

**REPUBLIC OF KENYA**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS**

**OF**

**NYAMIRA COUNTY EXECUTIVE**

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

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	1
BACKGROUND INFORMATION.....	1
Introduction.....	1
Terms of Reference .....	1
Methodology.....	2
Scope and Determination of Responsibilities .....	2
KEY AUDIT FINDINGS .....	2
1.0 CURRENT ASSETS .....	2
1.1 Outstanding Imprests and Imprest Management .....	2
1.2 Direct Purchases .....	3
1.3 Unrecorded Stores .....	3
2.0 NON- CURRENT ASSETS .....	3
2.1 Failure to Maintain Assets Register.....	3
2.2 Purchase of Ambulances .....	3
2.3 Purchase of Motor Cycles.....	3
3.0 CURRENT LIABILITIES .....	4
3.1 Claims and Pending Bills .....	4
4.0 BUDGET PERFORMANCE.....	4
4.1 Expenditure Review .....	4
4.2 Fuel Purchases and Use.....	4
4.3 Lunch Allowances to Members of the County Assembly (MCA) .....	4
4.4 Payments not Acknowledged by Recipients .....	4
4.5 Travelling and Subsistence Allowance not Accounted for .....	4
4.6 Allowances not adequately supported .....	5
4.7 Irregular Payment of Meal Allowances .....	5
4.8 Payments to Casual Workers.....	5
4.9 Over payment of Casual Workers.....	5
4.10 Rehabilitation of Roads .....	5
4.11 Conference Fees not supported .....	6
4.12 Unaccounted for Expenditure.....	6
DETAILED FINDINGS.....	7

1.0	CURRENT ASSETS .....	7
1.1	Outstanding Imprests and Imprest Management .....	7
2.0	Direct Purchases .....	7
3.0	Stores not accounted for .....	8
4.0	NON- CURRENT ASSETS .....	8
4.1	Failure to Maintain Assets Register .....	8
4.2	Purchase of Ambulances .....	8
4.3	Purchase of Motor Cycles .....	9
5.0	CURRENT LIABILITIES .....	9
5.1	Claims and Pending Bills .....	9
6.0	BUDGET PERFORMANCE .....	9
6.1	Expenditure Review .....	9
6.2	Fuel Purchases and Use .....	10
6.3	Lunch Allowances to Members of the County Assembly (MCA) .....	10
6.4	Payments not Acknowledged by Recipients .....	10
6.5	Travelling and Subsistence Allowance not Accounted for .....	10
6.6	Allowances not adequately supported .....	11
6.7	Irregular Payment of Meal Allowances .....	11
6.8	Payments to Casual Workers .....	11
6.9	Over payment of Casual Workers .....	12
6.10	Rehabilitation of Road by Casuals .....	12
6.11	Conference Fees not supported .....	12
6.12	Unaccounted for Expenditure .....	13

# **REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF THE NYAMIRA COUNTY GOVERNMENT FOR THE YEAR 1 JULY 2013 TO 30 JUNE 2014**

---

## **EXECUTIVE SUMMARY**

### **BACKGROUND INFORMATION**

Nyamira County is one of the forty seven (47) Counties created by the constitution of Kenya, 2010. Its headquarters is in Nyamira town and it has four (4) sub-counties namely; West Mugirango, North Mugirango, Borabu and Kitutu Masaba.

#### **Introduction**

The management and financial operations audit covering the period 1 July 2013 to 30 June 2014 was undertaken to assess the adequacy and reliability of the systems of control put in place by management in running its affairs with emphasis on the effective utilization of public resources.

#### **Terms of Reference**

The Office of the Auditor-General is an independent office mandated by the Constitution under Article 229 to audit the accounts of the National and County Government. In this regard, the office planned an audit of the systems of management and financial controls of Nyamira County Executive 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 the process of acquisition of goods or services
- Assessment of compliance with Public Finance Management Act, 2012 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, bank slips, receipt books, procurement documents, stores records, asset registers and other related records.
- Review of minutes of various meetings where there were resolutions regarding utilization of public funds.
- Physical inspection and verifications
- 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 maintenance of effective control measures and compliance with laws and regulations are the responsibility of the management. My responsibility is to report on the weaknesses that were identified in the course of the audit.

## **KEY AUDIT FINDINGS**

### **1.0 CURRENT ASSETS**

#### **1.1 Outstanding Imprests and Imprest Management**

A total of Kshs.6,438,868.00 was reflected as outstanding imprests as at 30 June 2014. Some of the imprests date back to May 2013 and no clear efforts have been put by the management to have the imprests retired or surrendered.

