REPUBLIC OF KENYA

# OFFICE OF THE AUDITOR-GENERAL

# REPORT

# OF

# THE AUDITOR-GENERAL

# ON

# THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF LAMU

## FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

## TABLE OF CONTENTS

EXECUTIVE SUMMARY ..... 1
Background Information ..... 1
Introduction ..... 1
Terms of Reference ..... 1
Methodology ..... 1
Scope and Determination of Responsibilities ..... 2
KEY AUDIT FINDINGS ..... 2
1.0 Budgetary Performance Analysis ..... 2
2.0 Procurement of Goods and Services ..... 3
2.1 Renovation of County Assembly Chambers ..... 3
2.2 Construction of Phase I of County Assembly Office ..... 3
3.0 Construction of County Assembly Chambers ..... 3
4.0 Foreign Travel ..... 3
5.0 Motor Vehicle Repairs ..... 4
6.0 Purchase of Airtime ..... 4
7.0 Air Tickets ..... 4
8.0 Medical Insurance ..... 4
10.0 Non-closure of Bank Accounts in Kenya Commercial Bank ..... 5
11.0 Prior Year Audit Matters ..... 5
DETAILED FINDINGS ..... 6
1.0 Budgetary Performance Analysis ..... 6
1.1 Development Vote ..... 6
1.2 Recurrent Budget ..... 7
2.0 Procurement of Goods and Services ..... 8
2.1 Renovation of County Assembly Chambers ..... 8
2.2 Construction of Phase I of County Assembly Office ..... 8
3.0 Construction of County Assembly Chambers ..... 9
4.0 Foreign Travel ..... 10
5.0 Motor Vehicle Expenses ..... 10
6.0 Purchase of Airtime ..... 11
7.0 Air Tickets ..... 11
8.0 Medical Insurance ..... 11
9.0 Imprest ..... 12
10.0 Non-closure of Bank Accounts in Kenya Commercial Bank ..... 13
11.0 Prior Year Audit Matters ..... 13
11.1 Budgetary controls and performance ..... 13
11.2 House rent and car hire expenditure ..... 13
11.3 Purchase of iPads ..... 13
11.4 Purchase of Laptops ..... 14
11.5 Purchase of Office Furniture ..... 14
11.6 Sitting Allowances ..... 14
11.7 Responsibility Allowances ..... 14
11.8 Domestic Travel, Subsistence and Accommodation ..... 14
11.9 Foreign Travel Allowances ..... 14

11.10 Hospitality Services and Supplies Expenditure....14
11.11 Procurement of Training Services....14
11.12 Management of Imprests and Advances....15
11.13 Human Resource Records....15

Appendix I - Unsupported Foreign Travel....16
Appendix II - Motor Vehicle Repairs....17
Appendix III – Bulk Fuel and Lubricants....17
Appendix IV – Purchase of Airtime....18
Appendix V – Outstanding Imprest....19
Appendix VI - Officers with Multiple Imprests....20
Appendix VII - Long Outstanding Imprests....21

# REPORT OF THE AUDITOR–GENERAL ON THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF LAMU FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

## EXECUTIVE SUMMARY

### Background Information

The Constitution of Kenya, 2010 under the Article 176, created the County Governments which consist of the County Assembly and the County Executive. The County Assembly which is the Legislative arm of the County Government consists of the Speaker and Members of County Assembly (elected and nominated). The Lamu County Assembly which is domiciled on Lamu Island has 10 elected and 10 nominated Members all totaling twenty (20).

### 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 of Kenya and the Public Audit Act, 2003.

### 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 a management and financial operations audit of the County Assembly of Lamu for the period 1July 2014 to 30 June 2015 with the following audit objectives.

- Assessment of controls over management of cash and bank accounts.
- Assessment of controls over management of assets under the control of the County Assembly.
- Assessment of compliance with the procurement laws in relation to 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.

To confirm that 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 Assembly.
- Review of applicable legislation and regulations.
- Examination of payment vouchers and support documents, cashbooks, vote books, bank statements, bank slips, miscellaneous 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 evidence that, in all material respects, expenditure incurred is fairly stated and recording is achieved in all financial transactions.

The matters mentioned in this Report are therefore those that were identified through tests considered necessary for the purpose of achieving the audit objectives and it is possible that there might be other matters and/or weaknesses that were not identified.

