry of Environment hired working tools from various suppliers at a total cost of Kshs. 852,000. On close scrutiny of the supporting documents, it was noted that the quantities of working tools (jembes, mattocks, wheelbarrows) required was not specified. The tools were to be used in the planting of tree seedlings by various youth groups but it was not clear how their use would be controlled. There should be direct relationship between services rendered and value for money earned.

#### **Recommendation**

The management should account for all the working tools acquired and set up measures for use of the tools in the future.

## **6.0 PERSONNEL MATTERS**

The payroll of Migori County was not clearly structured separating staff from different ministries or departments. By the time of the audit, there were staff who were not captured within the IPPD system. Migori County Public Service Board had recruited four town administrators in December 2013 whose appointment was later revoked in February 2014 since they had been done before the establishment of the town Committees. These officers were redeployed to other departments pending the lifting of the revocation order. The employment and redeployment of these officers is an indication of poor planning and non-adherence to procedures in hiring of staff. The records availed during the audit indicated that Migori County Government had engaged 383 casual workers. The verification exercise carried out between 3 June 2014 and 20 June 2014 revealed that there were 29 casual workers whose existence could not be established even though their names were in the monthly payment schedules. Another 141 casual workers were found on the ground but their names did not appear in the payment schedule. There were also no formal contracts between the workers and the County Government for those properly engaged.

A suitability interview was carried out on some 594 employees of Migori County Government with a view of placing them where they are best suited. The verification exercise revealed that 22 officers were degree holders with various professional qualifications. It also revealed that 98 officers were Diploma holders. However, some of these officers have not been deployed and are unaware of their responsibilities in Migori County Government even though they are being paid. The other staff had lower qualifications. Examination of personnel files kept at the personnel registry indicated that the files are not updated with documents/information required including photocopies of National Identity Card, Tax Pin Card, Academic certificates, Medical Certificates, application letter etc.

### **Recommendation**

The county government needs to ensure adherence to staff management policies and procedures. Also proper control of staff matters as well as investigations need to be done to establish the number of casual workers, how they were hired and their monthly pay.

## **7.0 GROUNDED MACHINERY AT AGRICULTURAL MECHANIZATION CENTRE – MIGORI**

During the audit, a physical verification of equipment and machinery at the Agricultural Mechanization Centre was carried out which revealed that all the machinery, except for the five tractors purchased in the year 2014, are not operational and have various mechanical problems. The funds estimated to meet the repair costs amount to Kshs.4,669,445.60. The net effect is that the Centre is not able to fulfil its mandate of promoting agriculture, constructing soil and water conservation structures and generating revenue.

### **Recommendation**

Management should revive the machines for use as intended.

## **8.0 ADVANCE PAYMENT FOR SUPPLY OF ELECTRICITY CONNECTION TO THE DEPARTMENT OF FISHERIES - NYATIKE**

The department of Fisheries and Livestock Development paid Kenya Power & Lighting Company, Kisumu an amount of Kshs 3,002,651 through LSO No 0610971 dated 27 May, 2014 for electricity connection to Nyatike Office. However by the time of our audit, the service has not been rendered.

### **Recommendation**

Kenya Power should be caused to connect and supply the electricity.

## **9.0 RECEIPT OF MEDICAL SUPPLIES AT THE HEALTH CENTRES**

A review of delivery notes of medical supplies to health facilities revealed that the same had not been acknowledged by an inspection, acceptance and disposal committee as required by the public Procurement and Disposal Act, 2005. These supplies were instead being received by officers in charge of the health facilities.

An inspection of some of the facilities that were receiving large quantities of medical supplies indicated that they may not have the capacity to handle them both in terms of manpower and storage. For example, Othoro Sub-county hospital had received drugs worth Ksh.885,049 in May 2014 yet it had only one Medical Officer handling clinical and drugs dispensing functions. The storage facility was also not secure to safeguard against theft. The facilities were also not making proper use of the stock cards as a tool to control movement of the received items. Stock takes were also not being done regularly as noted in some facilities visited and when done, discrepancies were being noted between the balances as per the cards and the physical count balances. This was noted in Othoro Sub-County hospital, Otacho Dispensary and Begumbe dispensary.

### **Recommendation**

A proper analysis of usage/demand should be made so as to match stocks and the deliveries being made. Supervision and use of acceptance committees should be facilitated.

## **10.0 APPOINTMENT OF COUNTY PUBLIC SERVICE BOARD SECRETARY**

Migori County Public Service Board has operated without a substantive Secretary for almost one year in contravention of the County Government Act that requires the board to have qualified secretary. During this period, the chairman has been performing the duties of both the secretary and chair.