The County Public Service Board (CPSB) issued imprests to various officers totalling Kshs.1,903,000 which were surrendered without being supported with receipts,

schedules, work tickets, seminar and workshop invitation letters. The imprests were also not posted to the imprest registers as required. The propriety of the expenditure could not be confirmed.

## **1.2 Direct Purchases**

In the year under review, the office of the Governor spent Kshs.2,633,110 on purchases of refreshments and catering services without following proper procurement procedures contrary to Section 88 of the Public Procurement and Disposal Act, 2005. The management was unable to confirm how the suppliers were identified and prices charged determined.

## **1.3 Unrecorded Stores**

During the year under review, the County Supply Chain management procured various stores for use by different departments totalling Kshs.7,672,540. The stationery, desk top, laptop computers and tonners were not recorded in the stores ledger (S3). In addition, dust coats costing Kshs.863,350 issued out were not supported by documentary evidence.

## **2.0 NON- CURRENT ASSETS**

### **2.1 Failure to Maintain Assets Register**

There was no assets register maintained to record the assets owned by the County government since its inception including additional assets bought in the period ended 30 June 2014 totalling Kshs.806,718,242.

### **2.2 Purchase of Ambulances**

In the month of December 2013, the County Government used request for quotations method to procure five (5) Ambulances at a total cost of Kshs.33,000,000. However the tender committee awarded the tender to the second lowest bidder (by price) without explanation. Had the tender been awarded to the lowest firm, the County would have saved Kshs.9,988,000. There were no records presented for audit review to show how the quotations were evaluated.

### **2.3 Purchase of Motor Cycles**

In the month of January 2014, the County Government approved restricted tendering method to procure fifty five (55) motor cycles. However there were no records to show how the tenders were evaluated and awarded to a local firm at a total cost of Kshs.11,464,860. The procurement method was not consistent with conditions set out for restricted tendering as per section 73(2) of the Public Procurement and Disposal Act, 2005.

### **3.0 CURRENT LIABILITIES**

#### **3.1 Claims and Pending Bills**

The Kenya Revenue Authority (KRA) made a claim on the County Government for Kshs.8,755,276 in respect of tax arrears for tax assessment for the period from July 2012 to April 2013. Out of this figure, Kshs.1,377,481 was paid in April 2014 being the principal tax excluding penalties and interest which still remains pending.

### **4.0 BUDGET PERFORMANCE**

#### **4.1 Expenditure Review**

Examination of payment vouchers revealed that payments totalling Kshs.5,079,077 related to domestic travels, foreign travels and hospitality items, had been charged to wrong expenditure items such as access roads and office running expenses. This resulted to un-authorized re-allocation of funds.

#### **4.2 Fuel Purchases and Use**

The County Department of Health procured fuel and lubricants worth Kshs.1,497,797 from various petrol dealers in the months of December 2013, January 2014 and March 2014. However the fuel was not recorded and in the fuel registers and vehicle work tickets. Therefore fuel for Kshs.1,497,797 could not be confirmed to have been used for the intended purpose.

#### **4.3 Lunch Allowances to Members of the County Assembly (MCA)**

Expenditure records at the Governor's office revealed that a total of Kshs.340,000 was paid to 33 MCAs and the Speaker as lunch allowance of Kshs.10,000 to each member while deliberating on finance bill. This was not based on any criteria as the officers were in their work station. This was over and above the approved rate which is 15% of the accommodation allowance applicable to an officer.

#### **4.4 Payments not Acknowledged by Recipients**

The County Government made several payments to staff totalling Kshs.5,206,000. However, the receipts of money were not acknowledged by the payees and therefore it could not be confirmed whether the expenditure was properly incurred.

#### **4.5 Travelling and Subsistence Allowance not Accounted for**

In the month of November 2013 a human resource skills audit for the County was carried out with the help of officials from the Ministry of Devolution and Planning, and Kshs.1,250,000 incurred. However, supporting documents for the following expenditures were not availed:-

- Hire of conference facilities costing Kshs.195,000 was not supported by invoices/ receipt and local service order.
- Officials involved in the exercise were paid but did not acknowledge receipt of allowances.
- Ministry officials received Kshs.240,000 as facilitation fees yet they were undertaking their normal working duties. Further it was not indicated how the rates used to pay were determined.

#### **4.6 Allowances not adequately supported**

Various payments for travelling and accommodation totalling Kshs.6,201,420 in the year under review were neither supported by travel documents, payee signatures, schedule of attendance nor invitation letters.