The formulation and maintenance of effective control measures and compliance with laws and regulations is the responsibility of the management. Our responsibility is to report on the weaknesses and non-compliance with laws and regulations identified in the course of the audit.

## KEY AUDIT FINDINGS

### 1.0 Budgetary Performance Analysis

The County Assembly had a total budget of Kshs.394.6million voted for the financial year 2014/2015 comprising of Kshs.169.6million for development and Kshs.225million for recurrent expenditure. This was an increase of 47% compared to Kshs.268.5million voted in 2013/2014 financial year.

The budget analysis revealed that out of the Kshs.161 million budgeted in development vote for the construction of the County Assembly Chamber, only Kshs.28 million representing 17% had been spent. This implies that the County Assembly will take longer to complete the project.

Further, County Assembly spent Kshs.24,858,399 on sitting allowances against the budget of Kshs.23,000,000 representing an absorption rate of 108 % which increased by Kshs.6.69 million as compared to previous financial year 2013/2014.

Similarly, the County Assembly spent a total of Kshs.34,580,000 on domestic and foreign travel against the budget of Kshs.34,230,000 representing an absorption of 101% or Kshs.350,000 over expenditure. These excess expenditures required approval

through a supplementary budget as per Section 135 of the Public Finance Management Act, 2012 but no evidence was availed to confirm this was done. Evidently, the County Assembly was in breach of the law.

## 2.0 Procurement of Goods and Services

### 2.1 Renovation of County Assembly Chambers

During the financial year 2014/2015 County Assembly of Lamu via contract No.CGL/T/030/2014-2015 paid a total of Kshs.5,828,918 to a firm for the renovation of County Assembly chambers. However, the audit revealed that the work was not included in the 2014/2015 procurement plan.

It was therefore not clear how the project for the renovation of County Assembly chambers was identified and budgeted for.

### 2.2 Construction of Phase I of County Assembly Office

Information availed for audit indicates that during the financial year 2014/2015 the County Assembly of Lamu via contract No.CAL/T/044/2014-2015 paid a total of Kshs.5,791,567 for the construction of phase I of the County Assembly office. However, the work was not included in the procurement plan for 2014/2015 contrary to Section 26 (3) of the Public Procurement and Disposal Act, 2005.

The County Assembly may have committed Kshs.5,791,567 on non-priority area at the expense of more deserving areas.

## 3.0 Construction of County Assembly Chambers

A review of the records availed for audit indicates that County Assembly of Lamu awarded a contractor via contract No. CAL/T/045/2014-2015 the tender for the construction of County Assembly chambers at a cost of Kshs.214, 624,476. However, a site visit made on 4 November 2015 being four (4) months after the advance payment of Kshs.21,426,447 on 26 June 2015 revealed that no work had commenced. Further it was noted that the building drawings were received four months after the contractor had been paid. It is not clear how the bills of quantities were prepared before the drawings were received and approved. In addition the County Assembly had no title for the land for the construction site.

Consequently, the propriety and regularity of the advance payment of Kshs.21,426,447 could not be confirmed and the tendering process is in doubt.

## 4.0 Foreign Travel

Records availed for audit revealed that the County Assembly spent a total of Kshs.6,417,817 during the period under audit on foreign travels. However, there was no evidence of the need or reasons for the travels as a justification for the trip on benefits to the County Assembly and the general public. There were also no evidence availed for audit on how the selected countries were identified based on the purpose of the trip.

Further, no evidence was produced to indicate that reports on lessons learnt were tabled and discussed in the County Assembly.

In the circumstances, the propriety on the expenditure of Kshs.6,417,817 spent on foreign trips during the year could not be ascertained.

### 5.0 Motor Vehicle Repairs

According to the County Assembly expenditure report availed for audit, a total of Kshs.1,104,668 was spent on various repairs of motor vehicles during the period under audit. However, the audit revealed that service logbooks which records details of the repairs was not maintained. In addition, there was no fuel register for the consumption of bulk fuel and lubricants costing Kshs.1,039,000 procured during the financial year.

In the circumstances, the total of expenditure of Kshs.2,143,668 on motor vehicle expenditure could not be accounted for.

### 6.0 Purchase of Airtime

The County Assembly spent a total of Kshs.1,459,000 during the year under review on purchase of airtime for MCAs and staff using cash contrary to the Section 90 of the Public Procurement and Disposal Act 2005 which limits cash purchases to a maximum Kshs.30,000 per item. In addition, the payments were supported with cash sale receipts which had no pre-printed details of the supplier, location and contacts. This casts doubt on the validity of the cash purchases amounting to Kshs.1,459,000.

