

**REPUBLIC OF KENYA**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS**

**OF**

**THARAKA NITHI 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 THE THARAKA NITHI COUNTY ASSEMBLY FOR THE YEAR ENDED 30 JUNE 2014**

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## **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

### **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 County's Assembly finances in the delivery of service to the local residents.

### **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:

- Budgetary controls and performance
- Annual operational / Activity plans
- 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 Budget and Budgetary Control**

An analysis of the total annual expenditure in the manual vote book revealed that the total expenditure controlled through the vote book was Kshs.188,046,860, which differs with the monthly expenditure returns of Kshs.207,433,902. The difference of Kshs 19,387,042 has not been explained.

The unutilized funds as at 30 June 2014 totaled Kshs.66,269,188 as analyzed in the vote books. These balances were supposed to have been surrendered to the County Exchequer Account and a surrender statement prepared and forwarded to the Controller of Budget. There was no evidence that this was done.

### **2.0 REVIEW OF ACCOUNTING SYSTEM**

#### **2.1 Ledgers**

Audit verification of the monthly expenditure returns revealed that the total expenditures incurred during the year ended 30 June 2014 totaled Kshs.207,433,902. However there were no monthly ledgers to support this expenditure.

#### **2.2 Annual Financial Statements**

The county assembly did not prepare accounts for submission to the county treasury for consolidation. Instead, a report of account dated 01/10/2014 was prepared and reportedly forwarded to the county treasury. However, the figures presented do not tally with the manual vote book figures.

#### **2.3 Procurement of Goods and Services**

##### **2.3.1 Irregular procurement of Services**

Examination of expenditure records disclosed that the county assembly made payments totaling Kshs.8,115,800 to a firm in respect of booking fee for overseas trips by Members of the County Assembly (MCA's). However, it could not be ascertained who the beneficiaries of the booking in respect of which Kshs.2,871,000 was paid since the narration on the payment voucher indicated that the booking fee was for unspecified members of the County Assembly.

##### **2.3.2 Procurement of iPads**

The County Assembly incurred an expenditure of Kshs.1,632,000 on purchase of sixteen (16) Samsung iPads at a cost of Kshs.102,000 each. The items were supplied and taken on charge in stores ledger and issued to senior officers in the County Assembly. However, the users did not avail the items for physical verifications despite several requests.

In the circumstances, it was not possible to confirm the existence of the items.

### **2.3.3 Irregular procurement of a Motor Vehicle**

The County Assembly procured from a motor firm a Toyota Land Cruiser Prado Station Wagon registration number KBW 894V, Model No KDJ150 at a cost of Kshs.9,783,199. However, direct procurement method was used to procure the motor vehicle contrary to the procurement regulations. Further, the motor vehicle log book was not produced for audit verification and therefore, its ownership could not be confirmed.

No explanation was given for failure to adhere to procurement regulations and no reasons were given for failure to produce the logbook for audit review.

### **2.3.4 Procurement of Insurance Services**

Out of Kshs.9,824,298 paid to various insurance companies, an amount of Kshs. 2,985,161 was paid from the house sitting allowances sub-head without any authority of reallocation. Further, the appointment letters for tender opening committee and evaluation committee members were not availed for audit verification. Evaluation report did not indicate the reasons for disqualifying other bidders. Also it was not explained why contracts for tender numbers 1-6, 8 and 9 were issued to insurance brokers instead of dealing directly with the service providers.

### **2.3.5 Fuel, Oil and Lubricants**

The county assembly had budgeted Kshs.5,000,000 for the financial year 2013/2014 on purchase of fuel for consumption by the County Assembly motor vehicles. An undated letter signed by the Principal Finance Officer, forwarding the annual report of accounts dated 01.10.2014 to the county executive to be included in the financial statement for Financial Year 2013/2014 show expenditure on fuel as Kshs. 3,401,913. The vote book posted an amount of Kshs.3,356,103 as expenditure on this item. This reveals unexplained difference of Kshs.45,810.

Further, an examination of expenditure documents under the fuel vote revealed that the county assembly made payments of Kshs.987,308 to officers for safaris and accommodations allowances and advertisement expenses without reallocation. The expenditure on safaris and accommodation is not chargeable to the fuel vote as it does not fall within the ambit of the vote. Further, management should seek authority through supplementary estimates where over expenditure is anticipated.

### **2.3.6 Un-accounted for expenditure**

An expenditure of Kshs.873,510 was incurred by the County Assembly on advertising awareness and publicity campaign, subscription of newspapers, periodicals' magazines, printing and publishing services during the period under review.

However, the expenditure was not accounted for since supporting documents such as payment vouchers, invoices, receipts, were not provided for audit review. It was therefore not possible to confirm the propriety of the expenditure as a proper charge to public funds.

## **2.4 Allowances**

### **2.4.1 Doubtful Payment of House Sitting Allowances**

Examination of expenditure records disclosed that Kshs.2,421,140 was paid to the Members of the County Assembly in respect sitting allowances for the financial year 2013/2014. Out of this amount, Kshs.846,840 was PAYE deductions paid to the Commissioner of Domestic Tax. However, audit verification revealed that the schedules supporting the payments were only summaries of the number of meetings that each member had attended. The meetings schedules did not show the respective dates when the meetings were held and it was therefore not possible to confirm the authenticity of the allowances paid.