#### **4.7 Irregular Payment of Meal Allowances**

Expenditure records for the Public Service Board reflect a total of Kshs.560,500 paid to members of public service board as meal allowance. The members were carrying out their normal duties for which they are employed and hence the lunch allowances were not justified.

#### **4.8 Payments to Casual Workers**

Muster rolls for the month of February 2014 for payments to temporary employees where Kshs.14,306,000 was paid was not availed for audit verification; as a result the propriety of the expenditure could not be confirmed.

#### **4.9 Over payment of Casual Workers**

The department of Environment, Energy, Mining and Natural resources paid Kshs.2,463,700 in respect of casual labourers in the month of March and June 2014. Out of the expenditure, payments totalling Kshs.1,433,750 were not based on the Ministry of Labour, Social Security Services rates resulting in an overpayment of Kshs.586,027.75 Further, letters of engagement and copies of identification cards were not provided to support payments to casuals.

#### **4.10 Rehabilitation of Roads**

In the months of March, April May and June 2014, the Department of Transport and Infrastructure engaged casual workers for the rehabilitation of Nyaramba-Kiabonyoru-Kegogi road, Nyanturango Access road and Omonyenya–Manga road.

A total of Kshs.4,778,000 was paid to casuals engaged in the works. However, it was not clear how the casuals were engaged as no identification documents were availed. Further, an inspection and acceptance committee was not involved in the verification and certification of the road works as required by the Public Procurement and Disposal Regulations, 2006.



#### **4.11 Conference Fees not supported**

In the month of May 2014 Kshs.1,119,301 made to the Institute of Risk Management being conference fees for MCAs and staff while in Kigali, Rwanda. The expenditure was not supported by necessary documents like invitation letters and the list of staff and MCAs who attended the seminar. In the absence of proper documentation, the propriety of the expenditure could not be confirmed.

#### **4.12 Unaccounted for Expenditure**

During the year under review, the County Public Service Board (CPSB) issued imprests to various officers totalling Kshs.1,903,000 which were surrendered without being supported with receipts, schedules, work tickets, seminar and workshop invitation letters. The imprests were also not posted to the imprest registers as required. The propriety of the expenditure could not be confirmed.

Further, in the month of May 2014, a total of Kshs.1,300,000 was advanced to an officer to facilitate hosting of investors from the USA. The surrender of the imprests resulted in an over expenditure of Kshs.191,171.00 which was not supported.



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

**NAIROBI**

**28 May 2015**

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

---

## **DETAILED FINDINGS**

### **1.0 CURRENT ASSETS**

#### **1.1 Outstanding Imprests and Imprest Management**

A total of Kshs.6,438,868.00 was reflected as outstanding imprests as at 30 June 2014. Some of the imprests date back to May 2013 and no clear efforts have been put by the management to have the imprests retired or surrendered.

In addition, the Ministry of Health failed to maintain an updated imprest ledger for imprests totaling Kshs.5,424,450.00. Imprest records lacked date of surrender, surrender voucher number making confirmation of surrendered imprests difficult. There were also instances where officers were holding more than one imprest at the same time.

The County Public Service Board (CPSB) issued imprests to various officers totalling Kshs.1,903,000 which were surrendered without being supported with receipts, schedules, work tickets, seminar and workshop invitation letters. The imprests were also not posted to the imprest registers as required. The proprietor of the expenditure could not be confirmed.

#### **Recommendation**

- i. The management should put in place imprest system where details of imprest issued are recorded in the imprest register and timely posting to individual accounts to track issues and surrenders.
- ii. Proper imprests should only be issued after all previous surrenders have been confirmed and accounting for the same should be done within the timelines set by the County Government.

### **2.0 Direct Purchases**

In the year under review, the office of the Governor spent Kshs.1,708,110 on purchases of refreshments and beverages from a local shop contrary to Section 88 of the Public Procurement and Disposal Act, 2005. Further, Kshs.925,000 was paid in June 2014 to a resort for the provision of catering services without quotations. It is not clear and management has not explained how the local shop was identified and prices charged determined.

### **3.0 Stores not accounted for**

During the year under review, the County Supply Chain Management procured various stores(stationery) mainly toners, printers, laptops, desk tops and dust coats totalling Kshs.7,672,540 for use by different departments. The desk top, laptop computers and tonners totaling Kshs.6,019,200 were not recorded in the stores ledger (S3) while, dust coats worth Kshs.863,350.00 were received through counter receipt voucher (S13) and recorded on stores ledger S3 No.071559. However, no record showing the list of beneficiaries was provided. It was therefore not clear how the goods were used.