### 7.0 Air Tickets

The County Assembly has contracted a travel agency to provide air ticketing services for staff and Members of the County Assembly. The audit sampled payment vouchers totaling Kshs.3,889,060 paid during the year under audit.
However, the audit examination of the payment vouchers revealed that the supporting request forms were not approved by the authorizing officer contrary to Section 104(1)(k) of the Public Finance Management Act 2012.

The County Assembly may have lost Kshs.3,889,060 on unauthorized payments.

### 8.0 Medical Insurance

The County Assembly of Lamu paid Kshs.10,407,060 to a medical insurance provider as premium for staff medical cover. However, the tender opening minutes, tender evaluation minutes and bidders' documents were not availed for audit review. It was not clear how many bidders responded, their quotes, and the basis of selecting and awarding the tender. This is contrary to Public Procurement and Disposal Act, 2005, Section (45) (1) which require a procuring entity to keep records for each procurement for at least six years (6) after the resulting contract was entered into.

In the circumstances, the propriety and Legality of the expenditure on medical insurance amounting to Kshs.10,407,060 could not be confirmed for the year ended 30 June 2015.

## 9.0 Imprest

Examination of IFMIS reports on outstanding imprest revealed that the County Assembly of Lamu had unsurrendered imprest amounting to Kshs.2,487,236 as at 30 June 2015. In addition, imprest amounting to Kshs.2,392,036 was held by officers with multiple unsurrendered imprests.

Further, the audit revealed that nine (9) officers held imprest totaling Kshs.638,200 which had been outstanding for more than six months without surrendering contrary to Section 5.6.5 of the Government Financial Regulations and Procedures. The amount of money being held in imprest represents services denied to the public and there is a high risk that the funds were not utilized for official purposes.

## 10.0 Non-closure of Bank Accounts in Kenya Commercial Bank

The County Assembly operates a bank account in Kenya Commercial Bank, Lamu branch contrary to paragraph 22 of the National Treasury Circular No.14 of 2013 which required Accounting Officers of the County Government entities including County Assemblies to open and operate bank accounts only in Central Bank of Kenya except for imprest bank account, revenue bank account and County public fund bank accounts. The bank account had a credit balance of Kshs.5,567,312.75 as at 30 June 2015.

## 11.0 Prior Year Audit Matters

The Office of the Auditor-General performed an audit on the financial operations of the County Assembly of Lamu for the financial year 2013/2014 whose report was released to the management.

As at the time of this audit, the management had not presented responses and the action plan on the audit issues raised in the report. It was therefore not possible to determine the implementation of the audit recommendations.

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

**Nairobi**

**01 September 2016**

## DETAILED FINDINGS

### 1.0 Budgetary Performance Analysis

During the period under review, the County Assembly of Lamu allocated Kshs.169,610,000 for development expenditure and spent Kshs.36,805,380 (21%) of the budget. The Recurrent expenditure budget for the year under review was Kshs.225,000,000 against the expenditure of Kshs.190,049,173 being 84% of the budget. Overall, there was an under-expenditure of Kshs.167,755,447.
The budget absorption was as follows:

| Item | Budgeted Allocation 2014/2015 | Actual 2014/2015 | Under Absorption | Absorption in % | As % of Total Expenditure |
|---|---|---|---|---|---|
| Recurrent | 225,000,000 | 190,049,173 | 34,950,827 | 84 | 84 |
| Development | 169,610,000 | 36,805,380 | 132,804,620 | 21 | 16 |
| **Total** | **394,610,000** | **226,854,553** | **167,755,447** | | **100** |

### 1.1 Development Vote

Records availed for audit review indicated that Kshs.160,810,000 on development vote was budgeted for the construction of the County Assembly chambers. However, only Kshs.28,102,022 (17%) was utilized resulting in cash under expenditure of Kshs.132,707,978 (83%). The management has not explained the failure to utilize all the funds budgeted for construction of the County Assembly chambers. The people of Lamu County may have to wait longer to have a proper facility for carrying out legislative and oversight role.

**Recommendation**

The management should adhere to Section 147(1)(d) of the Public Finance Management Act, 2012 which requires efficient and effective use of budgetary resources. The Accounting Officer should be held liable and accountable for the projects that were not expended as planned hence denying citizens of Lamu critical infrastructure.

