

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS

OF

MURANG'A 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 MURANG'A 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 of the National and County Governments under Article 229 of the Constitution and Public Audit Act, 2003. Further, the County Government Act, 2012 repealed the Local Government Act Cap 265, thus effectively dissolving all the 175 local Authorities and creating 47 County Governments.

Audit Objectives

The objective of the audit was to ascertain whether the systems formulated and applied by the County Assembly were reliable for the management of the Assembly's finances in discharge of its mandate.

Terms of Reference

The terms of reference set for audit included verification and confirmation of transactions in respect to but not limited to the following areas:

- ✓ County Assembly Policies Implementation
- ✓ Procurement of goods works and services
- ✓ Allowances including travelling and accommodation expenses for local and foreign trips.
- ✓ Motor vehicle running expenses – Fuel
- ✓ Consultancy service
- ✓ Imprests and advances
- ✓ Cash and bank balances
- ✓ Human Resource Records
- ✓ IT Environment
- ✓ Non-current assets
- ✓ Debtors
- ✓ Creditors

Key Audit Findings

1.0 Human Resource Records

1.1 Staff Establishment

The County Assembly staff totalling thirty four (31) who were inherited from the defunct local authorities have not been absorbed into the Assembly's establishment contrary to the directive of the Transition Authority that such staff be taken over by the County Governments. Further, organisation's Organogram and Human Resource Manual necessary for the management of human resource have not been approved for use by the Assembly. The County Assembly was therefore in breach of the transition law and procedures.

Human resource development is being hampered by the absence of the approved Human Resource Manual and Organogram.

1.2 Irregular Engagement of Casuals

During the financial period under review, the County Assembly engaged one hundred and seven (107) workers on casual basis in the ward offices. However, there was no provision for casual workers in the Assembly's establishment, and ethnic balance was not observed as 99% of the workers came from one ethnic community. Further, hiring procedures including advertising, short listing and interviewing were ignored.

Under the circumstances, regularity of the expenditure on the casual workers in the ward offices could be confirmed.

1.3 Non compliance with recruitment, selection and appointment procedures

The County Assembly Service Board interviewed and appointed five (5) candidates who did not meet the basic requirements set out in the advertisement. Further, the County Assembly Service Board did not advertise the position of Personal Assistant to the Speaker and Speaker's Driver contrary to the requirement of Section 66 of The County Government Act 2012.

2.0 Irregular Procurement of Insurance Cover

During the year under review, the County Assembly sourced through direct procurement, insurance cover services totalling Kshs.2, 454,316.00 without subjecting them to competitive bidding contrary to Procurement and Disposal Act 2005. No explanation was given for use of direct procurement method.

In the circumstances, benefits of competitive bidding were not attained and the County Assembly was in breach of procurement laws and procedures.

3.0 Uncontrolled Cash Payments

During the period under review, the County Assembly made most of its payments in cash including daily subsistence allowance to its staff and to Members of County Assembly. These allowances sometimes run into millions of shillings and handling it exposed the Assembly to risk of misappropriation, theft or loss of life of the officers involved. It was not explained why a safer method of payment like direct transfer to the payees bank accounts were not used.

The propriety of the payment method used by the County Assembly could not be confirmed.

4.0 Over Expenditure on local and subsistence allowance

During the year under review, the County Assembly incurred a total of Kshs.44,033,262.00 on local travel and subsistence allowance against approved budget of Kshs.35,000,000.00 resulting to over expenditure Kshs.9,033,262 without approval of the Controller of budget.

Further, the County Assembly held several seminars in facilities outside the County. It would appear more reasonable to hold these meetings within the County since it would be more cost effective as most attendants would not need boarding facilities and would also contribute to the development of the County.

The expenditure on these seminars was therefore not economical and prudent use of public funds was not observed.

5.0 Expenditure on foreign travel

the period under review, the County Assembly incurred a total of Kshs.62,281,263.00 on six (6) foreign trips against an approved budget of Kshs.56,000,000.00. Therefore, the County Assembly overspent by Kshs.6,281,263.00 on this item without approval of the Controller of budget.

It was also noted that some officers were paid daily subsistence allowances which were more than the days they were out of the Country totalling Kshs.386,644.00. Further, reports written after the tour had not been implemented.