### **2.4.2 Unsupported Travelling and Accommodation Allowances (Local Trips)**

An expenditure of Kshs.400, 000 was incurred in respect of payment of allowances to Members of the County Assembly (MCA's) and hiring of a cab while in Mombasa. The payment was made vide payment voucher number 0179 dated 18 March 2014 the amount was paid to twenty four (24) MCA's who received Kshs.15,000 each totaling Kshs.360,000 and Kshs.40,000 was used in hiring of a cub that was purportedly transporting MCA's within Mombasa for four days in March 2014 at the rate of Kshs. 10,000 per day. However, the purpose of the trip to Mombasa by members of the county assembly was not disclosed as no documents were made available to support the expenditure.

In the circumstance, the propriety of the expenditure could not be confirmed.

### **2.4.3 Travelling and Accommodation (Foreign Trips)**

#### **2.4.3.1 Doubtful Allowances**

Thirteen (13) MCA's and the finance officer were paid allowances totaling Kshs. 4,188,156 through payment voucher No. 70 on 23 January 2014 while travelling to Israel for an Agricultural tour. Further, ten (10) MCA's and the Clerk to the County Assembly were paid a total of Kshs.3,290,694 vide payment voucher No. 1519 dated 3 December 2013 for the same trip. Each person was paid Kshs.299,154.

However, it was observed that no documentary evidence like copies of the passports and boarding passes were produced for audit review to confirm that the trip was actually undertaken. Further, the actual places/persons/organizations visited were not disclosed hence the trip was doubtful. In view of the foregoing, the propriety of the expenditure could not be confirmed.

#### **2.4.3.2 Irregular Payment of allowances**

Examination of expenditure records disclosed that a sum of Kshs.1, 751,000 was paid to sixteen (16) MCA's and two members of staff of the County Assembly in respect of project identification and familiarization tour within the County. The exercise was carried out for a maximum of 19 days for MCA's and 15 days for two (2) members of staff.



However, the payment schedule had not been signed by the recipients. It was paid directly to the individual bank accounts but the bank schedule was not made available for audit review. Further, no reports for the work done, bus tickets and cash sale receipts for the fuel used were produced for audit to confirm indeed that the tour was undertaken.

Consequently, the propriety of the expenditure could not be confirmed.

#### **2.4. Irregular payments of travel cost and accommodation**

Perusal of the payment vouchers revealed payments totaling Kshs.8,086,290 made towards per diems and foreign travel costs for Ministers and MCA's as they travelled to Malaysia/Singapore. However, board minutes approving the tours and minutes adopting the CEC Finance' authority to use the assembly's funds to pay per diem and travel costs for Ministers were not availed for audit verification and copies of passports and air tickets for the participants were not availed for audit verification.

Consequently, the propriety of the expenditure could not be confirmed.

#### **2.5 Seminars/Training Expenses**

##### **2.5.1 Non Reconciling Figures**

The training vote had a budget allocation of Kshs.11,970,000 under the financial year 2013/2014. The annual report on accounts through unreferenced letter dated 1/10/2014 show Kshs. 10,041,154 for the actual expenditure though the vote book revealed Kshs. 8,461,434.00 had been spent. This gives unexplained difference of Kshs. 1,579,720.

##### **2.5.2 Unaccounted for payments**

Examination of expenditure records revealed that the county assembly made payments totaling Kshs.2,452,600 on training and workshops during the period under review. However, the payments were made without the necessary supporting documents, such as minutes, local purchase orders, workshop invitation letters, attendance register, vehicle work tickets/bus tickets and signed payment schedules.

As a result, the propriety of the expenditure of Kshs.2,452,600 could not be confirmed.

#### **2.6 Ward Imprest**

Examination of imprest records disclosed that the MCA's received imprest of Kshs. 60,000 per ward every month to cater for staff wages and other expenses in the ward offices. This was as per the resolutions reached during a seminar conducted by the County Assembly Service Board on 19 June 2013 through minute no. TNCAB 16/06/2013. However an examination of ward imprest and surrender documents revealed that during the period under review, imprest totaling Kshs.7,200,000 were issued, out of which, only Kshs.2,675,830 had been surrendered as at 31 March 2014 leaving a balance of Kshs.4,524,170 unaccounted for.

## **2.7 Cash and Bank**

### **2.7.1 Bank Reconciliation Statement**

A review of the bank reconciliation statement for the month of June 2014 revealed that unrepresented cheques totaled Kshs.45,115,492. However, three cheques totaling Kshs.730,000 relate to the month of July 2014 hence should not be included as unrepresented cheques for the month of June 2014

### **2.7.2 Overdrawing of Cash Book**

A review of the cash book balances as at 30/06/2014 revealed that the cash book had been overdrawn by Kshs.1,735,496. It was not explained why the cash book was overdrawn and whether the said expenditure was properly controlled.

Further, the County Assembly Service Board operates an account at Equity bank in the name of Tharaka Nithi County Assembly Service Board (Imprest Account) to which funds are transferred by the county executive upon request through an imprest system. Audit verification revealed that between 09 December 2013 and 19 February 2014, the account was overdrawn by a total of Kshs.827, 098. The bank charged an interest of Kshs.13, 710 on 29 February 2014 and no authority appear to have been sought from the County Assembly to overdraw the bank account.