## 1.2 Recurrent Budget

During the year under review, County Assembly of Lamu allocated Kshs.225,000,000 for recurrent expenditure against total expenditure of Kshs.190,049,173 resulting in overall under expenditure of Kshs.34,950,827. Below is the analysis of the major budget lines under recurrent expenditure:

| | Budget | Actual Expenditure | Under absorption | Over absorption | Absorption Rate |
|---|---|---|---|---|---|
| Salaries | 56,275,788 | 54,087,391 | 930,128 | | 96% |
| Travel | 34,230,000 | 34,580,000 | | 350,000 | 101% |
| Contractual Employees | 7,400,000 | 2,677,087 | 4,722,913 | | 36% |
| Medical insurance | 11,250,000 | 11,173,927 | 76,073 | | 99% |
| Sitting Allowance | 23,000,000 | 24,868,399 | | 1,868,399 | 108% |
| Purchase of Boats | 4,000,000 | 4,000,000 | 0 | | 100% |
| Transport Allowance | 15,954,720 | 15,232,171 | 345,082 | | 95% |
| **Total** | | | **6,074,196** | **2,218,399** | |

As shown in the table above, County Assembly spent Kshs.24,858,399 on sitting allowances against the budget of Kshs.23,000,000 representing an absorption rate of 108 % which increased by Kshs.6.69 million as compared to financial year 2013/2014.

Similarly, the County Assembly spent a total of Kshs.34,580,000 on domestic and foreign travel against to the budget of Kshs.34,230,000 in representing an absorption of 101% or Kshs.350,000 over expenditure. These excess expenditures required approval through a supplementary budget as per Section 135 of the Public Finance Management Act, 2012 but no evidence was availed for audit to confirm this was done.
Evidently, the County Assembly was in breach of the law.

**Recommendation**

The management should adhere to the budgetary implementation process as per the Public Finance Management Act, 2012. Further, the management should avail for audit review approvals for the excess expenditure failure to which the Accounting Officer is held liable and accountable for the unauthorized expenditure.

## 2.0 Procurement of Goods and Services

### 2.1 Renovation of County Assembly Chambers

During the financial year 2014/2015, County Assembly of Lamu via contract CGL/T/030/2014-2015 paid a total of Kshs.5,828,918 to a firm for the renovation of County Assembly chambers.

However, the audit revealed that the work was not included in the 2014/2015 procurement plan contrary to Section 26(3) of the Public Procurement and Disposal Act, 2005 which require the procuring entity to prepare a procurement plan for each financial year as part of the annual budget preparation process. This casts doubt on the budget preparation process. It is therefore not clear how the project for the renovation of County Assembly Chambers was identified and budgeted.

**Recommendations**

The management should ensure that an annual procurement plan is prepared and approved as part of the annual budget preparation process in line with Section 26 (3) of the Public Procurement and Disposal Act, 2005 which require all procurements to be within the approved budget of the procuring entity and should be planned by the procuring entity concerned through an annual procurement plan.

The management should avail for audit review the documentary evidence in support of the procurement plan failure to which the responsible officer is held accountable for committing Kshs.5,828,918 on a project that was not planned for.

### 2.2 Construction of Phase I of County Assembly Office

During the financial year 2014/2015, County Assembly of Lamu via contract CAL/T/044/2014-2015 paid a total of Kshs.5,791,567 for the construction of phase I of the County Assembly office. Further, audit review indicated that the work was not included in the procurement plan for 2014/2015 contrary to Section 26 (3) of the Public Procurement and Disposal Act, 2005. It is not clear how the project for the renovation of County Assembly office was identified and budgeted for. Consequently, the County Assembly may have committed Kshs.5,791,567 on non-priority area at the expense of more deserving areas.

**Recommendation**

The management should ensure that an annual procurement plan is prepared and approved as part of the annual budget preparation process in line with Section 26 (3) of the Public Procurement and Disposal Act, 2005 which require all procurement to be within the approved budget of the procuring entity and should be planned by the procuring entity concerned through an annual procurement plan.

The Accounting Officer should be held accountable for committing Kshs.5,791,567 on a project that was not budgeted for.