Under the circumstances, it could not be ascertained if value for money was attained from these trips and Public funds may have been lost through excessive and irregular claims on foreign trips.

6.0 Direct Procurement of logistic services on foreign trips

The assembly also spent Kshs.6,156,250 on logistics services for the trips made abroad. The services involved organising for the grounds travel in the foreign countries and other travel logistics. However, these services were not subjected to competitive bidding contrary to public procurement regulations. No explanation was given by management for directly procuring logistic services on foreign trips.

7.0 Unsupported Transport Allowances

During the financial period under review, the County Assembly made payment and refunds of local transport cost totalling Kshs.112,000.00 at a flat rate of Kshs.2,000.00 per trip, without proper supporting documents such as bus or air ticket as evidence of travel. The flat rate paid appears higher than the cost of most destinations.

In absence of proper supporting documents for the journeys made, the propriety of the transport expenditure amounting to Kshs.112, 000.00 could not be confirmed.

8.0 Unsupported Subsistence Allowances claims

During the period under review, Members of the County Assembly were paid subsistence allowances totalling Kshs.6,059,605.00 for attending meetings and workshops. However, documentary evidence such as workshop programmes, signed list of the attendees, work/bus tickets or invoices from these facilities to prove that such meetings occurred were not produced for audit verification.

It could not therefore be established if these meetings actually occurred and hence the propriety of the payments made.

9.0 MCAs Sitting Allowances

During the year under review, the County Assembly incurred a total of Kshs.43,190,907.00 on MCAs sitting allowances against approved budget of Kshs.43,760,000.00.

However, the analysis of Kshs.43,190,907.00 purportedly incurred on MCAs sitting allowances was not available for audit review.

In the circumstances, the propriety of Kshs.43,190, 907.00 allegedly spent on MCAs sitting allowances could not be confirmed.

10.0 Irregular Procurement Procedures

10.1 Irregular procurement of Office Furniture

During the financial year under review, the County Assembly purchased office furniture worth Kshs.2,733,815.00 without following proper procurement procedures. It was observed that only two (2) quotations were obtained instead of the minimum three required to ensure that benefits of competitive bidding is achieved.

No explanation was given for failure to follow procurement procedures when purchasing furniture.

10.2 Supply of tables of Poor workmanship/low quality

The County Assembly purchased desks worth Kshs.1,330,000.00 which were of different quality from the specifications in the quotation documents. The desks delivered

were of poor workmanship and had Formica fixed with glue that was noted to be peeling off at the time of audit. There was also no inspection and acceptance committee report on the same. Further, the same officer in-charge of the procurement was also the recipient as evidenced by his signing of the delivery note. There was therefore no segregation of responsibilities to ensure transparency. In the circumstances, value for money may not have been attained in this procurement.

10.3 Irregular Procurement of High-tech Electronic Devices

The County Assembly procured high-tech electronic devices at a cost of Kshs.3,554,360.00 without following proper procurement procedures.

a) Purchase of Laptops and Desk tops for County Assembly

The tender evaluation minutes had indicated that, out of the four suppliers who submitted quotations, only two suppliers quoted for laptops. They were therefore below a minimum of three who are required for a bid to be competitive. Further, the quotations were noted to be missing instructions on when and where quotations would be submitted which is contrary to Public Procurement and Disposal and Act 2005.

b) Purchased Samsung Galaxy Tablets

The County Assembly purchased Samsung Galaxy Tablets costing Kshs.2,417,000. The quotations were obtained through an email which did not state the specifications of the buyer. Further, it did not indicate where the completed quotations should be submitted contrary to Section 29(4) of the Public Procurement and Disposal Act and PPOA Circular Ref no.1.2013 dated 27 June 2013.

The procurement procedures were flouted and the propriety of the expenditure could not therefore be confirmed.

c) Purchase of Seven (7) Samsung Galaxy Notes

The Assembly purchased Seven (7) Samsung Galaxy Notes at a cost of Kshs.504,000 via a single sourcing procurement. No procurement records were produced to show how the procurement procedures were followed. The procurement laws and regulations were therefore flouted and the propriety of the payment could not be confirmed.