## **2.8 Human Resource**

### **2.8.1 Irregularities in Staff Recruitment**

A total of forty two (42) employees were recruited during the year under review to fill various vacancies. The advertisements were placed in the Star Newspaper and Daily Nation Newspaper on 18 July 2013 and 25 July 2013 respectively. Audit verification of some of the employees' files revealed the following;

- The copies of the testimonials attached to the job application forms were not certified as true copies of the originals. Further, the County Assembly Service Board had not taken steps to confirm the authenticity of the certificates.
- None of the files had a copy of the birth certificate of the employee and it was therefore not possible to confirm the dates of birth of the employees.
  - (i) The KSCE certificate of one staff who was employed as a Sergeant at Arms showed a mean score of D+ while the advertisement for the position required candidates to have a mean score of C (Plain).
  - (ii) One staff that was recruited as a Secretarial Assistant had scored a mean score of D (Plain) with a D (Plain) in English in the KCSE while the advertisement indicated that a mean score of C- (minus) and C (Plain) in English was required.

- (iii) One staff was recruited as a driver II. However, no driving license and an occupational test certificate were attached to the job application as was required in the advertisement.

In view of the foregoing, it appears the recruitment exercise was marred with irregularities.

## **2.8.2 Human Resource Manuals, Scheme of Service, and Code of Regulations**

The County Assembly Service board had not developed the manuals mentioned above for use in the administration of the staff of the county assembly. The manuals are important as they will guide the board on human resource issues including performance management, annual leave management, job descriptions, payroll management, and staff discipline among others.

No explanation was given for failure to develop the manuals.

## **2.9 Information Technology Environment**

The financial operations of the County Assembly were being undertaken on manual vote books and cash book as the Integrated Financial Management Information Systems (IFMIS) and G-PAY system had not been adopted. This was contrary to the regulations which require the adoption of the financial management systems developed by the National Treasury.

No explanation was given for failure to adopt the IFMIS and the G-Pay as required.

## **2.10 Non-Current Assets**

It was observed that no fixed assets register was maintained to record non-current assets owned and acquired by the County Assembly. It was, therefore, not possible to confirm the status of the non-current assets acquired by the County Assembly during the period under review.

## **2.11 Unauthorized Expenditure**

The County Assembly had incurred an expenditure totaling Kshs.153, 451,948 during the period under review as reflected by expenditure returns .However; it was observed that the expenditure was incurred without the Authority to Incur Expenditure (AIE) as required by Transition to Devolved Government Act, 2012.

## **Conclusion**

This report should be read in conjunction with the Detailed Audit Report herein appended

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

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

**Nairobi**

**22 May 2015**

# **DETAILED AUDIT ON THE FINANCIAL OPERATIONS OF THARAKA NITHI COUNTY ASSEMBLY FOR THE YEAR ENDED 30 JUNE 2014**

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## **Detailed Audit Findings**

### **1.0 Budget and Budgetary Control**

Financing of the county assembly's budget by the executive was being done through the imprest system. The imprest is issued by the County Treasury and deposited in the Tharaka Nithi County Assembly Service Board- Imprest Account number 0210261489699 held at Equity Bank. The county treasury releases the funds upon request by the county assembly. During the 2013/2014 financial year, the total imprests issued as confirmed through the bank statements totaled Kshs.147,404,336.

Audit verification of the annual report of account dated 01/10/2014 addressed to the County assembly Clerk, the total expenditure for the year amounted to Kshs 207,433,902 against a budgeted figure of Kshs 285,281,769. The difference between the total imprest issued and the total expenditures was found to be Kshs.60,029,566. The expenditure of Kshs.60,029,566 was said to have been paid by the county treasury on behalf of the county government and especially during the period July to September before the establishment of the county assembly accounts office. However, there was no record maintained to show the details of these expenditures. It was therefore not possible to confirm the expenditure of Kshs.60,029,566.

Further, an analysis of the total annual expenditure in the manual vote book per item revealed that the total expenditure controlled through the vote book was Kshs 188,046,859 hence differing with the monthly expenditure returns of Kshs.207,433,902. The difference of Kshs.19,387,042 could not be explained.

The un-utilized funds as at 30 June 2014 totaled Kshs.66,269,188 as analyzed in the vote books. These balances were supposed to have been surrendered to the County Exchequer Account and a refund statement prepared and forwarded to the Controller of Budget. There was no evidence that this was done.

### **Recommendation**

The management should comply with the provisions of the Public Finance Management Act, 2012. The annual report of account balances should be reconciled with the vote book balances and the report thereof forwarded for verifications.

### **2.0 REVIEW OF ACCOUNTING SYSTEM**

#### **2.1 Accounting System**

It was observed that funds are controlled through a manual vote book and cash book. Audit verification of the monthly expenditure returns revealed that the total expenditure incurred during the year ended 30 June 2014 totaled Kshs.207,433,902. However there were no monthly ledgers to support this expenditure contrary to Paragraph 5.11.2 and

5.11.4 of Government Financial Regulations and Procedures. Instead, the expenditure was being controlled through the manual vote books

## **2.2 Annual Financial Statements**

Section 163 of the public finance management Act 2012 requires the county treasury to prepare annual consolidated financial statements. Section 163(2) provides the inclusions to the consolidated financial statements which among them, is a statement on the summary of the accounts from the county assembly. However, the county assembly did not prepare any accounts for submission to the county treasury for consolidation.

### **Recommendation**

The accounting officer should comply with Public finance Management Act with regard to preparation and submission of financial statements.

## **2.3 Procurement of Goods and Services**

### **2.3.1 Irregular procurement**

Examination of expenditure records disclosed that the county assembly made payments totaling Kshs.8,115,800 to a supplier in respect of booking fee for overseas trips by members of the County Assembly (MCA's).

