

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL OPERATIONS OF
THE COUNTY EXECUTIVE OF
SAMBURU**

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

TABLE OF CONTENT

| | |
|--|---|
| EXECUTIVE SUMMARY | 1 |
| Introduction..... | 1 |
| Audit Objectives..... | 1 |
| Terms of Reference..... | 1 |
| Key Audit Findings..... | 1 |
| 1.0 Revenue | 1 |
| 1.1 Loss of Revenue on Foreign Currency Exchange | 1 |
| 1.2 Unaccounted for Receipt Books | 1 |
| 2.0 Cash and Bank | 2 |
| 2.1 Uncredited Cheques | 2 |
| 3.0 Unsurrendered Temporary Imprests..... | 2 |
| 4.0 Procurement..... | 2 |
| 4.1 Single Sourcing..... | 2 |
| 4.2 Payment for Undelivered Motor Vehicle..... | 2 |
| 5.0 Recurrent and Development Expenditure | 2 |
| 5.1 Unconfirmed Fuel Expenditure | 2 |
| 5.2 Repair of motor vehicles | 2 |
| 5.3 Unsupported Grants to Self Help Groups | 2 |
| 5.4 Unsupported Expenditure on Peace Meetings..... | 3 |
| 5.5 Unsupported Expenditure on Community Conservancies | 3 |
| 6.0 Failure to maintain an Asset Register | 3 |
| 7.0 Motor Vehicles Donations | 3 |
| 8.0 Unconfirmed Maize Seed Donations | 3 |
| 1.0 Revenue | 4 |
| 1.1 Loss of Revenue on Foreign Currency Exchange | 4 |
| 1.2 Unaccounted for Receipt Books | 4 |

| | | |
|-----|--|---|
| 2.0 | Cash and Bank | 5 |
| 2.1 | Uncredited Cheques | 5 |
| 2.2 | Unsurrendered Temporary Imprests | 5 |
| 3.0 | Procurement | 6 |
| 3.1 | Single Sourcing of Insurance Services | 6 |
| 3.2 | Procurement of uniforms..... | 6 |
| 3.3 | Payment for Undelivered Motor Vehicle..... | 6 |
| 4.0 | Recurrent and Development Expenditure | 6 |
| 4.1 | Unconfirmed Fuel Expenditure | 6 |
| 4.2 | Repair of motor vehicles | 7 |
| 4.3 | Unsupported Grants to Self Help Groups | 7 |
| 4.4 | Unsupported Expenditure on Peace Meetings..... | 8 |
| 4.5 | Unsupported Expenditure on Community Conservancies | 8 |
| 4.6 | Failure to maintain an Asset Register | 8 |
| 4.7 | Motor Vehicles Donations | 8 |
| 4.8 | Unconfirmed Maize Seed Donations | 9 |
| 5.0 | CONCLUSION..... | 9 |

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

EXECUTIVE SUMMARY

Introduction

The financial transactions of the County Executive of Samburu for the financial year 2013/2014 are subject to audit by the Auditor-General in accordance with article 229 (5) of the Constitution of Kenya and section 36 of the Public Audit Act 2003.

Audit Objectives

The objective of the audit was to ascertain whether the systems formulated and applied by the County Executive were reliable for the management of the County Government's finances in the delivery of service to the local residents.

Terms of Reference

The audit covered the County Executive of Samburu for the period 1 July 2013 to 30 June, 2014. The terms of reference set for the audit included verifications and confirmations of transactions in respect but not limited to the following areas:

- Budgetary control and performance
- Recurrent and development expenditure
- Revenue collections
- Cash and bank balances
- Current debtors and current liabilities
- Procurement and procurement procedures

Key Audit Findings

1.0 Revenue

1.1 Loss of Revenue on Foreign Currency Exchange

Kenya Association of Tour Operators, the agent engaged by the County Executive to collect revenue at the Samburu Game Reserve. Revenue collected in dollars was converted to Kenya shilling at an exchange rate that was lower than that offered by the Central Bank of Kenya (CBK), resulting to exchange losses. The contract agreement entered between the County Executive and the agent was not availed for audit.

1.2 Unaccounted for Receipt Books

Several revenue collection receipt books with receipts nominal valued of US\$245,000 or approximately Kshs.22,050,000 were not recorded in the Counterfoil Receipt Book Register (CRBR). It was therefore not possible to trace their movements. Further, Issue Notes (S12) which should show how and to whom the books were issued and subsequently used to collect revenue were not availed for audit. Failure to keep proper records could lead to fraudulent use of receipt books and deliberate loss of cash.