#### **Recommendation**

Proper stores records should be maintained to show movement of stores from supplies to user units.

### **4.0 NON- CURRENT ASSETS**

#### **4.1 Failure to Maintain Assets Register**

There was no assets register maintained to record the assets owned by the County Government since its inception including additional assets bought in the period ended 30 June 2014 totalling Kshs.806,718,242.

#### **Recommendation**

The management should maintain an Asset register to secure public assets.

#### **4.2 Purchase of Ambulances**

In the month of December 2013, the County Government used request for quotations method to procure five (5) Ambulances at a total cost of Kshs.33,000,000. There were no records presented for audit review to show how the quotations were evaluated. However the tender committee awarded the tender to the second lowest bidder (by price) without explanation. Had the tender been awarded to the lowest firm, the County would have saved Kshs.9,988,000. Further, the tender method was not consistent with the requirements set out for restricted tendering as per section 73(2) of the Public Procurement and Disposal Act, 2005.

#### **Recommendation**

The management should ensure that provisions of the Public Procurement and Disposal Act, 2005 and Regulations of 2006 and 2013 are adhered to in the procurement of goods and services.

### **4.3 Purchase of Motor Cycles**

In the month of January 2014, the County Government approved restricted tendering method to procure fifty five (55) motor cycles. However there were no records to show how the tenders were evaluated and awarded to a local firm at a total cost of Kshs.11,464,860 made. The procurement method was not consistent with conditions set out for restricted tendering as per section 73(2) of the Public Procurement and Disposal Act, 2005. The list of the firms to whom quotations were sent was supplied by the user department.

#### **Recommendation**

The management should ensure that provisions of the Public Procurement and Disposal Act, 2005 and Regulations of 2006 and 2013 are adhered to in the procurement of goods and services.

## **5.0 CURRENT LIABILITIES**

### **5.1 Claims and Pending Bills**

The Kenya Revenue Authority (KRA) made a claim on the County Government for Kshs.8,755,276 in respect of tax arrears for tax assessment for the period from July 2012 to April 2013. Out of this figure, Kshs.1,377,481 was paid in April 2014 being the principal tax excluding penalties and interest which still remains pending. Some of the claims relate to the defunct local authorities. The penalties and interest will continue accruing if not settled.

#### **Recommendation**

The management should ensure that taxes outstanding are incorporated as part of the assets and liabilities of the County.

## **6.0 BUDGET PERFORMANCE**

### **6.1 Expenditure Review**

Examination of payment vouchers revealed that payments totalling Kshs.5,079,077 related to domestic travels, foreign travels and hospitality items had been charged to other non-related expenditure items such as access roads and office running expenses. This resulted to un-authorized re-allocation of funds contrary to public financial regulations.

#### **Recommendation**

Transactions should at all times be posted to the correct expenditure items.

## **6.2 Fuel Purchases and Use**

The County Department of Health procured fuel and lubricants worth Kshs.1,497,797 from various petrol dealers in the month of December 2013, January 2014 and March 2014. However the fuel was not recorded in the fuel registers and vehicle work tickets. Therefore fuel for Kshs.1,497,797 could not be confirmed to have been used for the intended purpose.

### **Recommendation**

Management should ensure that fuel registers and vehicle work tickets are maintained and all stores recorded at the point of receipt.

## **6.3 Lunch Allowances to Members of the County Assembly (MCA)**

Expenditure records at the Governor's office revealed that a total of Kshs.340,000 was paid to 33 MCAs and the Speaker as lunch allowance while deliberating on the County finance bill. The amounts were above the approved daily rate of Kshs.1,500 per person for the MCAs and Kshs.2,000 for the speaker resulting to an overpayment of Kshs.200,000 according to Ministry of State for Public Service circular No.MSPS.2/1AVol.XLVII of 8 May 2013. No explanation has been provided for the anomaly.

### **Recommendation**

The over payment should be recovered and future payments based on approved rates.

## **6.4 Payments not Acknowledged by Recipients**

The County Government made several payments to staff totalling Kshs.5,206,000. However, the receipts of money were not acknowledged by the payees and therefore it could not be confirmed whether the expenditure was properly incurred.

### **Recommendation**

The Management should ensure that payees sign payment vouchers as evidence for receipt of money.