However, the following irregularities were noted:-

- a) There was no evidence of competitive sourcing of the service through open tender contrary to the regulations as the conditions set for direct procurement were not met.
- b) No Local Service Orders (LSO's) were issued and it was therefore not clear how the services were ordered.
- c) No acknowledgement receipts were obtained from the payee upon receipt of the payment.
- d) The assembly minutes approving the trip to Malaysia and Singapore for one person were not availed for confirmation of proper authorization.
- e) A report on the Malaysia and Singapore trip was not availed for audit purposes and it was therefore not clear whether the trip was official or private.
- f) It was not disclosed for whom in particular the booking of Kshs.2,871,000 was made as the narration on the payment voucher indicated booking fee for unspecified MCAs.
- g) There was no invitations from the countries visited and no document produced for audit to show how the need of the trip was identified and how the county assembly was to benefit from the trip.

- h) The actual places/persons/organizations to be visited were not disclosed hence the trip may have been private.

### **Recommendation**

The County Assembly should ensure that all future procurements are done in accordance with the Public Procurement and Disposal Act, 2005. Further, evidence should be produced to show for whom in particular the booking of Kshs.2, 871,000 were made.

#### **2.3.2 Purchase of I Pads (16 No)**

The county assembly incurred an expenditure of Kshs.1,632,000 on purchase of sixteen (16) Samsung I pads at a cost of Kshs.102,000 each vide payment voucher No 60 dated 20 December 2013. The procurement was done through the use of invitation for quotations. However, tender evaluation minutes on preliminary, technical and financial evaluation were not made available for audit to confirm tender evaluation was done. In addition, user department requisition orders were not produced for audit and it was therefore not clear how the need for procurement of the items was identified.

The items were supplied by a supplier from Nairobi, and were taken on charge in the store ledger and issued to senior officers in the county assembly. However, the users did not avail the items for physical verifications despite several requests.

### **Recommendations**

The county assembly should ensure that any item procured using public funds remains the property of the government and should always be available for physical verification.

The I pads should be produced for audit verification to confirm existence and ownership.

#### **2.3.3 Irregular procurement of a Motor Vehicle**

The county assembly procured a Toyota Land Cruiser Prado Station Wagon Model No KDJ150 from Toyota Kenya at a cost of Kshs.9,783,199 . However the following observations were made:-

- i). The Toyota Land Cruiser Prado was procured from a supplier as per guidance contained in the Ministry of Public Works circular Ref No SB/P/4/5/Vol. XXVIII/105 dated 29 November, 2011. The procurement was under Tender No SB/24/2011/2012 but it resulted to a direct procurement since no competitive bidding was done as required. No reasons for the departure from the procurement method were given as is required by Section 62 of the Public Procurement and Disposal Regulation 2006. Further, the direct procurement method was not approved in writing by the tender committee.
- ii). No user requisition orders were raised to initiate the procurement contrary to section 9(a)

- iii). No inspection and acceptance committee report on accepting delivery of the vehicle was produced for audit.
- iv). Further, the vehicle had not been registered although application for registration was done on 10 December, 2013.

## **Recommendation**

The County Assembly should ensure that all future procurements are done in accordance with Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal Regulations 2006.

### **2.3.4 Procurement of Insurance Services**

The insurance costs had been budgeted for. However, during audit review the following observations were made:-

Under sub head 0000 (County Assembly) the medical insurance components was found to have been overspent by Kshs.112,552. This over expenditure was not supported by a supplementary budget hence it was unlawfully expended. The source of the amount by which the component was over spent was not disclosed.

A review of the vote book revealed that payments totaling Kshs.6,726,585 was paid for various insurance covers. In addition, a total of Kshs.2,985,161 was paid from the house sitting allowances sub head.

Audit verification of the relating procurement of the insurance covers revealed the following observations:

1. The tender opening committee comprised of eight officers. It was not disclosed how they were appointed as no appointment letters were made available for audit. Further, the details of the bids opened were not indicated in the respective minutes. Instead MIN 1/2/2014 Opening of tenders indicated that “all the tenders were opened”.
2. The tender evaluation committee comprised of four officers was formed. There was no appointment letters made available for audit. Further, no individual score cards were prepared by the officials during the evaluation. It was therefore not known how the scores for each bidder were accumulated.
3. The evaluation report did not state the reasons as to why some of the candidates did not qualify for tender award.
4. The evaluation report was not forwarded for adoption by the tender committee as there were no tender committee minutes to confirm and approve the award.
5. The regret letters sent to unsuccessful bidders did not indicate the reasons as to why they were unsuccessful.



6. The implementation of the various covers has not been communicated to staff as most are not aware. The implementation procedures have also not been communicated. Guidelines as to when and how to access the covers are still scant.
7. It was not explained why contracts for tender numbers 1-6, 8 and 9 were issued to insurance brokers instead of dealing directly with the service providers.
8. It was observed that Kshs 2,985,161 was charged from the house sitting allowance sub head to meet the medical cover for staff. This amounted to a reallocation of funds without approval from the county assembly through a supplementary budget.

### **Recommendation**

The insurance programs should be clearly communicated to staff. The management should adhere to the Public Procurement and Disposal Act and its regulations.