2.0 Cash and Bank

2.1 Uncredited Cheques

The bank reconciliation statement for the County Standing Imprest for the month of February, 2014 reflected uncredited cheques of Kshs.14,505,768.20 received between the months of May, 2013 and February, 2014. There is a risk of loss of funds due to omissions and errors.

3.0 Unsurrendered Temporary Imprests

Temporary Imprests totaling Kshs.75,144,527 had not been surrendered or accounted as at 30 June 2014. Failure to surrender imprests when they fall due is a pointer to weak financial control which could lead to unauthorized loans and loss of public funds

4.0 Procurement

4.1 Single Sourcing

The County procured motor vehicle insurance cover at a cost of Kshs.2,493,756, and uniforms and other accessories at a cost of Kshs.3,964,764 without competitive bidding as required by the Public Procurement and Disposal Act, 2013. There were no details indicating the specific vehicles which were insured, their values and how the respective premium amounts were arrived at. The uniforms purchased were not taken on charge in the stores records as required and there was no acknowledgement from the beneficiaries of the receipt of uniforms.

4.2 Payment for Undelivered Motor Vehicle

A Toyota 4 x 4 Double Cabin Pick Up purchased at a cost of Kshs. 4,200,000 on 13 March 2014 had not been delivered as at 30 June 2014. Payment before delivery is contrary to procurement rules and could lead to loss of funds.

5.0 Recurrent and Development Expenditure

5.1 Unconfirmed Fuel Expenditure

The County Executive purchased bulk fuel but did not maintain a fuel register to record the quantity of fuel bought, utilized by Government vehicles and the balance left after consumption. Other control documents such as detail orders and work tickets where the fuel drawn is recorded were not used. Failure to maintain proper fuel records could lead to theft of fuel and loss of funds.

5.2 Repair of motor vehicles

The County Executive paid Kshs. 665,967 and Kshs.585,800 for the repair of a motor vehicle GK A 861 F and GK A 963 D respectively. The major repairs were carried supposedly carried out in two days. Further, in both cases, the repairs were not entered in the respective motor vehicle repair log books. Failure to maintain proper motor vehicle repair records may lead to fraudulent expenditure and loss of funds.

5.3 Unsupported Grants to Self Help Groups

Grants of Kshs.250,000 and Kshs.650,000 to two self-help groups were not properly accounted for. There was no evidence that the groups were registered legal entities

and there were no acknowledgement letters from the groups to confirm that they received the funds. There is a risk that the funds may not have reached the intended beneficiaries.

5.4 Unsupported Expenditure on Peace Meetings

Cash imprests of Kshs.1,484,000 and Kshs.1,861,200 issued to two officers to facilitate the holding of community peace building meetings were not properly accounted for. Imprest surrender vouchers did not have any supporting documents such as attendance list, minutes, cash receipts or schedule of allowances paid to the participants to confirm how the amounts were spent. Failure to support such expenditure could lead to misuse of funds.

5.5 Unsupported Expenditure on Community Conservancies

The County Executive donated Kshs. 1,851,000 to three Community Conservancy Organizations involved in conservancy in the County. However, the Organizations did not acknowledge receipt of the funds further, the expenditure was not properly supported as there were no returns from the organizations to show how the money was spent. It was therefore not possible to confirm that the funds was received by the intended organizations and was used for the intended purpose.

6.0 Failure to maintain an Asset Register


The County Executive did not maintain an assets register as required by section 149(1) (0) of the Public Finance Management Act, 2012. Without a register, there is a risk of misuse and loss of valuable assets.

7.0 Motor Vehicles Donations

The County donated four vehicles purchased at Kshs. 18,600.000 to four groups that are involved in conservancy work but did not avail the memorandum of understanding (MOU) indicating the terms of use of the vehicles. The Log books of the vehicles were also not availed.

8.0 Unconfirmed Maize Seed Donations

The County's Department of Agriculture procured various variety of maize seeds at a cost of Kshs.11,572,850 which were distributed to various communities. However, no returns were provided to confirm that the items reached the intended beneficiaries.



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1 July 2015

DETAILED AUDIT REPORT OF THE AUDITOR-GENERAL ON FINANCIAL OPERATIONS OF THE COUNTY EXECUTIVE OF SAMBURU FOR THE PERIOD 1 JULY, 2013 TO 30 JUNE, 2014

1.0 Revenue

1.1 Loss of Revenue on Foreign Currency Exchange

The Samburu County Executive engaged Kenya Association of Tour Operators (KATO) to collect revenue on its behalf from Samburu Game Reserve. As an agent, KATO earns a fee of 4% of the revenue collected. It was revealed that KATO collects revenue from the park in dollar currency and then converts it to Kenya shilling at an exchange rate that is lower than the prevailing Central Bank of Kenya (CBK) rates, resulting into loss of revenue.