10.4 Irregular Procurement of Vehicles

The County Assembly procured three vehicles including a 29 Seater bus, a commuter van and a Toyota land cruiser at a cost of Kshs.5,982,866.00, Kshs.7,103,699.64 and Kshs.10,190,032.00 respectively.

The 29 seater bus was purchased at a cost of Kshs.5,982,866 through floating of quotations. According to evaluation committee minutes dated 15 April 2014, only one quotation and one proforma invoice were received. However, the tender was evaluated

and contract awarded. The minimum requirement of at least three quotations was not met and therefore the bidding was not competitive.

The Assembly also purchased a commuter van at a cost of Kshs.7,103,699.64 which had also not been delivered together with its logbook by 30 June 2014.

Further, the County Assembly did not produce a logbook for a Toyota Land Cruiser Prado costing Kshs.10,190,032 which was also purchased in the same financial period although it was delivered and was in use as at 30 June 2014.

In the circumstances, the County Assembly flouted Public Procurement and Disposal laws and procedures. Delay in delivery of the vehicles denied the Assembly the benefits accruing from having these vehicles. Further, the ownership of the vehicles cannot be proved without proper registration documents.

11.0 Fixed Assets Register

The Fixed Asset Register maintained by the County Assembly was not complete. It did not show the value of assets and date of purchase of furniture, fittings and computers.

In the absence of complete and updated fixed assets register, the actual assets owned by the County Assembly could not be confirmed.

12.0 Budgetary Control

During the financial period under review, it was observed that transfer of funds from County Executive was not accompanied by the allocation list of funds to various votes. Further, it was noted that the County Assembly did not allocate the funds to various accounts before spending. The vote book maintained did not have records of commitments, it lacked clarity on expenditure since they were all recorded on the same page.

There was therefore a possibility of overspending in various votes if accurate and complete vote book was not maintained.

13.0 Lack of Annual, Operational and Activity Plans

It was noted that Annual, operational and activity plans were not prepared at the beginning of financial year with exception of the annual budget.

The Assembly was therefore executing its activities without clear guidelines in the absence of managerial operational plans for various departments and sections.

14.0 Unsupported Refund advanced to County Executive

The County Assembly was requested by the County Executive for an advance totalling Kshs.2,205,000.00 to enable it facilitate Education & ICT committee ward meetings and to vet bursary applications on various dates. The money was released and transferred on 21 February 2014 according to the information contained in the bank statements. However, it could not be confirmed if this money was repaid as there were no correspondences provided for audit review on this issue.

Refund of the advance of Kshs.2,205,000 could not therefore be confirmed.

15.0 Lack of Audit Committee

During the period under review, the County Assembly did not have an audit committee in place to review the reports of the internal audit department and ensure the implementation of its recommendations.

The enforcement of the internal audit department reports appears in doubt in the absence of the Audit Committee.

16.0 Unsupported Imprest Surrenders

Examination of records maintained at Murang'a County Assembly revealed that imprests totalling Kshs.393,720.00 was surrendered without supporting documents of the expenditure in respect of purchase of fuel and travel allowances.

In the absence of relevant supporting records, the expenditure of Kshs.393,720 could not be

17.0 Unsupported Creditors

The creditors schedule provided by the County Assembly showed the creditors balance of Kshs.3,098,269 as at 30 June 2014. However, the Assembly did not maintain the creditors' ledger and there were no suppliers' statements and invoices provided for audit verification. Therefore, the accuracy of the creditors figure could not be ascertained.

18.0 Unsupported Payments

During the financial period under review, the County Assembly transferred Kshs.35,000,000 to Jamii Bora Bank Account No. 2191734204 to facilitate loan awards to MCAs. However, this transfer was not supported with committee minutes, agreements and suitability bank approval documents from the National Treasury. Further, no explanation was made available regarding the administration of funds.

The propriety of the payment and suitability of the chosen financial institution could not therefore be confirmed.

19.0 ICT Environment

The assembly had not deployed information technology especially IFMIS and G-pay as both cash payments and payroll preparation were being done by the Executive arm of the County Government.

Conclusion

The County Assembly should ensure that proper accounting and reporting systems are in place. Expenditure should be incurred in accordance with the Public Finance Management Act, 2012. Finally, goods and services should be procured in accordance with Public Procurement and Disposal Act, 2005.