## **2.4 Fuel, Oil and Lubricants**

### **2.4.1 Non Reconciling Vote book Figures**

The county assembly had budgeted for Kshs.5,000,000 for the financial year 2013/2014 on purchase of fuel for consumption by motor vehicles. An undated letter signed by the Principal Finance Officer, forwarding the annual report of accounts dated 01.10.2014 to the county executive to be included in the financial statement for Financial Year 2013/2014 show expenditure on fuel as Kshs.3,401,913. The vote book posted an amount of expenditure Kshs.3,356,103. This reveals unexplained difference of Kshs.45,810.

### **Recommendations**

The figures in the vote book should be reconciled with annual report.

### **2.4.2 Reallocation of Funds Meant for Fuel, Oil and Lubricants Without Authority.**

An examination of expenditure documents under the fuel vote revealed that the county assembly made payments of Kshs.987,308 to officers for safaris and accommodations allowances and advertisement expenses without authority to reallocate. The expenditure on safaris and accommodation is not chargeable to the fuel vote as it does not fall within the ambit of the vote. There was no further authority sort by means of supplementary estimates to reallocate the funds.

## Recommendation

Reallocation of approved budgets should be done through a supplementary budget.

### 2.5 Allowances

#### 2.5.1 Doubtful Payment of House Sitting Allowances

Examination of expenditure records disclosed that Kshs.2,421,140 was paid to the members of the county assembly in respect of house sitting allowances for the period January to March 2014. Out of this amount, Kshs.846, 840 was PAYE deductions paid to the Commissioner of Domestic Tax. The payments are as analyzed here below:

P.V.No	Date	Payee	Allowance	Amount(Kshs)
131	5/3/2014	Commission of Income Tax	PAYE- Jan and Feb 2014	214,110
183	25/3/2014	C.A.MS and C.A Board	allowances for Feb and March 2014	690,950
188	28/3/2014	Commission of Domestic Tax	PAYE for Feb and March 2014	344,910
130	19/2/2014	C.A.MS	allowances for Jan and Feb 2014	499,590
291	23/5/2014	M.C.A.s	allowances for Feb and March 2014	671,580
290	23/5/2014	Commission of Domestic Tax	allowances for Feb and March 2014	287,820
				<b>2,421,140</b>

Audit verification revealed that the schedules had no proper supporting documents. The meeting schedules showing the respective dates when the meetings paid for were held were not made available for audit review. An examination of the attendance register revealed that most members had not appended their signatures besides their names. It was therefore not possible to confirm the authenticity of the paid allowances.

## **Recommendation**

- A schedule of all the meetings held by the county assembly members for the period January 2014 to March 2014 should be prepared and forwarded to this office for audit verification.
- Unaccounted for payments should be recovered from the responsible officers

### **2.5.2 Unsupported Allowances (Local Trips)**

An expenditure of Kshs.400, 000 was incurred in respect of payment of allowances to Members of the County Assembly (MCA's) and hiring of a cab while in Mombasa. However, audit verification disclosed the following:-

- i). The purpose of the trip to Mombasa by members of the county assembly was not disclosed as no documents were made available to support the expenditure.
- ii). It was not explained why the payments were made in cash and not through the individual banks accounts like the normal sitting allowances.
- iii). It was not clear how the cost of transportation with Teddy Cabs was agreed upon as there were no quotations. Further, the receipts from the said firm were not supported by electronic tax register receipts.

In the circumstances, the propriety of the expenditure could not be confirmed.

## **Recommendation**

Supporting documents should be provided to prove that the allowances were paid for official duties.

### **2.5.3 Doubtful Travelling and Accommodation Allowances (Foreign Trips)**

Thirteen (13) MCA's and the finance officer were paid allowances totaling Kshs. 4,188,156 for travelling to Israel for an Agricultural tour. Further, ten (10) MCA's and the Clerk to the County Assembly were paid a total of Kshs.3,290,694 for the same trip. Each person was paid Kshs.299,154. However, audit verification revealed the following;

- i). Perusal of the board minutes revealed that there was no particular minute that authorized the travelling of the MCA's to Israel. The board only approved the travelling of the Speaker and the Chairman of Agriculture and Environment Committee and the PAC/PIC to Israel.
- ii). No documentary evidence like copies of the passports and boarding passes were produced for audit to confirm that the trip was actually undertaken.
- iii). No invitation was received or arrangements made by the Israel embassy for trip raising questions on the purpose of the trip.

- iv). The actual places/persons/organizations visited were not disclosed hence the trip may have been private one.
- v). The role of the Clerk and the Finance officer in the trip was not disclosed.
- vi). The basis of calculating the allowance was not disclosed and it was therefore not clear how the rates were arrived at.

## Recommendation

The County Assembly should ensure that the purposes of the foreign trips undertaken are clearly indicated and approved.

### 2.5.4 Irregular Payment of Allowances

Examination of expenditure records disclosed that a sum of Kshs.1, 751,000 was paid to sixteen (16) MCA's and two members of staff of the county assembly in respect of project identification and familiarization tour within the County. The exercise was carried out on diverse dates for a maximum of 19 days by the MCA's and 15 days by the two members of staff.

Supporting the payment was a payment schedule showing the total amount for the subsistence allowance of Kshs.1,687,000 and Kshs.64,000 for transport costs. The payment schedule had not been signed by the recipients of the cash. In addition, approval minutes to support the tour were not attached. Also, no report for the work done was produced for audit review in support of the expenditure.

### Recommendations

- The amount paid should be properly and fully accounted for.
- Expenditure which does not add value for money to the County should be recovered from the responsible officers.