### **Recommendation**

The process of appointment of the secretary to the County Public Service Board should be hastened and concluded for the Board to operate as required by law.



## **11.0 PUBLIC SERVICE MANAGEMENT**

### **11.1 Payment to a Football Club**

Payment amounting to Kshs.168,000 was made in favour of a football Club. The management could not explain the purpose of the payment. There was no LSO or invoice to support the payment. There was therefore no authority for such a payment.

#### **Recommendation**

The responsible official who occasioned the payment should be surcharged and further appropriate action taken. For better control of funds imprests should be issued to Officers making purchases or payments relating to travel, accommodation and subsistence.

### **11.2 Team Building Seminar at the Reef Hotel**

An amount of Kshs 1,535,440 was made for a seminar at the Reef Hotel in Mombasa between 27/09/2013 and 28/09/2013. The list of participants indicates a total of 82 attendees who included MCAs and other staff; however the invoice is for 91 persons. The correct procurement process was not followed to procure the Hotel services as no quotations were given out, no LSO is attached hence direct purchase of services which is against the procurement process. Also the payment voucher is not fully processed as it did not pass through vote book control purposes.

#### **Recommendation**

Hospitality services should be pre-qualified and quotations issued to ensure competitiveness in procurement services.

### **11.3 Travelling, Accommodation & Subsistence Claims not supported**

Various travelling, accommodation and subsistence claims of security officers and other officials attached to the Governor's offices were not adequately supported. Some of the schedules were not signed to indicate receipt of money and some payment vouchers were not fully processed i.e AIE holders did not sign the payment vouchers. Further, there were instances where large purchases of soft drinks were done in Nairobi without imprests issued and the functions where the purchases were used were not disclosed. The total sum of payments identified as not having adequate support from the audit sample tested was Kshs.24,438,613.

#### **Recommendation**

Imprests should be issued to individual officers for travelling, accommodation and subsistence or for making purchases. Such imprests should then be surrendered as stipulated in government regulations.

Any surrender of imprest must be supported by imprest warrants and work tickets/ bus tickets/ invitation letters/ seminar programmes or any relevant documents to support the journeys.

### **11.4 Hire of Motor Vehicles**

During the year under review, the County Government hired motor vehicles/ taxis at a cost of Kshs. 3,020,900. The services were in most cases sourced from one supplier.

The activities carried out during such trips were not specified. The rates quoted by the suppliers could also not be considered as standard. The method of procurement for such services could not be explained. In conclusion, the criteria used for the selection of suppliers and how the amounts charged was determined could not be explained by management.

### **Recommendation**

Departmental heads should authorize hire of motor vehicles on a need basis. Reports should be presented after such trips to justify the need for the hire of such motor vehicles.

For hiring of taxi services, quotations should be issued to the prequalified firms operating car hire to avoid single sourcing of the services required.

### **11.5 Accommodation for Staff at Tiwi Beach Resort**

A payment of Kshs. 1,738,000 was made to Tiwi Beach Resort for hosting a seminar vide a payment made on 24 December 2013. However the payment did not indicate the dates the seminar took place. The payment voucher was not authorized for payment by the AIE holder and there was no evidence it was controlled in the vote book. The procurement procedures were not followed as no quotations were raised and no Local Service Order (LSO) was raised. The minutes for the meeting that authorized the seminar were not appropriately signed to qualify as adequate support for the expenditure.

### **Recommendation**

Procurement procedures should be followed when procuring services to the County.

### **12.0 FAILURE TO DEDUCT WITHHOLDING TAX FROM PAYMENTS TO CONTRACTORS**

Payments to contractors arising from Engineers' certificates indicated withholding tax deductible, however the taxes were not deducted. Contractors were paid gross of withholding tax. A review of payments to contractors for the period April to June 2014 indicated that Kshs. 1,839,263 had not been withheld as required by law.

### **Recommendation**

Withholding tax should be deducted from all sources that require such deductions and remitted to the Kenya Revenue Authority as required by the Income Tax Act.

### **13.0 REVENUE**

#### **13.1 Revenue collection shortfall**

A review of revenue collection revealed that the county had budgeted to collect local revenue of Kshs.795m in the year 2013/2014. However, revenue collection for the period was Kshs.238m resulting in to a shortfall of approximately Kshs. 557m (70%).

## Recommendation

Revenue collection should be enhanced.

### 13.2 Revenue Collection by Hospitals

An inspection of records of bankings and daily cash collections for Othoro Sub-district hospital (April, June, July and August 2014) and Isebania Sub-district hospital (June and April 2014) revealed differences between the bankings and the daily collection. Even though, the variances were not individually significant, there is a possibility, that there are other institutions having similar issues but which were not visited. There were also instances where collections were not banked daily from the facilities visited.