A handwritten signature in black ink, appearing to read 'E. O. Ouko', with three dots below the name.

Edward R. O. Ouko, CBS
Auditor-General

Nairobi

28 May 2015

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

Audit Findings

1.0 Human Resource Records

1.1 Staff Establishment

Observations

It was observed that, although the optimal staffing levels have not been established and appropriate staff establishment formulated, the County Assembly Service Board continued to recruit staff.

The county Assembly has in place a total of thirty one (31) members of staff whom are regarded as its permanent staff. However, other staff totalling thirty four (34), who were inherited from the defunct local authorities, are regarded interim staff. This is contrary to the directive of the Transition Authority which required that all staff from the defunct local authorities be absorbed by the County Government.

Further, it was observed that the County Assembly Organogram and Human Resource Manual, which are relevant for the management of human resource though prepared had not been approved for use. No explanation was given by the management as to why Organogram and Human Resource Manual had not be approved and put into use. Human resource development is being hampered by the absence of the approved Human Resource Manual and Organogram.

Recommendations

- (i) The County Assembly should manage the transition process of the staff inherited from the former local authorities to ensure their continuity as directed by the Transition Authority.
- (ii) The County Assembly should ensure that documents prepared for human resource development are approved for use.
- (iii) The County Assembly Service Board should ensure that optimal staffing levels are established and an approved staff establishment is put into use.

1.2 Casuals employed in the wards

Observations

Records made available for audit revealed that the County Assembly engaged on casual basis one hundred and seven (107) staff as ward staff during the period under review. However, the following anomalies on their engagement;

- (i) The County Assembly did not have an approved staff establishment to guide on the engagement of casual staff to work in the wards.

- (ii) It was observed that 99.9% of the staff engaged came from one community contrary to the provisions of the County Government Act, 2012 that requires at least 30% of vacant positions be filled by other ethnic tribes.
- (iii) The process of recruiting, selection and appointment of the staff contrived the values and principles of public service as stipulated in Chapter 13 clause 232 of the Constitution of Kenya. The irregularities noted in recruitment process include failure to; set minimum qualification, advertise widely, subject candidates to interview, consider academic and professional qualifications among other irregularities.

Recommendations

All present and future recruitment should be based on values and principles stipulated in the Constitution and other laws and regulations in force. Further, the County Assembly should correct the recruitment irregularities noted above.

1.3 Non compliance with recruitment, selection and appointment procedures

Observations

Transition Authority Circular Ref No: TA/2/ dated 18 December 2013 required vacant positions to be filled competitively and transparently and in accordance with the prescribed appointment and promotion procedures. However, the County Assembly Service Board interviewed and appointed candidates who did not meet the basic requirements set out in the advertisement.

Further, the County Assembly Service Board did not advertise the position of Personal Assistant to the Speaker and Speaker's Driver contrary to the requirement of Section 66 of The County Government Act 2012 and Transition Authority Circular Ref No: TA/2/ dated 18 December 2013. The appointed driver did not have suitability test report from the Ministry of Public Works Mechanical Section as required by Section K 10(1) of the Code of Regulation 2006.

Recommendation

All present and future recruitment should be based on values and principles stipulated in the Constitution and other laws and regulations in force.

2.0 Irregular Procurement of Insurance Cover

Observations

During the year under review, the County Assembly sourced through direct procurement, the following insurance covers without subjecting them to competitive bidding contrary to Procurement and Disposal Act 2005.

Cover	Amount
Medical covers for nominated MCA's & family	2,167,109.00
Insurance cover for Israel trip	57,417.00
Insurance cover for Singapore trip	30,778.00
Insurance cover for South Africa trip	34,394.00
Insurance cover for Tanzania trip	84,418.00
Insurance cover for Uganda trip	80,200.00
	<u>2,454,316.00</u>

No explanation was given by the management for use of direct procurement method.

The County Assembly may not have achieved value for her money in these procurements by being denied benefits of competitive bidding.

Recommendation

The County Assembly should strictly adhere to public procurement regulations.

3.0 Uncontrolled Cash Payments

Observation

During the financial period under review, it was observed that the County Assembly was making most of its payments in cash. This included daily subsistence to its staff and to Members of County Assembly, which sometimes run into millions of shillings cash. This posed cash handling risk of theft and life of those handling it.