### 2.5.5 Unaccounted for expenditure– Kshs. 6,528,671

Perusal of data for daily sitting allowances, travelling and accommodation allowances in the vote book and the expenditure returns revealed the following differences between the two records totaling Kshs.6,528,671 as detailed below:

Description of Item	Return Expenditure	Vote book expenditure	Variance
i) Daily Sitting allowances	2,574,141	1,498,000	1,076,141
ii) Travelling and accommodation allowances ( Domestic)	17,049,394	11,894,514	5,154,880

iii) Travelling and accommodation allowances ( Foreign)	20,417,334	20,119,684	297,650
<b>Total</b>	<b>40,040,869</b>	<b>33,512,198</b>	<b>6,528,671</b>

It could not be established which vouchers, outside the vote book, represented the difference.

### **Recommendation**

Reconcile the expenditure return and the vote book expenditures

### **2.5.6 Unsupported Domestic Transport and Accommodation Expenses**

Audit verification on domestic transport and accommodation expenses revealed the following anomalies.

#### **1. Payment voucher no. 0365 of 16/6/14 payable to Members of County Assembly (MCAs)**

The payment was in respect to mileage arrears for MCA's as from 21/11/13 to 22/5/14.

It was noted that the schedule attached for payment was not signed by the recipients of the money. It was explained that the money were paid into the bank accounts for the recipients. However, a bank schedule was not availed for verification.

Further, the PAYE tax payable on the allowances totaling Kshs. 65,485 was not paid into the KRA as required.

#### **2. Payment voucher no. 0372 of 17/6/14 payable to MCAs**

The MCAs were paid as they were attending T.O.T training in Mombasa. It was observed that fuel receipts and air tickets were not availed to account for the transport funds given.

### **Recommendation**

Management should account for the payment and PAYE of Kshs.65,485 should be paid to KRA.

### **3.5.7 Unsupported payments for foreign travel costs and accommodation**

Perusal of the payment vouchers revealed payments totaling kshs. 8,086,291 made towards per diems and foreign travel costs for Ministers and MCAs as they travelled to Malaysia/Singapore.

The following anomalies were observed;

- a) The board minutes approving the tours were not availed for audit verification. The board minutes approving the CEC Finance's authority to use the assembly's funds to

pay per diem and travel costs for Ministers was not provided. Therefore the tours remain irregular and unauthorized.

- b) Copies of passports and air tickets for the participants were not availed for audit verification.
- c) There was no explanation or record of deliberations availed on how the destination for the tour was arrived at.
- d) There was no evidence of competitive sourcing of the supplier through open tender. It seemed like the supplier was sourced through direct procurement, contrary to the procurement regulations as the conditions for direct procurement were not met. There was also no documentation of negotiation of the costs charged. There was no written contract between the procuring entity and supplier signed by both parties.
- e) There was no acknowledgement receipt from supplier to signify receipt of the payment.
- f) Some the officers who travelled were County Executive Committee members hence their costs should have been covered by the county executive. It was explained that the executive did not have funds to cater for the minister's travel. Therefore, the Governor verbally requested the assembly to pay for them. However, there was no evidence of the same.
- g) Air ticket receipts and copies of passports for the participants were not availed for audit verification.

## **Recommendation**

It is recommended that the procurement unit should clarify the circumstances under which the supplier was sourced, and why there was lack of procurement process documentation as required by the Public Procurement and Disposal Act. The management should also explain why some of the payments were made without authorization. Accountability documents for the Malaysia and Singapore trip should be availed for audit verification.

Management should also adhere to the Public Procurement and Disposal procedures.

## **2.6 Training Expenses**

### **2.6.1 Non Reconciling Vote Book Figures**

The training vote had a budget allocation of Kshs.11,970,000 under the financial year 2013/2014. The annual report on accounts through unreferenced letter dated 1/10/2014 show Kshs.10,041,154 as the actual expenditure though the vote book revealed that Kshs. 8,461,434 had been spent. This gives unexplained difference of Kshs.1,579,720.

## **Recommendations**

The information in the vote book and the annual report to accounts should be reconciled.

### **2.6.2 Reallocation of Funds and Doubtful Procurement on Drafting of the County Assembly Service Bill.**

A payment of Kshs.340,000 vide voucher number 379 of 18/6/2014 was made to an individual in respect of drafting the Tharaka Nithi County Assembly Service bill 2014. Supporting the payment was an invoice number 3 dated 07/12/2013. However, audit verification revealed the following;

1. The Kshs 340,000 was charged from the training sub head. This amounts to a reallocation of funds without prior authority.
2. It was not disclosed how the individual was identified for the services as the payee was single sourced. There was no evidence of the procurement process being conducted as stipulated in the public procurement and disposal Act, 2005. No order was raised to procure the said services. The profession of the payee was not disclosed as even the invoice was issued in the name of the payee and not a trading name.
3. No copy of the drafted bill was made available for audit verification. It is therefore doubtful that the services were ever provided.

#### **Recommendation**

Management should adhere to the Public Procurement regulations and procedures and the Government financial regulations on reallocation of funds.

### **2.6.3 Reallocation of Funds**

The County Assembly spent Kshs.320,354 through payment voucher No.201 of 02/04/2014 for installation of Hansard stand for holding hansard equipment at the county assembly hall.

Three quotations were received and opened on 27/01/2014 and the payee was the lowest bidder at Kshs.320,354, hence awarded the contract. Letter of offer was not made available for audit. A completion certificate number MOPW/TNC/PROJ/96 Vol. 1/45 dated 01/04/2014 was issued by the County Works Officer.

