

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS

OF

NAIROBI CITY 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 NAIROBI CITY COUNTY ASSEMBLY FOR THE PERIOD ENDED 1 JULY 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

INTRODUCTION

This audit covers the period ended 1 July 2013 to 30 June 2014. It was undertaken to assess the adequacy and reliability of the systems of management and financial controls instituted by the management of the County Government in running its affairs with emphasis on the utilization of public resources.

AUDIT OBJECTIVES

The Office of the Auditor-General is an independent office mandated by the Constitution in Article 229 to audit the accounts of the National and County Governments. In this regard, the office planned an audit of the financial controls of the Nairobi City County Government for the period ended 1 July 2013 to 30 June 2014 with the following audit objectives:

- (i) Assessment of controls over management of cash and bank accounts.
- (ii) Assessment of controls over management of assets under the control of the County Government.
- (iii) Assessment of compliance with the procurement laws in process of acquisition of goods or services.
- (iv) Assessment of compliance with Public Financial Management Act in the utilization of public funds.
- (v) 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.
- (vi) To confirm that all necessary supporting documents, records and accounts have been kept in respect of all transactions.

AUDIT METHODOLOGY

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

- (i) Interviews with key officers at the County Government offices.
- (ii) Review of applicable legislation and regulations.
- (iii) Examination of payment vouchers, cashbooks, vote books, bank statements, and bank slips, miscellaneous receipt books, procurement documents, stores records, asset registers and other related records.
- (iv) Review of minutes of various meetings where there were resolutions regarding utilization of public funds.
- (v) Physical inspection and verifications.
- (vi) Observation of processes and activities.
- (vii) 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. These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, expenditures incurred is fairly stated and fair recording is achieved in all financial transactions.

The matters mentioned in this report 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 weaknesses that were identified in the course of the audit.

1.0 KEY AUDIT FINDINGS

1.1 PROCUREMENT OF GOODS AND SERVICES

1.1.1 Irregular Procurement Process on Car Loan Scheme

The Nairobi City County Assembly used restricted tendering for the procurement of Loan scheme services contrary to the Public Procurement and Disposals Act, Sec.88 and Regulations 59. Letters of interest were sent to only nine (9) banks for the car loan scheme leaving out other banking and financial institutions. According to the first schedule of the threshold matrix this procurement was supposed to be an open tender.

Consequently we cannot confirm whether proper procurement processes was done in identification of the financial institution.

1.1.2 Maintenance of the Fund

The Nairobi City County Assembly (NCCA) did not maintain Debtors Ledger where each Member of County Assembly (MCA) who benefited from the Fund could be debited as a debtor. The bank was obligated to give monthly reports advising the NCCA of all monies disbursed and bank statements for the Fund. No communication has been given to the NCCA to date. The NCCA was to earn interest of 3% per annum on the cumulative principal from the facility accruing daily and credited quarterly. It was not clear how much cost has been incurred for administering the Fund.

1.1.3 Accountability of the Monies Disbursed, Payments and Accrued Interest

A total of Kshs.254,000,000.00 was deposited in the bank. Total loans applied and approved was Kshs.238,000,000.00. Total funds held unutilized was Kshs.16,000,000.00 as at 8.08.2014. The administration of the Fund has been found to be flawed in that:

- (i) There is no evidence that the MCAs have bought cars with the money loaned to them.
- (ii) There are no valuation reports of vehicles alleged to have been bought by MCAs.
- (iii) There is no evidence to indicate that the vehicles that may have been bought by the MACs were jointly registered in the name of the individual MCA and County Assembly.
- (iv) Although the logbooks were to be retained by the bank, there is no evidence that the bank has any logbooks relating to the loans advanced.
- (v) There were no introduction letters obtained from the County Assembly, as had been envisaged in the Service Level Agreement with the Bank.
- (vi) There was no evidence of invoices or quotations for brand new vehicles said to have been bought by the MCAs.

Consequently, it is not possible to confirm whether the car loan scheme is operating as it was intended. Furthermore, there is no evidence that the funds were applied to the intended purpose.