## 3.0 Construction of County Assembly Chambers

According to 2014/2015 approved budget for the County Assembly of Lamu, Kshs.160,810,000 was allocated for the construction of County Assembly Chambers. A review of the records availed for audit indicate that County Assembly of Lamu awarded a contractor via contract No. CAL/T/045/2014-2015 for the construction of County Assembly Chambers at a cost of Kshs.214,624,476.

The audit revealed the following:

- The contractor was paid a Kshs.21,426,447 on 26 June 2015 as 10% down payment;
- While the advance payment was made on 26 June 2015, the contractor's guarantee reference no. XIC 120/000323/15/07/020 by Xplico Insurance was issued on 10 / 07/2015 being fifteen (15) days after the advance had been paid to the contractor. This was contrary to section 56 (1) of the Public Procurement and Disposal Act 2005 which requires that tender security be provided with bid documents.
- Further scrutiny of the building drawings revealed that the project drawings were received at Works office on 18 November 2015 which was four months after the contractor had been paid. It's not clear how the bills of quantities were prepared before the drawings were received and approved.
- A site visit made on 04 November 2015 being four (4) months after the advance payment revealed that no work had commenced. In addition, there was no evidence to indicate that the contractor had notified the County Assembly in writing of the conditions delaying performance, including full details of the delay and the likely duration.
- The County Assembly had no title deed to the land for the construction site.

Consequently, the propriety and regularity of the advance payment of Kshs.21,426,447 could not be confirmed and the tendering process is in doubt.

### Recommendation

The management should adhere to Section 147 (1) of the Public Finance Management Act, 2012 which require the Accounting Officer of a County Assembly to monitor, evaluate and oversee the management of their public finances in order to promote the efficient and effective use of budgetary resources.

The management should also ensure that the project is executed as per terms of contract and any deviation is documented and approved by both parties. Further, all documents related to the contract should be availed for audit verification.

The Accounting Officer and all officers responsible for the payment of the advance should be surcharged for recovery of Kshs.21,426,447 paid to the contractor.

The County Assembly should demand compensation from the insurance company for non-performance on the contract.

## 4.0 Foreign Travel

Records availed for audit revealed that the County Assembly of Lamu spent a total of Kshs.6,417,814 as detailed in ***Appendix I*** on foreign travels. However, the reason and benefit of the travel, and the basis for selecting the countries to visit was not availed for audit, while those who traveled were not from any specific select house committee hence the trips could not be confirmed to serve a specific purpose. In addition, there was no evidence availed for audit to indicate that reports on lessons learnt were tabled and discussed in the County Assembly.

In the circumstances, the propriety of expenditure on Kshs.6,417,814 on foreign travels for the year ended 30 June 2015 could not be confirmed.

**Recommendation**

The management should avail for audit review all expenditure documents in support of the foreign travels and also avail the minutes and reports of the Committees for audit verification failure to which the amount is recovered from the respective beneficiaries.

## 5.0 Motor Vehicle Expenses

According to the County Assembly expenditure report availed for audit, a total of Kshs.1,104,668 as detailed in ***Appendix II*** was spent on various repairs of motor vehicles during the period under audit. However, the audit revealed the following:

- Service logbooks which records the vehicle registration number, the date of service, type of service and spare part replaced was not availed for audit verifications;
- There was also no evidence that vehicles had been inspected by the department of public works, both before and after, to confirm the repairs were done contrary to Section 19.13 of the Government Financial Regulations and Procedures

Further, the County Assembly spent Kshs.1,039,000 as detailed in ***Appendix III*** on bulk fuel and lubricants. However, the fuel register indicating which vehicle and quantity drawn was not availed for audit review.

In the circumstances, the propriety of the total of expenditure of Kshs.2,143,668 on motor vehicle expenses could not be confirmed for the year ended 30 June 2015.

**Recommendation**

The management should ensure that the applicable motor vehicle expenditure tracking documents including department of Public Works inspection certificates, fuel register, service logbooks, detailed orders and work tickets are availed for audit review failure to which the responsible officers are held liable for the unaccounted for motor vehicle expenditure of Kshs.2,143,668.

## 6.0 Purchase of Airtime

The County Assembly spent a total of Kshs.1,459,000 as detailed in ***Appendix IV*** during the year under review on purchase of airtime for MCAs and staff using cash. This was contrary to the Section 90 of Public Procurement and Disposal Act, 2005 which has set the maximum threshold of Kshs.30,000 as cash purchase.