Further, the funds were charged from the training sub head and this amounts to a reallocation of funds without an approved supplementary budget.

#### **Recommendation**

Provisions of the Public Finance Management Act should be followed in reallocation of funds.

#### **2.6.4 Unaccounted for Payments**

Examination of payment vouchers revealed that the County Assembly made payments totaling Kshs.2,452,600 on training during the period under review. However, the following observations were made;

##### **i). Unsupported Payments**

An amount of Kshs.134, 400 was paid to ten (10) MCAs from the office standing imprest which was surrendered vide payment voucher number 185 of 02 April 2014. It was observed that the payment was supported by an internal memo written by head of accounts, County Executive dated 28 January 2014 instructing the manager Equity bank to credit the individual accounts for the ten (10) MCAs with the amounts. However, it was not understood why the claim was prepared by the head of accounts, County Executive and not the head of accounts County Assembly. Further, the purpose of the payment was not disclosed.

##### **ii). Payment voucher No 0039 of 21.11.2013 for Kshs.150, 000**

The payment was made in respect of induction training for new employees .It was noted that the payment was not supported by a list of employees who attended the training and the venue of training was not indicated. Although the payment was supported by an invoice, there was no LSO issued to order for the services. Further, no tender documents were made available to show how the payee was sourced.

##### **iii).Payment Voucher No 0080 dated 11/11/2013 - Kshs.1,345,200**

The payment was made to an officer to cater for various expenses. Attached to the payment voucher were three schedules of Kshs.985,700, Kshs.53,000 and Kshs.302,500 indicating the payments were in respect of staff induction course held in Embu.

It was however observed that the schedule supporting the payment of Kshs.985,700 did not indicate the duration of the induction course. The staff members attending the course were paid per diem for three (3) days at rates ranging from Kshs.3,000 to Kshs.6,000 and bus fare for 1 day at a range of Kshs.1,000 to Kshs.5,000 depending on the designation and grade of the officer. However, it was noted that the specific venue in Embu where the training was held was not disclosed and no attendance register was maintained.

##### **iv).Payment Voucher No 0137 of 6/3/2014 - Kshs.278, 400**

The payment was made to a University being payment for women leadership training for three (3) days. Two women leaders were trained at a cost of Kshs.61, 512 each and transport of Kshs.10,000 each was provided. However, there were no acknowledgement receipts from the institution to confirm that the training took place.



#### **v). Unsupported Payment – Kshs.110,000**

Payment voucher number 0127 dated 5 February 2014 for Kshs.914,195 was for surrender of office standing imprest. Supporting the surrender were various payments made on different sub heads. Among them is a payment of Kshs.110,000 paid to three officers who were travelling to Naivasha for official duty. The payments were for per diem for four days between 14 and 17 February 2014. The three officers were paid at the rates of Kshs.12,000, Kshs.10,000 and Kshs.4,500 respectively for each of the four days. There was no invitation letter attached to support the expenditure. It was not clear what the purpose of the journey was. The means of transport to Naivasha was also not disclosed since no work ticket or bus tickets were made available to support the expenditure.

#### **vi). Payment Voucher No.0016 of 21/9/2013 - Kshs.333, 000**

The payment was made to County Assembly Members and staff of the County Assembly being per diem and transport cost while attending an induction seminar organized by the Transition Authority. The training was held at an un-disclosed venue in Embu between 22 and 24 September 2013. Supporting the payment was a payment schedule which showed that the total per diem was Kshs.270,000 and transport cost was Kshs.63,000. However, the schedule was not signed by the county assembly members and staff to acknowledge receipt of cash. The transport cost was not supported by bus tickets and no invitation letter from the Transition Authority was made available for audit. Further, there was no attendance register or Programme of seminar as proof that the seminar took place.

#### **vii). Payment Voucher number No 0177 dated 18 March 2014 - Kshs.102,080**

The above was paid to Computer Society of Kenya being payment in respect of training fees for MCA's course held at the Continental Resort in Mombasa, between on 18 and 21 March 2014. The training was about IT corporate governance. Supporting the payment was an invitation letter from the Computer Society of Kenya dated 13 February 2014. However, there was no acknowledgement receipt from the payee and no list of the participants was made available for audit to support the expenditure.

#### **Recommendations**

- The County Assembly should institute a proper internal control system on preparation, authorization and execution of payments.
- There should be segregation of duties in voucher preparation and processing
- Ensure that any expenditure is in conformity with the authority governing the payment.
- Ensure there exists a budget allocation to cover the expenditure.
- Ensure that payments are supported by appropriate certificates and/or duly certified invoices, receipt bills, L.P.O.s and have proof of acknowledgement of receipt of goods and services.

- Ensure that payment vouchers are authorized for payment by the A.I.E holder or an authorized official.
- Ensure that payments vouchers are complete in all aspects and all payment procedures have been complied with.

## **2.6 Management of Ward Imprests**

Examination of imprest records disclosed that the MCAs receive imprest of Kshs. 60,000 per ward every month to cater for staff wages and other expenses in the ward offices. This was as per a resolution reached during a seminar held by County Assembly Service Board on 19 June 2013 through minute number TNCAB 16/06/2013. However, an examination of ward imprest and surrender documents revealed that during the period under review, imprest totaling Kshs.7,200,000 was issued. Out of this amount, only Kshs.2,675,830 had been surrendered as at 30 June 2014 leaving a balance of Kshs.4, 524,170 unaccounted for.