## **6.5 Travelling and Subsistence Allowance not Accounted for**

In the month of November 2013 a human resource skills audit for the County was carried out with the help of officials from the Ministry of Devolution and Planning. A total of Kshs.1,250,000 was incurred. However, supporting documents for the following expenditures were not availed:

- Hire of conference facilities costing Kshs.195,000 was not supported by invoices/receipt local service order.
- Officials involved in the exercise were paid but did not acknowledge receipt of allowances.
- Ministry officers received Kshs.245,000 as facilitation fees yet they were undertaking their normal working duties. Further it was not indicated how the rates used to pay the amounts were determined.

### **Recommendation**

Management should maintain proper records for all transactions made.

### **6.6 Allowances not adequately supported**

Various payments for travelling and accommodation totalling Kshs.6,201,420 in the year under review were neither supported by travel documents, payee signatures, schedule of attendance nor invitation letters.

### **Recommendation**

Payment of allowances should be acknowledged by the beneficiaries and adequately supported. The County Government should consider recovery from those payees who have not fully supported their allowances.

### **6.7 Irregular Payment of Meal Allowances**

Expenditure records for the Public Service Board reflect a total of Kshs.560,500 paid to members of public service board as meal allowance. The members were carrying out their normal duties for which they are employed and hence the lunch allowances were not justified.

### **Recommendation**

Management should ensure that meal allowances are paid only when officers of the board work outside their working stations. The unjustified meal allowance should be recovered from the affected officers.

### **6.8 Payments to Casual Workers**

Expenditure documents for the month of February 2014 for payments to temporary employees where Kshs.14,306,000 was paid was not availed for audit verification; as a result the propriety of the expenditure could not be confirmed.

### **Recommendation**

Management should ensure that records of all transactions are properly maintained.

## **6.9 Over payment of Casual Workers**

The department of Environment, Energy, Mining and Natural resources paid Kshs.2,463,700 in respect of casual labourers in the month of March and June 2014. Out of the expenditure, payments totalling Kshs.1,433,750 were not based on the Ministry of Labour, Social Security Services rates resulting in an overpayment of Kshs.586,027.75. Further, letters of engagement and copies of identification cards were not provided to support payments to casuals.

### **Recommendation**

Management should put in place a formal system for engaging casual workers and payments based on approved rates. The overpayment should be recovered.

## **6.10 Rehabilitation of Road by Casuals**

In the months of March, April May and June 2014, the County Government through the Department of Transport and Infrastructure engaged the services of casual workers for the rehabilitation of Nyaramba-Kiabonyoru-Kegogi road, Nyanturango Access road and Omonyenya –Manga road.

A total of Kshs.4,778,000 was paid to casuals engaged in the road works. However, it was not clear how the casuals were engaged as no identification documents were availed. Further, an Inspection and Acceptance committee was not involved in the verification and certification of the road works as required by the Public Procurement and Disposal Regulations, 2006.

### **Recommendation**

Management should construct access roads by outsourcing to companies to ensure consistency in construction standards.

## **6.11 Conference Fees not supported**

Payment voucher No.144684 of 30/5/14 for Kshs.1,119,301 made to the Institute of Risk Management being conference fees for MCAs and staff while in Kigali, Rwanda. However, the above payment was not supported by necessary documents like invitation letters and the list of staff and MCAs who attended the seminar. In the absence of proper documentation, the propriety of the expenditure could not be confirmed.

### **Recommendation**

Management should ensure that proper records are kept for all transactions made.

## **6.12 Unaccounted for Expenditure**

During the year under review, the County Public Service Board (CPSB) issued imprests to various officers totalling Kshs.1,903,000 which were surrendered without being supported with receipts, schedules, work tickets, seminar and workshop invitation letters. The imprests were also not posted to the imprest registers as required. The propriety of the expenditure could not be confirmed.

Further, in the month of May 2014, imprest of Kshs.1,300,000 was issued to an officer to facilitate hosting of investors from the USA. The imprests was surrendered through payment voucher No.13812 of 30 June 2014 with an over expenditure of Kshs.191,171.00. Scrutiny of the surrender documents revealed that only imprest warrant No.1967576 of Kshs.700,000 was attached together with cash sale vouchers totaling Kshs.1,400,611.00. However, the surrender voucher had an over payment of Kshs.191,171 which was not supported.

### **Recommendation**

Management should ensure that all surrender documents are properly supported and the expenditure which are not supported should be recovered from the affected officers.

### **Conclusion**

The Nyamira County Executive should address the anomalies noted in order to ensure effective delivery of service to the people of Nyamira. Laid down Government regulations and procedures should be adhere to ensure public resources are only utilized for purpose for which they were intended.



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

**NAIROBI**

**28 May 2015**