1.1.4 Proposed Steel Security Grills on Pedestrian Walkway around old City Hall Building

The above contract No. NCCA/Q/48/06/2014 was procured through use of quotation. Four bidders responded to the request for quotation. One of the bidders was awarded the

contract for a sum of Kshs.7,899,600.00. Letter of notification was issued on 28 June 2014. Site visit revealed that the contractual works had begun, with security grills put in place. However the same grills were demolished and the walkway cleared. It was not clear who demolished the grills. No documents/information was provided. Further the contract file did not have the actual measured works and therefore was not possible to conclude the extent of works which had been done. In the circumstances it was not possible to ascertain the scope of works done and reasons for the demolition. The expenditure of Kshs.7,899,600.00 was therefore nugatory expenditure.

1.1.5 Proposed Alterations, Renovations and Re-Modeling of Conference Hall into County Assembly for the City County of Nairobi-Phase 1

The above contract was awarded to a construction company at a cost of Kshs.58,880,898. Contract notification letter of award was given on 17 September, 2013 all work was certified at Kshs.42,782,122.40 and retention money amounted to Kshs.4,278,212.24 being the 10% retention. The County Assembly did not maintain a retention register to show how much had been deducted in each contract.

Subsequent to the final completion certificate, additional certificate 2-5 for Kshs.3,589,875.00, which were considered necessary for the kind of renovations that were being carried was issued. However, there was no evidence of retention money. It is therefore not possible to account for the retention money.

2.0 HUMAN RESOURCE

The County Assembly recruited and employed ward staff for members of County Assembly offices in various wards. Documents to show how the hiring was done were not provided for audit verification. Payment voucher number 171 of 30 May 2014 showed a total of Kshs.7,214,600.00 was paid in respect of 279 officers in the ward offices for the months of March, April and May 2014. Comparison of employees in various wards showed inconsistencies in the rates of payments. In absence of supporting documents on how the staff were hired, the completeness and validity of the expenditure on the hired staff cannot be established.

3.0 UN APPROVED FOREIGN TRAVELLING

Seven MCAs and one Officer of the County Assembly were issued with imprest totalling Kshs.1,077,060 to travel to London for the London Marathon. The trip was for four (4) days from 11 April to 15 April 2014. However, there was no invitation letter for the MCAs and the Officer. There was also no evidence that the trip had been approved by the Speaker or the Clerk of the Assembly. Consequently, the validity of the expenditure, totalling Kshs.1,077,060 on the London trip could not be confirmed.

4.0 UN-SUPPORTED PAYMENT VOUCHERS

4.1 Unsupported air tickets for foreign and domestic travels

The County Assembly prequalified two Tours and Travel Companies to provide foreign and domestic travelling services. Payment vouchers provided totalling to Kshs.35,108,427.00 were only supported by the LSO and invoices for the officers and MCAs. No individual officers and MCAs air tickets were attached as proof of travel. Duly stamped passports at the point of entry and exit were not attached to the payment vouchers. Clearance documents from the Ministry of Planning and Devolution and Foreign Affairs Ministry were not sought before embarking on these foreign trips. It was therefore not possible to confirm the propriety of the expenditure as a proper charge to public funds.

4.2 Site Visits by County Assembly officers and MCAs

The County Assembly paid for site visits to officers and MCAs. Several committees did not support the surrenders of the various imprests totalling to Kshs.772,370 issued vide different imprest warrants numbers. No supporting documents in terms of minutes or resolutions of the Committee were provided to support the expenditure. The terms of reference were not properly documented to indicate what the site visits entailed. No reports were provided to confirm that the site visits took place. It was not possible to confirm the number of members who made the site visits as there was no attendance register. It was therefore not possible to confirm the propriety of the expenditure as a proper charge to public funds.

4.3 Unaccounted For Transport Allowances

Transport allowances amounting to Kshs.1,399,620.00 advanced to Members of County Assembly attending various meetings as scheduled were not surrendered and no action has been taken to recover the un-surrendered imprest. Further, it was observed that the allowances were being given to officers on behalf of MCAs instead of the individual MCAs themselves. Consequently it was not possible to confirm the authenticity of the allowance paid.

4.4 Unaccounted For Imprest and Incomplete Imprest Surrenders

The Nairobi City County Assembly issued imprest to various officers and MCAs for official use. However examination of surrender vouchers revealed that most of the imprest were not supported by relevant support documents. Total imprest of Kshs.2,133,330.00 was not accounted for.

There is the risk that officers and MCAs would get allowances for meetings, workshops not attended and the County Assembly could be spending money on events without getting value for money.