Recommendation

The County Assembly should ensure that all payments are effected through the respective bank accounts of the payees.

4.0 Over Expenditure on local and subsistence allowance

Observations

During the year under review, the County Assembly incurred a total of Kshs.44,033,262.00 on local travel and subsistence allowance against approved budget of Kshs.35,000,000.00. Therefore, the County Assembly overspent by Kshs.9,033,262 on local travel and subsistence allowance without approval of the Controller of budget.

The National Treasury vide the Treasury Circular No. 17/2013 dated December, 17, 2013 instructed all Cabinet Secretaries to rationalize all domestic travels and avoid holding Government official meetings in hotels and hold workshops and retreats fully funded by the government in government owned institutions. The circular stipulates further that workshops/retreats with majority of participants drawn from one duty station should be held within the precincts of the duty station. However, review of the individual payment vouchers revealed that most of the local travel and subsistence allowance incurred during the year under review related to official meetings, workshops and

retreats held in hotels outside the precincts of the duty stations resulting to excessive expenditure on the item.

Recommendations

The Assembly should stop holding committee meetings outside the county as this is putting undue budgetary pressure on the local travelling vote, which cannot be sustainable in the long run. Further, the County Assembly should stick to the allocated budget.

5.0 Expenditure on Foreign Travel

During the period under review, the County Assembly incurred a total of Kshs.62,281,263.00 on six (6) foreign trips against an approved budget of Kshs.56, 000, 000. Therefore, the County Assembly overspent by Kshs.6, 281, 263.00 on this item without approval of the Controller of budget.

The details of the trips undertaken are as follows:

Uganda Trip

The total cost for Uganda trip was Kshs.6, 428, 541. The trip was made by thirty one (31) Members of County Assembly (MCAs) and seven (7) members of staff of the Assembly between 30 September and 6 October, 2013. This was an educational tour on agriculture.

Tanzania Trip

The total cost for Tanzania trip was Kshs.6, 880, 710. The trip was made by twenty four (24) MCAs and thirteen (13) members of staff of the Assembly between 10 and 16 November, 2013. This was an educational tour on agricultural best prices.

South Africa Trip

The total cost for South Africa trip was Kshs.6, 567, 393. The trip was made by fifteen (15) MCAs and five (5) members of staff of the Assembly between 11 and 19 May, 2014. The purpose of the trip was to attend agriculture trade show.

Singapore Trip

The total cost for Singapore trip was Kshs.12, 592, 370. The trip was made by twelve (12) MCAs and five (5) members of staff of the Assembly between 31 May 2014 and 8 June 2014. This was an educational tour on youth empowerment.

Netherlands Trip

The total cost for Netherlands trip was Kshs.9, 463, 673. The trip was made by seventeen (17) MCAs and four (4) members of staff of the Assembly between 21 and 28 June 2014. The purpose of the trip was to attend a conference on agribusiness.

Israel Trip

The total cost for Israel trip was Kshs.20, 348, 676. The trip was made by seventeen (17) MCAs and four (4) members of staff of the Assembly between 10 and 18 June 2014. The was a benchmarking trip on agriculture.

It was observed that, despite the County Assembly incurring a total of Kshs.62,281, 263 on the above foreign trips, no report had been implemented. Therefore, the County Assembly may not have achieved value for her money in this expenditure.

Further, it was noted that there were some officers who were paid daily subsistence allowances which were more than the days they were out of the Country totalling Kshs.386,644.00 as analyzed below:

Recommendations

The County Assembly should stick to the allocated funds. Foreign trips should be restricted to the most important and which add value to the development of the County. Further, the excess subsistence allowances paid on foreign trips should be recovered from the beneficiaries.

6.0 Direct Procurement of logistic services on foreign trips

Observations

The Assembly also spent Kshs.6,156,250 on logistics services for the trips made abroad. The services involved organising for the ground travel in the foreign countries and other travel logistics as analyzed below:

Country	Amount
	Kshs.
Uganda	217,000
Netherlands	580,000
Singapore	2,720,000
Israel	<u>2,639,250</u>
	<u>6,156,250</u>

However, these services were not subjected to competitive bidding contrary to public procurement regulations.