Further, the audit scrutiny of the payment vouchers revealed the following:

- Airtime valued at Kshs.857,500 was purchased by cash on various dates.
- The payments were supported with cash sale receipts which had no pre-printed details of the supplier, location and contacts.

This casts doubt on the validity of the cash purchases amounting to Kshs.1,459,000.

**Recommendation**

The management should adhere to Section 90 of Public Procurement and Disposal Act, 2005 when procuring in cash. Further, the officers who are responsible for the flawed procured process should be held to account for the irregular cash purchase amounting to Kshs.1,459,000.

## 7.0 Air Tickets

The County Assembly of Lamu has contracted a travel agency to provide air ticketing services for staff and Members of the County Assembly. The audit sampled payment vouchers totaling Kshs.3,889,060 paid during the year under audit.
However, examination of the payment vouchers revealed that the supporting request forms were not approved by the authorizing officer contrary to Section 104 (1)(k) of the Public Finance Management Act 2012 which requires proper accountability of expenditure. The County Assembly may have lost Kshs.3,889,060 on unauthorized payments.

**Recommendation**

The management should ensure that all payments are in line with the Section 104(1)(k) of the Public Finance Management Act, 2012 which require proper accountability of expenditure. Requests for air travel should also be authorized by the appropriate officer.

The respective approvals and the other supporting documentations should be availed for audit review, failure to which the officer involved in the procurement of the Air tickets is surcharged to recover the Kshs.3,889,060.

## 8.0 Medical Insurance

The County Assembly paid Kshs.10,407,060 via payment voucher No. 14829 dated 26/05/2015 to a medical insurance provider as premium for staff medical cover. Audit review of the tender advertisement revealed that the deadline for submission of the expression of interest was on 27 June 2014. However, the tender opening minutes,

tender evaluation minutes and bidders' documents were not availed for audit review. It was not clear how many bidders responded, their quotes, and the basis of selecting and awarding the tender. This is contrary to Public Procurement and Disposal Act, 2005, Section (45) (1) which require a procuring entity to keep records for each procurement for at least six (6) years after the resulting contract was entered into. Without the tender minutes, it was not possible to determine the competitiveness in the selection and award of the tender to the service provider.

In the circumstances, the propriety and legality of the expenditure on medical insurance amounting to Kshs.10,407,060 for the year ended 30 June 2015 could not be confirmed.

**Recommendation**

The management should ensure that the procurement process is in line with the Public Procurement and Disposal Act, 2005 and regulations thereof on the tender processing. The tender processing minutes, evaluation minutes and bidders documents should also be availed for audit verifications in line with of the Public Procurement and Disposal Act, 2005 failure to which the responsible officers are held liable and accountable for Kshs.10,407,060 expenditure on medical insurance.

## 9.0 Imprest

Examination of IFMIS reports on outstanding imprest revealed that the County Assembly of Lamu had unsurrendered imprest amounting to Kshs.2,487,236 as detailed in ***Appendix V*** as at 30 June 2015. In addition, the audit examination revealed that Kshs.2,392,036 as detailed in ***Appendix VI*** was held by officers with multiple unsurrendered imprests.

Further, the audit revealed that nine officers held imprest totaling Kshs.638,200 as detailed in ***Appendix VII*** which had been outstanding for more than six months without surrendering contrary to Section 5.6.5 of the Government Financial Regulations and Procedures which require that the officer issued with imprest to account for the same within 48 hours of conclusion of the assignment.

The amount of money being held in imprest represents services denied to the public and there is a high risk that the funds were not utilized for the official purpose.

**Recommendation**

The management of imprest should be in line with Section 5.6.5 of the Government Financial Regulations and Procedures which requires imprest to be accounted for within the stipulated time of 48 hours from date of arriving from the field. All overdue imprest should be recovered from the affected officers' payroll without any further delays.

The Accounting Officer should also be held accountable for approving additional imprest to officers with outstanding imprests.

## 10.0 Non-closure of Bank Accounts in Kenya Commercial Bank

The County Assembly operates a bank account in Kenya Commercial Bank, Lamu branch. As at the time of this audit the bank account which had a credit balance of Kshs.5,567,312.75 as at 30 June 2015 had not been closed and neither a bank reconciliation submitted to the Office of the Auditor-General. This was contrary to paragraph 22 of the National Treasury Circular No. 14 of 2013 which required Accounting Officers of the County Government entities including County Assemblies to open and operate bank accounts only in Central Bank of Kenya except imprest bank account, revenue bank account and County public fund bank accounts.