5.0 LEGAL CASES

The County Assembly had ten (10) legal court cases with legal fees amounting to Kshs.30,152,000.00. An amount of Kshs.18,745,000.00 was paid in respect of legal fees leaving unpaid balance of Kshs.11,407,000.00. The County Assembly did not have a budget provision for legal fees. No attempts were made by management to include the expenditure in the supplementary budget. The payment for legal fees of Kshs.18,745,000.00 was therefore not legal.

6.0 IT ENVIRONMENT

Audit verification revealed that the financial operations of the County Assembly were being undertaken by an accounting software since IFMIS had not been installed. This was contrary to Sec.8 (2) of the County Government Public Finance Management Act and Sec. 12 of the Public Finance Management Act, 2012. The County Assembly did not give reasons as to why the system was not installed.

7.0 UNSUPPORTED TRAINING EXPENSES

Nairobi City County Assembly spent Kshs.9,268,320.00 for training of officers and MCAs. These expenditures were not supported by the authorization memo from the accounting officer, invoice from the various meeting venues, attendance lists and transport documents. Further, the County Assembly did not do a training assessment to determine the training requirements. Consequently it was not possible to confirm if any training took place and the validity of the expenditure on training amounting to Kshs.9,268,320.00.

8.0 EXAMINATION OF PAYMENT VOUCHERS

Review of payment procedures at the County Assembly revealed that the payment process was not being adhered to. For instance, a review of payment vouchers totalling Kshs.5,737,479.00 did not pass through certain procedures as follows:

- No invitation letters to attend the workshops
- Not Examined by the accountant
- Not examined by internal audit
- Had no vote book certificate
- Were not dated and numbered
- Were not coded and itemized

- were not stamped paid and
- Cheque numbers were not indicated on the payment vouchers.
- Incomplete expenditure records could lead to irregular and uncontrolled spending by the county.

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

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 May 2015

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

1.0 DETAILED AUDIT REPORT

1.1 PROCUREMENT OF GOODS AND SERVICES

1.1.1 Car Loan scheme to members of the County Assembly

The County Assembly started the Car Loan Scheme in the year 2013/2014. Circular Ref. No. SRC/TC/WB/3/14 of 14 February, 2014 gave the details of how the car loan scheme was to be operationalized. To operationalize the Scheme, The NCCA entered into a Service Level Agreement (SLA) with Family bank to be the administrators of the Fund. The SLA gave the conditions that any Member of County Assembly would have to satisfy before any funds are advanced to him or her.

1.1.2 Irregular Procurement Process

The Nairobi City County Assembly (NCCA) used restricted tendering for the procurement of the Loan scheme contrary to the Public Procurement and Disposals Act (Rev. 2010), Sec.88 and Regulations 59, which provides for the guidelines on procurement of services and the threshold matrix. The letters of interest were sent to only nine (9) banks for the car loan scheme leaving out other banking and financial institutions. According to the first schedule of the threshold matrix, this procurement was supposed to be an open tender.

Minutes of Tender Committee meeting held on 14 May 2014 resolved that expression of interest should be done to nine banks, out of which only five banks responded. The evaluation and awarding criteria were well spelt out by the tender documents. Evaluation Committee evaluated and recommended the service according to weights. Family Bank got the highest evaluated score of 85%.

The contract was signed on 30 May, 2014 for a term ending 31 December, 2017 unless superseded by a written agreement.

1.1.3 Maintenance of the Fund

The NCCA did not maintain a Debtors Ledger for each MCA which is contrary to the Service Level Agreement signed between the bank and the County Assembly. The bank was obligated to give monthly reports advising the NCCA of all monies disbursed and bank statements for the Fund. However, no communication has been given to the NCCA. A letter dated 15/08/2014 Ref. No.NBI/CA/CLMS/12/FM/2014 reflected a breach of the contract by the bank for failing to issue June and July bank statements.

The NCCA was to earn interest of 3% per annum on the cumulative principal from the facility accruing daily and credited quarterly to the NCCA account. To date no interest has been accrued on daily balances.