Further, it was observed that the surrendered imprest lacked vital documents to support procurement of goods and services. The payment of wages to the ward employees was not supported with copies of identification cards and the employees did not sign against their wages in the wages schedule.

### **Recommendation**

A cash book should be maintained at the ward office to record all receipts and expenditure from the imprest for accountability of funds received.

## **2.7 Cash and Bank**

### **2.7.1 Bank Reconciliation Statement**

A review of the bank reconciliation statement for the month of June 2014 revealed that the unpresented cheques totaled Kshs45,115,493. However, three cheques totaling Kshs.730,000 relate to the month of July 2014 and should not be included as unpresented cheques for the month of June 2014.

### **Recommendation**

The cash book should be updated and independently checked on a daily basis. The bank reconciliation statement should be done on a monthly basis.

### **2.7.2 Over drawn of Cash Book**

A review of the cash book balances as at 30/06/2014 revealed that the cash book had been overdrawn by Kshs1,735,496. It was not explained why the cash book was overdrawn and whether the said expenditure was properly controlled.

The County Assembly Service Board operates an account at Equity bank in the name of Tharaka County Assembly Service Board (Imprest Account) number 0210261489699 to which funds are transferred by the county executive upon request through an imprest system. Audit verification revealed that between 09 December 2013 and 19 February 2014, the account was overdrawn by a total of Kshs.827,098. The bank charged an interest of Kshs.13,710 on 29 February 2014. No authority was sought from the county assembly service board to overdraw the cash book.

## **Recommendation**

The County Assembly Service Board should formulate a policy that should direct the circumstances under which an overdraft can be undertaken and to what limit.

## **2.8 Human Resource**

### **2.8.1 Lack of Human Resource Manuals, Scheme of Service, Terms and Conditions of Service and Code of Regulations**

The county Assembly Service board had not approved the above stated manuals for use in the administration of the staff of the county assembly. The manuals are important as they will guide the board on human resource issues including performance management, annual leave management, job descriptions, payroll management, and staff discipline among other more benefits.

### **2.8.2 Irregularities in Staff Recruitment**

A total of 42 employees were recruited during the year under review for various vacancies. The advertisements were placed on 18 July 2013 and 25 July 2013 in the Star Newspaper and the Daily Nation Newspaper respectively. Audit verification of some of the employees' files revealed the following:

- (i) The copies of the testimonials attached to the application forms were not certified as true copies of the originals. Further, the county assembly service board had not taken steps to confirm the certificates with the issuing institutions to confirm that the certificates were genuinely acquired.
- (ii) None of the files had a birth certificate of the employee. It was therefore not possible to confirm the dates of birth of the employees.
- (iii) The KCSE certificate of one who was employed as a sergeant at arms indicated a mean score of D+ while the advertisement for the vacancy required candidates to have a mean score of C (Plain).
- (iv) Another officer who was recruited as attendant 1 had applied for the vacancy of a support staff.
- (v) One officer was recruited as a Secretarial Assistant had scored a mean score of D (plain) with a D (plain) in English in the KCSE while the advertisement indicated that a mean score of C- minus and C (plain) in English was required.

(vi) One officer was recruited as a driver II. However, there was neither driving license nor occupational test certificate attached to the job application as was required in the advertisement.

### **Recommendation**

The County Assembly Service Board should review the appointments for any irregularities and take corrective action.

## **2.9 Information Technology Environment**

Audit verification revealed that the financial operations of the county assembly were being undertaken on manual vote books and cash book as the IFMIS system had not been installed. This was contrary to Clause 8 (2) of the County Government Public Finance Management Transition Act, 2013 which states that each transition county treasury shall, during the transition period ensure that;

The financial management system developed by the National Treasury under section 12 of the Public Finance Management Act, 2012 is effectively applied to facilitate standard financial management including budgeting accounting and reporting.

No explanation was given for failure to adopt the IFMIS and the G-PAY as required.

### **Recommendation**

The IFMIS should be adopted immediately to enhance accountability in the management of the county assembly funds.

## **2.10 Non-Current Assets**

It was observed that no fixed assets register was maintained to record noncurrent assets owned and acquired by the County Assembly.

### **Recommendation**

A non-current asset schedule/register should be maintained and regularly updated upon acquisition of additional assets.

## **2.11 Incurring Expenditures without AIE**

The County Assembly had incurred an expenditure totaling Kshs.153,451,947 during the period under review as reflected by expenditure returns without authority to incur expenditure as required by Transition to Devolved Government Act, 2012.

### **Recommendation**

The Clerk to the County Assembly should hence forth ensure that proper authority is acquired from the county executive finance.

## **2.12 Creditors**

Perusal of the Tharaka Nithi County Assembly creditor's ledger revealed that as at 30/6/2014, creditors amounted to Kshs. 2,581,000.

A study of the County Government of Tharaka Nithi annual report and financial statements for the year ended June 30, 2014, revealed that the creditors were not disclosed in the annex on pending bills as at 30 June 2014.

Thus, the overall net cash position of the entity at the end of the year was not presented correctly.

### **Recommendation**

It is recommended that the pending bills are included in the annex so as to ensure that the disclosure requirements are met.

### **Conclusion**

I wish to thank the Clerk to the County Assembly and staff for the cooperation accorded to the audit team during the audit exercise.



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

**Nairobi**

**22 May 2015**