Further, the contract agreement entered between the County Expenditure and KATO was not availed for audit. In the circumstances, we could not confirm the terms of agreement, whether it was still valid and whether the terms of the agreement were favorable to the County.

Recommendation

- Revenue collected in foreign currency should be converted using the CBK exchange rates prevailing at the time of collection or the collections should be banked in the County's dollar account.
- The document of agreement between the County and KATO should be availed.

1.2 Unaccounted for Receipt Books

Revenue collection receipt books with receipts valued at US\$245,000 or approximately Kshs.22,050,000 were not recorded in the Treasury Counterfoil Receipt Book Register (CRBR). Failure to record the revenue collection receipt books may lead to fraudulent use of the books. Further, Issue Notes (S12) were not availed for audit to confirm how the books were issued and subsequently used for revenue collection. The County Executive may have lost revenue due to lack of adequate revenue collection control mechanisms.

Recommendations

- There should be strict control of receipt books by using the CRBR to register their movements.
- The unrecorded receipt books should be accounted for.
- The County Executive should consider installing a computerized revenue collection system.

2.0 Cash and Bank

2.1 Uncredited Cheques

The bank reconciliation statement for the County Standing Imprest Account Number 1140 816 381 for the month of February, 2014 reflected uncredited cheques totaling Kshs.14,505,768.20 banked between May, 2013 and February, 2014. Copies of the bank pay-in slips were not availed for audit and it was not clear why the bank had taken long to credit the amounts.

Further, no evidence was availed to show that the County Executive had made a follow up with the bank to have the matter resolved. There is a risk of loss of funds due failure to credit the amounts.

Recommendation

- The County Executive should follow up the matter with the bank to avoid possible loss of funds.
- Bank reconciliation should be prepared on monthly basis and all reconciling items investigated immediately.
- The bank reconciliation statements should be checked by a senior officer in the County.

2.2 Unsurrendered Temporary Imprests

Temporary Imprests totaling Kshs.75,144,527 advanced to County Officers had not been surrendered or accounted for as at 30 June 2014. No explanation was given as to why the officers failed to account for the imprests within reasonable time after the transactions, as required by the provisions of section 152 of the Public Finance Management Act, 2012. Failure to surrender imprests when they fall due is a pointer to weak financial control which may lead to unauthorized loans and loss of public funds.

Recommendation

- The County Executive should follow the law as per the Public Finance Management Act.
- The outstanding imprests should be surrendered or recoveries made from the officers concerned.

3.0 Procurement

3.1 Single Sourcing of Insurance Services

The County procured Insurance Cover for various vehicles from an insurance company at a cost of Kshs.2,493,756, without competitive bidding as required by the Public Procurement and Disposal Act, 2005. Further, there were no details indicating the specific motor vehicles insured, their value and how the premium paid was arrived at.

3.2 Procurement of uniforms

The Department of Tourism Trade and Co-operative procured uniforms and other accessories at a cost of Kshs. 3,964,764 from a supplier based in, Nairobi through various Local Purchase Orders in December, 2013 and April 2014 without competitive bidding as required by the Public Procurement and Disposal Act,2005. It was therefore not possible to confirm that the County received value for money on this procurement.

Further, the uniforms were not taken on charge in the stores records as required and there was no acknowledgement from the beneficiaries of the uniforms. Therefore, the propriety of the expenditure could not be confirmed.

Recommendations

- The County should use competitive procurement procedures as required by the Public Procurement and Disposal Act in order to get value for money.
- The Department should maintain stores records for all items procured.

3.3 Payment for Undelivered Motor Vehicle

The County purchased a Toyota 4 x 4 Double Cabin Pick Up vehicle at a cost of Kshs. 4,200,000 from a motor Dealer based in Nanyuki on 13 March 2014. However, by 30 June 2014, the vehicle had not been delivered and therefore it was not possible to confirm its existence.

Recommendations

The County Executive should ensure that the vehicle is delivered and keep the logbook to confirm ownership.

4.0 Recurrent and Development Expenditure

4.1 Unconfirmed Fuel Expenditure

During the year, the Office of the Governor purchased bulk fuel worth Kshs.1,375,000. However, no fuel register was maintained to record the quantity of fuel bought, utilized and the running balance left after subsequent drawings. Further, other control documents such as detail orders and work tickets were availed for audit verification. Under the circumstances, the propriety of the expenditure could not be confirmed.

Recommendation

- The County Executive should design an accounting and internal control system for accounting for the fuel.
- All bulk fuel purchased should be recorded in the fuel register, indicating the Local Purchase Order (LPO) and the date of purchase.
- Fuel should only be drawn using official orders.