1.1.4 Accountability of the Monies Disbursed, Payments and Accrued Interest

A letter Ref. No. NBI/CLMS/10/FM/2014 from Family Bank showed that a total of Kshs.254,000,000.00 was deposited in the bank. At the same time, the loan applied and approved amounted to Kshs.238,000,000.00 leaving an amount of Kshs.16,000,000.00 as unutilized as at the end of the year. The bank was obligated to provide the following to the NCCA which has not been done and raised concern on the transparency/administration of the Fund:

- (i) Valuation reports of all vehicles purportedly bought by MCAs who have been advanced the loans.
- (ii) Update of joint registration at Kenya Revenue Authority between each respective MCA and the Nairobi City County Assembly.
- (iii) Log books retained by the bank after issuance of the Loan.
- (iv) Introduction letters from the authorized offices.
- (v) Proforma invoices of quotations for brand new vehicles.

From the schedule provided the bank has already issued loan to one hundred and nineteen (119) members. There is no evidence to indicate that the loan had been used for the intended purpose.

The loan as per the contract was to be secured by first charge on the motor vehicles. Review of available records show that no security was provided for the loan as initially intended. It was noted that the NCCA did not adhere to the Service Level Agreement in that:

- (i) The NCCA used restricted tendering process as opposed to open tender.
- (ii) The bank does not provide books of account on the loans advanced.
- (iii) Although interest charged is supposed to be accrued on a daily basis, there is no evidence that this is being carried out.
- (iv) The bank has failed to ensure that the loans are supported with physical collaterals and that are co-owned by both the NCCA and the individual members through acquisition of logbooks in joint names.

Recommendations

- (i) The County Assembly should at all times adhere to the requirements of the Public Procurement and Disposals Act, (Rev. 2010) and all other relevant rules and regulations.
- (ii) The Administrator of the Fund should maintain primary books of account, showing the outstanding balances for each MCA;
- (iii) The NCCA should obtain bank statements regularly and should monitor the movement of the Fund on a monthly basis as per the contractual agreement;
- (iv) The terms of the contract should be arranged such that the NCCA is not disadvantaged in case of failure to pay by the borrowing MCAs;
- (v) The NCCA should ensure the Fund is administered in accordance with the contract signed with the bank;
- (vi) Concrete steps should be taken to ensure that the NCCA'S vested interest in the vehicles and car loan is noted. Further, necessary steps should be taken to safeguard ownership documents (Logbooks).

1.1.5 Proposed Steel Security Grills on Pedestrian Walkway around old City Hall Building

The above contract No. NCCA/Q/48/06/2014 was procured through use of quotation. Four bidders responded to the request for quotation. One bidder was awarded the contract for a sum of Kshs.7,899,600.00. Letter of notification was issued on 28 June 2014. Site visit revealed that the contractual works had begun, with security grills put in place. However the same grills were demolished and the walkway cleared. It was not clear who demolished the walkway as no documents or information was provided to support the demolition. Further the contract file did not have the actual measured works and therefore was not possible to conclude the extent of works which had been done.

The expenditure was therefore nugatory.

Recommendations

- (i) The County Assembly should establish actual works done and demolished.
- (ii) Further, the County Assembly should ensure that before any contractual works begins, the site and all statutory and City County requirements are fulfilled.
- (iii) Officers who occasioned the loss of Kshs.7,899,600.00 should be surcharged for the loss.

1.1.6 Proposed Alterations, Renovations and Re-Modeling of Conference Hall into County Assembly for the City County of Nairobi-Phase 1

The above contract was awarded to a Construction Company at a cost of Kshs.58,880,898. Contract notification letter of award was given on 17 September, 2013. The total certified works was Kshs.42,782,122.40 and retention money amounted to Kshs.4,278,212.24. The County Assembly did not maintain a retention register to show how much had been deducted in each contract.

It was noted that extra works were done, however approval was not sought for the additional work whose value amounted to Kshs.3,589,875.00 (certificate 2-5). The works were necessary for the kind of renovation which was being done. However, without a retention register there is no proper accountability of the retained monies.

Recommendations

- (i) The County Assembly should maintain a retention register for all works done until the defect liability period is over.
- (ii) All extra works should be approved by the Accounting Officer.

2.0 HUMAN RESOURCE

The County Assembly recruited and employed ward staff for members of County Assembly offices in various wards. However, no documentary evidence was provided to show how they were hired. Review of payment voucher No.171 of 30 May 2014 shows that an amount of Kshs.7,214,600 was paid in respect of 279 officers in the ward offices for the months of March, April and May 2014. It was observed that an amount of Kshs.108,860 and Kshs.87,000 was deducted for NHIF and NSSF respectively being deductions for one month instead of making deductions for the three months. There is therefore the risk of the County Assembly staff not being able to access hospital facilities. Comparison of employees in various wards showed inconsistencies in the rates of payments, which could not be explained.