Recommendations

The County Assembly should strictly adhere to public procurement regulations.

7.0 Unsupported Transport Allowances

Observations

It was noted that the assembly has not established a policy to guide on payment of local transport in absence of official transport to be provided to the assembly members.

In absence of a policy, then the refund of transport cost should be made upon production of a bus ticket or any other document that can prove the cost of the journey. However, during the financial period under review, the Members of County Assembly were paid a flat rate of Kshs.2,000 refund of transport cost for any journey made, including those within the county. It was not clear on what basis Kshs.2,000 had been arrived at or why the journey expenditure could not be supported by bus tickets or any other travel document.

Some of the sampled payments are as follows:-

Pv. No	Date	Destination	Payee	Amount of Transportation Kshs.
1171	29/03/2014	Nairobi	PAC Members(11members)	22,000.00
974	23/04/2014	Nairobi	Finance Committee(22members)	44,000.00
259	31/10/2013	Thika	MCA's Induction (18 members)	36,000.00
				112,000.00

Recommendation

The assembly should develop a policy on payment of travelling allowance in absence of official motor vehicles to transport the MCA's to various destinations in consultation with Salaries and Remuneration Commission.

8.0 Unsupported Subsistence Allowances claims

Observations

During the period under review, Members of the County Assembly were paid subsistence allowances totalling Kshs.6, 059,605.00 for attending meetings and workshops which were said to be held in different hotels as analyzed below:

Cheque No.	Particulars	Amount -Kshs.
216	Nairobi per Diem – Liaison Committee	736,000
211	Thika Per Diem – Induction Course	817,500
733	Mombasa per Diem – Conference	441,000

731	Nairobi per Diem – Meeting	384,605
1250	Nairobi per Diem – Youth & Culture Comm.	644,000
705	Nairobi allowances	740,000
219	Committee meeting	523,000
358	Committee meeting	900,000
359	Committee meeting	476,000
364	Committee meeting	<u>397,500</u>
	Total	6,059,605

However, there were no documents such as workshop programmes, signed list of the attendees, work tickets or bus tickets or invoices from these facilities to prove that such meetings occurred. It was therefore not possible to establish if these meeting actually occurred.

In the circumstances, the propriety of subsistence allowances paid to MCAs amounting to Kshs.6,059,605.00 could not be confirmed.

Recommendation

The County Assembly should fully account for the above expenditure.

9.0 MCAs Sitting Allowances

Observations

During the year under review, the County Assembly incurred a total of Kshs.43,190,907.00 on MCAs sitting allowances against approved budget of kshs.43,760,000.00, leaving unspent balance of Kshs.569,093.00. However, the analysis or expenditure schedule detailing the actual sitting allowances amounting to Kshs.43,190,907.00 was not availed for audit review.

In the circumstances, the propriety of Kshs.43,190,907.00 allegedly spent on MCAs sitting allowances could not be confirmed.

Recommendation

The County Assembly should justify the above expenditure as a proper charge to public funds.

10.0 Irregular Procurement of Goods and Services

Observations

10.1 Irregular procurement of Office Furniture

The County Assembly is required to obtain a minimum of three quotations to ensure competitiveness when procuring goods and service according to Section 88 of Public Procurement and Disposal Act 2005.

During the financial year under review, the County Assembly purchased office furniture worth Kshs.2,733,815 which were paid vide payment voucher 959 dated 22 April 2014 from a private company. However, review of the procurement documents revealed that only two (2) quotations were obtained instead of the minimum three, contrary to public procurement regulations. Therefore, the County Assembly may not have obtained value for her money in this procurement by being denied the benefits of competitive bidding.

10.2 Supply of Pedestal tables of poor quality

The County Assembly purchased tables worth Kshs.1,330,000.00 that were of different specifications from the ones that were specified in the quotation documents. The desks quoted for were double pedestal office tables according to tender evaluation minutes for the meeting held 22 May 2014 MIN EVA/18/2014. However, those purchased from one firm and paid vide payment voucher No. 1324 dated 27 June 2014 were of poor workmanship/quality.

They had Formica fixed with glue that was noted to have been poorly done and was already peeling off at the time of audit.

Further, there was no inspection and receipt committee report on the said furniture. Delivery Note was signed by the procurement officer who was also responsible for procuring of the said items.