### Recommendation

The management should ensure that the bank account operated in commercial bank is closed and a new bank account in Central Bank of Kenya is opened in compliance with National Treasury Circular No. 14 of 09 September 2013. Bank reconciliation of the closed bank account should also be submitted to the Office of the Auditor-General for audit review failure to which the Accounting Officer is held accountable and liable.

## 11.0 Prior Year Audit Matters

The Office of the Auditor-General performed an audit on the financial operations of the County Assembly of Lamu for the financial year 2013/2014 whose report was released to the management.

Among the issues raised in the audit report include:

### 11.1 Budgetary controls and performance

The project for the construction of the County Assembly chamber and speaker's house amounting to Kshs.66,522,443 as allocated in the development budget was not implemented. However, Kshs.7,321,600 was irregularly used to procure a motor vehicle without evidence authorizing reallocation.

### 11.2 House rent and car hire expenditure

The audit revealed irregular payment of house rent and car hire of Kshs.990,000 and Kshs.1,050,000 respectively. The expenditure was not included in the budget for the year 2013/2014 and there was no evidence of approval for reallocation of funds. In addition, the procurement method used was not disclosed contrary to the Public Procurement and Disposal Act, 2005.

### 11.3 Purchase of iPads

Procurement documents for the purchase of iPads costing Kshs.2,356,120 were not availed for audit verifications. Propriety, existence and validity of the expenditure could not be confirmed.

### 11.4 Purchase of Laptops

Propriety for the purchase of 5 laptops costing Kshs.425,000 was not confirmed as there was no evidence of how the firms were identified. In addition, delivery note / counter receipt voucher and local purchase order were not availed for audit verification.

### 11.5 Purchase of Office Furniture

Flawed procurement process for the purchase of office furniture at a total cost of Kshs.1,356,000 as the procurement documents were not availed for audit verification.

### 11.6 Sitting Allowances

Sitting allowance amounting to Kshs.8,224,600 paid during the financial year was not supported with details of the meetings, notices and signed attendance registers. In addition, the MCAs were paid an excess of Kshs.509,100 contrary to the Salaries and Remunerations Commissions guidelines.

### 11.7 Responsibility Allowances

Irregular payment of responsibility allowance amounting to Kshs.1,693,464 to MCAs as responsibility allowance against the guidelines of Salaries and Remunerations Commissions on chairing more than one committee;

### 11.8 Domestic Travel, Subsistence and Accommodation

Total of Kshs.5,821,123 paid for domestic travel and subsistence allowance was not supported with relevant supporting evidence of the meetings having taken place.

### 11.9 Foreign Travel Allowances

Foreign travel allowances amounting to Kshs.1,497,506 paid to various officers was not supported with reasons for travel and evidence of travel while imprest was not surrendered within the stipulated time.

### 11.10 Hospitality Services and Supplies Expenditure

A Payment of Kshs.195,000 to officer of the County Assembly in respect of hospitality services did not disclose the nature of services rendered.

### 11.11 Procurement of Training Services

A payment of Kshs.960,000 for training of Members of the County Assembly was noted to have been initiated by the training firm. There was no evidence of how the firm was identified, selected and awarded the contract.

### 11.12 Management of Imprests and Advances

Included in the outstanding imprest of Kshs.5,319,235 as at 30 June 2014 was Kshs.231,400 held by officers who were not in service. It was not clear how the imprest will be surrendered;

### 11.13 Human Resource Records

The audit revealed irregular employment of officers for positions that were not advertised against the Code of Regulations and County Government Act, 2012. The audit also revealed that an officer was paid excess salary of Kshs.94,280 due to use of wrong designation.

As at the time of audit, the management had not presented responses and the action plan on the audit issues raised. Therefore, it was not possible to determine the implementation of the audit recommendations.

### Recommendation

The Accounting Officer should prepare responses with supporting evidence on the action plan for implementation of audit issues raised in the year 2013/2014 and present to the Office of the Auditor-General for review.

### Conclusion

The Lamu County Assembly should address the anomalies noted in order to ensure effective delivery of services to the people of Lamu. The Laid down government procedures and processes should be adhered ensure public resources are only used for the purposes for which they were intended.

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

**Nairobi**

**01 September 2016**