Recommendations

- (i) The County Assembly should maintain records on recruitment for future review.
- (ii) The statutory deductions should be recalculated and remittance done.
- (iii) All the employees in the wards should have their salaries and remunerations harmonized as per the labour laws, qualifications and experience.

3.0 TRAVEL EXPENSES

3.1 Un Approved Foreign Travelling

Seven MCAs and one Officer of the County Assembly were issued with imprest totalling Kshs.1,077,060 for travelling to London to attend London Marathon. The trip was for four days from 11 April to 15 April, 2014. No invitation letter was produced to confirm whether the County Assembly members and the Officer were invited. Further there was no evidence from either the Speaker of the County Assembly or the Clerk that the trip had been authorised. As a result, the validity of the expenditure could not be ascertained.

3.2 Unsupported Air Tickets for Foreign and Domestic Travels

The County Assembly prequalified two tours and travel Companies to provide foreign and domestic travelling services. Payment vouchers provided totalling Kshs.35,108,427.00 were only supported by the LSO and invoices for the officers and MCAs. No individual officers and MCAs air tickets were attached as proof of travel. Duly stamped passports at the point of entry and exit were not attached to the payment vouchers. Clearance documents from the Ministry of Planning and Devolution and Foreign Affairs Ministry were not sought before embarking on these foreign trips. It is therefore not clear whether the MCAs and indicated officers ever travelled. The County Assembly risks paying for services not offered.

Recommendations

- (i) The County assembly should ensure that all foreign and domestic trips have invitation, approvals and are for the benefit of the Nairobi City County.
- (ii) Supporting documentation should be maintained for future review. All funds should be utilized as per budget provisions.
- (iii) The amount of Kshs.35,108,427 incurred on travel by the MCAs and which were not properly supported should be recovered from the respective MCAs.

3.3 Site Visits by County Assembly Officers and MCAs

The County Assembly paid for site visits to projects by both officers and MCAs. However, several committees did not support the surrenders of the various imprests totalling Ksh.772,370 issued vide different imprest warrant numbers. Approvals in terms of committee minutes and resolutions were not availed to support the various expenditure. The terms of reference were not properly documented to indicate what the site visits entailed. No end product of the site visits in terms of evaluation reports or status reports (site minutes) was provided for audit. Attendance list was not availed for audit showing the members who attended the site visits.

It is therefore not possible to confirm the validity of the expenditure on site visits.

Recommendations

- (i) The County Assembly should ensure that all the travelling expenses are supported with the relevant documents.
- (ii) Travels abroad should be supported with copies of passports and other support documents and these should be retained for future review.
- (iii) Management should also ensure that all its officers including the MCAs fully account for imprest issued.
- (iv) Necessary approval records should also be attached to the payment vouchers and other support documents including the finding of the committees and other conclusions for future review.
- (v) The unsupported travel site visit allowances amounting to Kshs.772,370.00 should be recovered from the beneficiary individuals.

3.4 Unaccounted Transport Allowances

Transport allowances amounting to Kshs.1,399,620.00 advanced to Members of County Assembly attending the various meetings as scheduled were not surrendered and no action has been taken to recover the un-surrendered imprest. Further it was observed that the Allowances were being given to officers instead of the MCAs. It is therefore not clear whether the MCAs got the allowances at all.

Recommendations

- (i) Management should ensure that all transport allowance is accounted for.
- (ii) Transport allowances should be given to the rightful Individuals.
- (iii) Further, all allowances issued amounting to Kshs.1,399,620.00 should be fully accounted for or recovered from the specific individuals.

3.5 Unaccounted Imprest and Incomplete Imprest Surrenders

The Nairobi City County Assembly issued imprest to various officers and MCAs for official use. However examination of surrender vouchers revealed that most of the imprests were not supported with relevant support documents. Total imprest of Kshs.2,133,330.00 was not accounted for as follows:-

- (i) Imprest of Kshs.232,000.00 issued to the committee on transport and public works for a workshop at Ruiru Kiambu County on the 26 and 27 January 2014 was not accounted for. For instance there was no daily attendance register, workshop timetable and report to show results of the workshop. Consequently, it cannot be confirmed whether the workshop took place or not.