## Recommendation

The County should ensure that all collections are banked intact and on a daily basis

### 13.3 Variances in Revenue Figures

A review of the revenue records maintained revealed discrepancies between the revenue summary report and actual records available at the Revenue Office. For example a review of income for the period April to June 2014 revealed the following:

| ITEM                    | REVENUE REPORT | RECORDS      | VARIANCE     |
|-------------------------|----------------|--------------|--------------|
| Cess - sugarcane        | 7,626,605.00   | 6,651,290.00 | (975,315.00) |
| Public works (building) | 165,000.00     | 156,000.00   | (9,000.00)   |
| Physical planning       | 7,000.00       | 367,000.00   | 360,000.00   |
| Fisheries               | 60,210.00      | 62,400.00    | 2,190.00     |
| Survey fees             | -              | 137,370.00   | 137,370.00   |

It was therefore not possible to ascertain the correct revenue figures.

## Recommendation

Proper documentation should be kept with sufficient detail as regards the actual revenue collected per item and appropriate reconciliations carried out for proper accountability.

### 13.4 Non Collection of Revenue-Parking Fees

A spot check of collection of parking fees revealed that motor vehicles parking in most spots in town were not paying parking fees. A spot check at the post office area revealed that forty one vehicles, taxis and private vehicles stationed there at the time of the visit had not paid. The County Government may have lost undetermined amount during the year 2014 in uncollected revenue.

## Recommendation

Revenue department should seal all these revenue gaps and especially the collection of parking fees so that the County Government can realize its targets.

### **13.5 Unaccounted for Revenue**

In the process of reviewing the revenue collection processes, it was noted that there are loopholes being exploited by some of the County staff to misappropriate funds. For example, one employee, who was a revenue collector and has reportedly left employment, misappropriated a total of Kshs 126,980. He is also reported to be in possession of the following receipt books, as per the internal audit department letter Ref: MCG//A/2014/016 dated May 5 2014;

|                         |                 |
|-------------------------|-----------------|
| Single business permits | 01116-01150     |
| Miscellaneous receipt   | 2868601-2868650 |
| Miscellaneous receipt   | 013108-013200   |
| Miscellaneous receipt   | 009051-009100   |

#### **Recommendation**

Efforts should be made with the assistance of police to trace the employee to ensure the money misappropriated and missing receipt books are recovered. In future, collectors should be closely supervised to have them surrender monies on a daily basis.

### **14.0 ALLOWANCES PAID TO THE PROCUREMENT COMMITTEE MEMBERS**

The committees involved in procurement were paid sitting allowances totaling Kshs.2,500,000 in the months of April, May and June 2014. It was noted that, the members were paid between 4 and 6 allowances per procurement meeting based on the item being discussed. It was also noted that there are very many officers involved in one meeting with several support staff included.

#### **Recommendation**

Irregular payments made to the committee members should be recovered and a limit set of on people who should be involved in the processes.

### **15.0 PROCUREMENT OF ICT EQUIPMENT AND SERVICES**

A review of the procurement plan for the year 2013/2014 indicated that Kshs 47,687,259 was set aside for establishment of ICT infrastructure and purchase of related ICT equipment for service delivery. However, scrutiny of payment vouchers and other documents availed for audit indicated that a total of Kshs 130,528,306 was spent.

Further, it was noted that eight (8) Citizen Service Centres have been established at a cost of Kshs 87,174,040. Each Centre was supplied with 12 computers, 13 desks and chairs, 1 server, one printer and networking infrastructure. In all a total of 101 computers were supplied to the eight centres. It was however observed that these computers have not been branded. Although training was provided to 76 members of staff to offer services at these centres, they have not been deployed to these stations. The citizens are yet to benefit fully from these centres.

It was also observed that the County Government purchased 65 computers at a cost of Kshs 7,205,995 for distribution to the Youth Polytechnics within the County. However, upon physical verification, it was noted that the computers were still in store and are yet to be distributed to the Polytechnics. These computers were delivered on 9 June 2014 vide delivery note No. 191.

### **Recommendations**

- The County Government should operate within the approved procurement plan and a justification for the need to incur the expenditure over and above the plan be made.
- Citizen Service centers should be made operational so that value for the funds used can be realized.
- The computers still in store should be issued out without further delay.

### **CONCLUSION**

The County Government should implement the recommendations contained in this report so as to ensure public resources are efficiently utilized. This will in turn ensure effective service delivery to the people.



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

**Nairobi**

**27 May 2015**