4.2 Repair of motor vehicles

The County Executive paid Kshs.665,967.00 to a mechanic Garage based in Maralal for the repair of a motor vehicle GK A 861 F vide Local Service Order No 09745503 of 12 June 2014 and invoice No 5560 of 12 June 2014. Similarly, the County Executive paid Kshs. 585,800 to M/S Francis Richard Lepupuye Garage for the repair of another vehicle Registration No A 963 D vide Local Service Order No 0974501 of 10 June 2014 and invoice number 24 of 12 June 2014. The repairs carried out were major and it was not explained how they could have been carried out in one(1) day in respect of vehicle GK A 861 F and two (2) days in respect of vehicle A963 D.

Further, in both cases, the repairs were not entered in the respective motor vehicle repair log books. Under the circumstances the propriety of the expenditure could not be confirmed. Failure to keep proper motor vehicle repair records could lead to false repair claims and misuse of public funds.

Recommendations

The County Executive should ensure that repair work carried out on motor vehicles is recorded in the repairs work ticket.

4.3 Unsupported Grants to Self Help Groups

The County paid Kshs.250,000 and Kshs.650,000 to Naidimua Self Help Group and Sharp Rehabilitation Centre respectively to support their activities. However, there was no evidence that the groups were registered legal entities. Further, there were no acknowledgement letters from the groups to confirm that they received the funds. Therefore, there is a risk that the money may not have reached the intended beneficiaries and may not have been used for the intended purposes.

Recommendation

- Grants to groups should be properly supported.
- The County Executive should request for evidence that the funds were received by the intended beneficiaries and used for the intended purpose.

4.4 Unsupported Expenditure on Peace Meetings

On 9 May, 2014, the County advanced cash imprests of Kshs.1,484,000 and Kshs.1,861,200 separately to two officers to facilitate the holding of community meetings on peace building. However, the surrender vouchers did not have any supporting documents such as attendance list, minutes, cash receipts or schedule of allowances paid to participants as evidence that the funds were used for the intended purpose. Failure to properly support the expenditure could lead to loss of funds.

Recommendation

The relevant supporting documents should be provided to show that the imprests was utilized for the intended purpose.

4.5 Unsupported Expenditure on Community Conservancies

The County Executive paid Kshs. 1,851,000 to three Community Conservancy Organizations to support their activities. However, examination of payment vouchers indicated that there were no supporting documents to show how the money was spent and the Organizations did not acknowledge receipt of the funds. Hence, the propriety of the expenditure could not be confirmed.

Recommendation

The County Executive should follow up and confirm that the funds were received and used for the intended purpose.

4.6 Failure to maintain an Asset Register

Section 149(1) (0) of the Public Finance Management Act, 2012 which requires County Executive entities to keep assets registers that is current and accurate. However, the County Executive did not maintain an assets register. Without a register, there is a risk of misuse or loss of valuable assets.

Recommendation

The County should maintain an asset register to record all its movable and immovable assets.

4.7 Motor Vehicles Donations

The County's Ministry of Tourism, Trade and Co-operative procured 4 Nos. motor vehicles (4x4 Toyota Land Cruiser Pickups) at a cost of Kshs. 4,650,000 each totaling Kshs. 18,600,000 through open tender. The vehicles were subsequently donated to four (4) groups that are involved in conservancy work in the County. However, the Memorandum of Understanding (MOU) between the County Executive and the beneficiaries to outline the terms of usage of the vehicles was made available. Without a memorandum detailing the usage of the motor vehicles, there is likelihood of misuse

or loss of the vehicles. It is also not possible to establish the benefits of the assets to the County.

Further, the vehicle logbooks were not availed to confirm that the vehicles were owned by the County Executive. In addition, the County's Ministry of Agriculture purchased a Toyota Land Cruiser from Toyota Kenya Ltd of Nairobi, at a cost of Kshs.4,969,843. However, the log book for the vehicle was not availed for audit to confirm ownership.

Recommendation

A memorandum of understanding detailing the use of the vehicle and the expected benefit to the County and the logbooks should be availed for audit verification.

4.8 Unconfirmed Maize Seed Donations

The County's Department of Agriculture procured various variety of maize seeds at a cost of Kshs.11,572,850 which were distributed to various communities with the aim of improving agricultural output. However, no returns were provided to confirm that the seeds reached the intended beneficiaries. Without proper records and internal control mechanism, there is likelihood of misuse of the facility.

Recommendation

The relevant distribution returns should be availed for audit confirmation.

5.0 CONCLUSION

The Samburu County Executive should address the anomalies noted in order to ensure effective and efficient delivery of services to the people of Samburu County. Laid down Government regulation and procedures should be addressed to ensure public resources are utilized for purpose for which they were intended.



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1 July 2015