In the circumstances, the County Assembly may not have attained value for their money in this procurement.

10.3 Irregular Procurement of High-End Electronic Devices

During the year under review, the County Assembly procured high-end electronic devices at a cost of Kshs.3,554,360.00. However, the following procurement anomalies were noted:

- (i) The tender for procurement of Laptops and Desk tops was awarded to an electronic firm at a cost of Kshs.633,360.00. Payment was made vide payment voucher No. 1039 dated 8 May 2014. The tender evaluation minutes dated 1 April 2014 had indicated that, out of the four suppliers who submitted quotations, only two suppliers quoted for laptops. These are below a minimum of three who are required for a bid to be competitive. Further, the quotations were sent through an email and instructions on when and where quotations were to be submitted were unclear, contrary to Public Procurement and Disposal and Act 2005.
- (ii) The tender for procurement of Samsung Galaxy Tablets was awarded to the same electronic firm at a cost of Kshs.2,417,000 and paid vide payment voucher 926 dated 15 April 2014. The quotations were sent through email without indicating the specifications.

Further, there were no instructions on where the completed quotations should be submitted contrary to Section 29(4) of the Act and PPOA Circular Ref no.1.2013 dated 27 June 2013.

- (iii) The Assembly purchased Seven (7) Samsung Galaxy Notes at a cost of Kshs.504, 000 a different firm vide payment voucher No. 1188 dated 30 May 2014.

However, no procurement records were produced to show how the procurement procedures were followed.

10.4 Irregular Procurement of Motor Vehicles

Observations

The County Assembly procured three vehicles including a 29 Seater bus, a commuter van and a Toyota land cruiser at a cost of Kshs.5,982,866.00, 7,103,699.64 and Kshs.10,190,032.00 respectively. However, the following anomalies were noted:

- (i) A 29 seater bus was purchased at a cost of Kshs.5,982,866 through floating of quotations. According to evaluation committee minutes dated 15 April 2014, only one quotation and one proforma invoice were received. However, they were evaluated and the contract awarded to a motor dealer in Thika. The requirement of minimum quotations of three quotations was not met.

Further, at the time of audit, the bus had been delivered to the County Assembly, despite full payment having been made to the supplier. The title document (log book) of the vehicle had not also been obtained.

- (ii) The Assembly purchased a commuter van at a cost of Kshs.7,103,699.64. However, despite full payment having been made to the supplier, the van had not been delivered to the County Assembly. The title document (log book) of the vehicle had not also been obtained.

- (iii) The County Assembly purchased a Toyota Land Cruiser Prado at a cost Kshs.10,190,032. However, the title document (log book) of the vehicle had not been obtained.

Recommendations

The County Assembly should strictly adhere to public procurement regulations. Further, the Assembly should ensure that the motor vehicles procured are delivered and ownership documents are obtained.

11.0 Fixed Assets Register

Observations

A scrutiny of the Fixed Asset Register maintained by the County Assembly revealed that the asset register did not show the value of assets and date of acquisition of furniture, fittings and computers.

In the absence of proper and updated fixed assets register, the actual assets owned by the County Assembly could not be confirmed.

Recommendation

The County Assembly should ensure that the Fixed Assets Register maintained is accurate, complete and regularly updated.

12.0 Policies Implementation

12.1 Budgetary Controls

Observations

It was noted that transfer of funds from County Executive was not accompanied by the allocation of funds to various votes. The County Assembly did not allocate the funds to various accounts before spending. The vote book maintained did not record commitments but only recorded payments only. Further, all expenditure items were recorded on the same page. It was therefore not possible to confirm votes that were under or over utilised.

Recommendation

Proper vote book should be maintained, clearly showing allocations to each vote, payments, commitments and outstanding balances on each vote.

12.2 Lack of annual, operational and activity plans

Observations

The public finance management Act 2012 section 126 provides that every County Government shall prepare development plans that include strategic priorities and programs for the county. However, it was noted that annual, operational and activity plans were not prepared at the beginning of financial year except the annual budget. It was therefore not possible to confirm how the assembly was able to execute its activities in absence of such crucial plans for its various departments and sections.