- (ii) Imprest of Kshs.684,000 was issued to County Assembly Members to attend football matches in Mombasa on 13 to 17 February 2014 for 4 days but was not supported with documentary evidence.
- (iii) A sum of Kshs.332,000 was issued to the County Assembly netball team for a tournament in Nakuru. The members did not surrender the transport allowances.
- (iv) A sum of Kshs.255,330 was issued to County Assembly members who attended County Assembly forum for executive members in Kisumu from 12 to 13 January 2014. No travelling documents like air ticket, work tickets or fuel receipts were attached to the payment voucher as evidence of travel.
- (v) An imprest of Kshs.630,000 was issued to County Assembly netball team to attend a tournament in Kilifi. No travelling documents like air tickets/work tickets/ fuel receipts were attached to the payment voucher as evidence of travel.

There is the risk that officers and MCAs would get allowances for meetings, workshops and events that they do not attend and the County assembly spending money on events without getting value for money.

Recommendation

- (i) Management should ensure that all respective officers and MCAs account for all the imprest issued to them. If unable to account, then the total imprest amounting to Kshs.2,133,330.00 should be recovered from each of the imprest holders.
- (ii) All surrenders of imprest should have support documents like approvals, findings, results memorandas to confirm that indicated function took place.

4.0 LEGAL CASES

The County Assembly had ten (10) legal court cases with legal fees of Kshs.30,152,000.00. Payments amounting to Kshs.18,745,000.00 were made in respect of the legal fees leaving unpaid balance of Kshs.11,407,000.00. The County Assembly did not have a budget provision for legal fees. No attempts were made by management to include the expenditure in the supplementary budget. No evidence was provided to indicate the nature of the court cases.

It is not clear how so many legal cases arose within a year of the County Assembly's existence. It is also not clear how the cases were concluded. Under the circumstances, the propriety of the legal fees paid cannot be ascertained.

Recommendations

- (i) The County Assembly should avoid payment for non-existence services.
- (ii) The County Assembly should ensure that all payments are within the approved line items.
- (iii) Any expenditure not within the budget should be regularized by supplementary estimates.
- (iv) Nugatory expenditure should be recovered from officers who are not compliant with the regulatory requirements.

5.0 IT ENVIRONMENT

Audit verification revealed that the financial operations of the County Assembly were being undertaken by an accounting software different from IFMIS as required. This was contrary to Sec.8 (2) of the County Government Public Finance management Act and Sec. 12 of the Public Finance Management Act, 2012. The County Assembly did not give reasons as to why the system was not installed.

The resources will not effectively be applied to facilitate standard financial management including budgeting, accounting and reporting. This contravenes the Public Finance Management Act, 2012

Recommendation

The IFMIS and G-Pay should be adopted immediately to enhance accountability in the management of County Assembly funds.

6.0 UNSUPPORTED TRAINING EXPENSES

Nairobi City County Assembly spent Kshs.9,268,320.00 for training of officers and MCAs. These expenditures were not supported by the authorization memo from the Accounting Officer, invoices from the various meeting venues, attendance registers and transport documents. Further, the County Assembly did not do a training needs assessment to determine the training requirements.

Recommendations

- (i) Management should make sure that all training is per the training needs assessment. This will ensure that the Assembly gets value for money.
- (ii) The above payments of Kshs.9,268,320.00 should be accounted for and if not, officers responsible should be surcharged for the loss.

7.0 EXAMINATION OF PAYMENT VOUCHERS

Payments totalling Kshs.5,737,479.00 did not pass through certain accounting procedures as follows:-

- (i) Had no invitation letters to attend the workshops
- (ii) Not Examined by the accountant
- (iii) Did not pass through internal audit
- (iv) Had no vote book certificate
- (v) Were not dated and numbered
- (vi) Were not coded and itemized
- (vii) Were not stamped paid and
- (viii) Cheque numbers were not indicated on the payment vouchers.

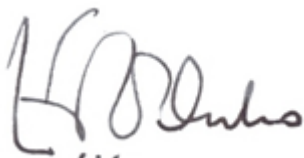
Incomplete expenditure records could lead to irregular and uncontrolled spending by the County Assembly. This could also lead to defalcations.

Recommendations

All payment vouchers should be properly serialized, supported and authorized. The amount of Kshs.5,737,479.00 should be fully accounted for or amounts recovered from officers who authorised the payments and the beneficiaries.

Conclusion

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



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi
27 May 2015