Recommendation

Annual, operational and activity plans should be developed and put to use as they help an organisation set targets to be met by the various departments and sections and therefore be able to measure output.

13.0 Unsupported Refund of Kshs.2, 205,000 advanced to County Executive

Observations

The above amount was requested by the County Executive vide letter Ref MCG/FIN/1 VOL2/137 dated 19 February 2014 to facilitate Education & ICT committee ward meetings and to vet bursary applications on 18 and 19 February 2014. The money requested was released vide payment voucher 617 dated 21 February 2014 and transferred the same day according to the bank statements.

Enquiries made to the Assembly management indicated that the amount was refunded jointly with other funds on 3 March 2014 amounting to Kshs.15,694,120. However, no forwarding letter from the county executive confirming that the amount in question was actually transferred to the County Assembly bank account was availed for audit review.

In the circumstances, it was not possible to confirm that the Kshs.2,205,000 advanced to the County Executive was refunded to the Assembly and the money was properly accounted for.

Recommendation

The County Assembly should provide an analysis of the Kshs.15,694,120 indicated above and documentary evidence to the effect that the Kshs.2,205,000 was duly refunded.

14.0 Lack of Audit Committee

Observations

Section 155(5) of the Public Financial Management Act 2012 requires County Government to establish audit committee. However, the County Assembly of Murang'a did not have an audit committee. The internal auditor did not have a formal body to report to and the work done might not benefit the organization fully. This therefore denies the Assembly the benefits of enhanced governance in its operations.

Recommendations

An audit committee should be established as provided in the Public financial Management Act 2012 to assist in governance and enhance institutional accountability of operations and overall management of the organisation.

15.0 Unsupported Imprest Surrenders

Observations

Examination of records maintained at Murang'a County Assembly revealed that imprests totalling Kshs.393,720 was surrendered without supporting documents. This was in respect of purchase of fuel and travel allowances.

In the absence of relevant supporting documents, the expenditure of Kshs.393,720 could not be confirmed.

Recommendation

The County Assembly should ensure that all payments are supported by appropriate certificates and/or duly certified invoices, receipts, work tickets, minutes etc.

16.0 Unsupported Creditors

Observations

The creditors balance as at 30 June 2014 was Kshs.3,098,269.00 according to the schedule provided by the County Assembly for audit review. However, the Assembly did not maintain the creditors' ledger. Further, suppliers' statements and invoices were not availed for audit review. In the circumstances, the movement of creditors' balances could not be ascertained.

Recommendation

The assembly should ensure that proper creditors' records are maintained at all times.

17.0 Unsupported Payments

Observations

During the financial period under review, the County Assembly transferred Kshs.35,000,000 to Jamii Bora Bank Account No. 2191734204 to facilitate loan awards to Members of the County Assembly (MCAs). However, this transfer was not supported with committee minutes, agreements, suitability bank approval documents from the National Treasury. No explanation was given by the management regarding the administration of funds.

A Memorandum of Understanding between the County Assembly and Jamii Bora Bank was signed in April 2014. It was agreed that each Member of the County Assembly will access a maximum of Kshs.2, 000,000 for car purchase at an interest rate of 3% on reducing balance repayable in 48 months. However the MCAs had not yet accessed the loans by 30 June 2014. The amount of Kshs.35million was still in the bank account by closure of the year on 30 June 2014.

Recommendations

The County Assembly should provide the required committee minutes, agreement between the bank and the County Assembly National Treasury approval letter in favour of Jamii Bora Bank and rules and regulations governing the administration of the fund.

18.0 ICT Environment

Observations

The assembly had not deployed information technology especially IFMIS and G-pay as both cash payments and payroll preparation were being done by the executive.

Recommendation

There is need for the assembly to have a better dedicated information management system that is secure and not easy to be manipulated in order to have better data gathering and processing even as the county executive process the payroll and makes the payments.

Conclusion

- Procurement of goods and services should be as per the requirements of Public Procurement and Disposal Act, 2005.
- The County Assembly should strictly adhere to their budgetary allocations.
- All irregularly paid funds should be recovered from the beneficiaries.
- Finally, it is clear from the foregoing observations that proper accounting and reporting system needs to be put in place as required by Section 194 of Public Finance Management Act, 2012.



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Nairobi

28 May 2015