REPUBLIC OF KENYA

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF MAKUENI COUNTY EXECUTIVE

FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

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REPORT OF THE AUDITOR–GENERAL ON THE FINANCIAL OPERATIONS OF MAKUENI COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

Introduction

The Office of the Auditor General has the mandate to audit and report on the accounts and the financial operations of both National and County Governments under Article 229 of the Constitution and Public Audit Act, 2003.

Audit Objective

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

Terms of Reference

The terms of reference set for the 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.
- ✓ Imprests and advances
- ✓ Cash and bank balances
- ✓ Human Resource Records
- ✓ Non-current assets
- ✓ Debtors
- ✓ Creditors

Key Audit Findings

1.0 County Government Policies and Procedures

The County Government of Makueni did not have any approved policies and operational manuals. However, it was noted that some policies and procedures manuals were in draft stages awaiting approval by the executive committee. They included;

a) The financial regulations and procedures.
b) The IT policy

c) The community model in development projects.
d) The county public service human resource manual.

2.0 Training Expenses

A temporary imprest of Kshs.1,411,500 was advanced to the Director of Youth and Sports vide imprest no. 2012851 of 16/6/2014 to carry out "Boda Boda Riders" training in 30 wards. Payment voucher no. 3900 of 30/6/2014 was used to surrender the full amount. However, the payment voucher lacked relevant supporting documents of the surrender, including payment schedules containing the names, personal numbers, respective job groups and signatures of the officers who participated in the training, daily attendance lists of the participants/ trainee and the period during which the training took place.

3.0 Cash Management

The County Government of Makueni operates the following bank accounts in different banks;

- three bank accounts in Central bank for recurrent, development and revenue
- five bank accounts in Kenya Commercial Bank for; imprest, Liquor license, revenue, development and operations
- two bank accounts in Co-operative bank

In these bank accounts, the bank reconciliation statements were either poorly done or not prepared monthly as is required.

4.0 Budgetary controls and performance

4.1 Unreleased exchequer

Out of the revenue allocation from the national government of Kshs. 4,366,239,078 in the financial year 2013/2014, only Kshs.3,608,416,167 was released into the Makueni County Revenue Fund leaving a balance of Kshs.757,822,911 unreleased. Further examination of records held at the county treasury revealed that, out of the unreleased funds, Kshs.510,689,794 was withheld by the national treasury as a refund for July 2013 to December 2013 salaries paid by the national government on behalf of the county government for the staff under the devolved functions.

4.2 Unutilized funds

The County Government of Makueni received funds amounting to Kshs. 4,508,437,306 during the 2013/2014 financial year. However, the draft financial statements presented by the County Government reflected total expenditure of Kshs.3,379,933,859 meaning the county government did not utilize funds amounting to Kshs.1,128,503,446 (i.e. 24% of the available funds). This impacts on service delivery to the county residents.

5.0 Local Revenue

Out of the budgeted local revenue collection of Kshs.350,000,000 for the financial year 2013/2014, only Kshs.189,187,741 (approximately 54%) was collected resulting to under performance of Kshs.159,038,818 (approximately 46%).

6.0 Imprest Outstanding

Temporary imprests were issued at various dates and to various officers amounting to Kshs.5,026,026 during the financial year ended 30 June, 2014.

However, as at the time of audit i.e. approximately eight (8) months after the closure of financial year 2013/2014, the imprest had not been surrendered.

7.0 Domestic travel and subsistence

Examination of payment vouchers on domestic travel and subsistence allowance amounting to Kshs.11,879,465 revealed noncompliance to the laid down rules on issuance of temporary imprest.

It was noted that cash was advanced to officers either through authority letters or claims lodged requesting for reimbursements.

8.0 Fuel and Lubricants

Examination of records revealed an expenditure on fuel, oil and lubricant of Kshs. 7,952,831 for the year 2013/2014. However, there were no records such as bulk fuel register for fuel management in the County Government.

9.0 Procurement of goods and services

9.1 Planting of tree seedling

The budget for the financial year 2013/2014 included Kshs.15,000,000 for tree planting. An examination of records/documents maintained at the County Treasury revealed the following;

a) Direct procurement of tree seedlings, planting and transport services of Kshs. 47,269,177 was procured during financial year 2013/2014 from various persons and organisations. Contrary to the Public Procurement and Disposal Act 2005.
b) The expenditure exceeded the approved budget estimate of Kshs.15, 000,000 by Kshs. 32,269,177 which was approximately 215%.
c) Out of the total expenditure of Kshs. 47,269,177;
    i. Kshs. 17,892,385 was made up of cash payments of Kshs.11, 098,765 and unauthorised temporary imprests of Kshs.6, 793,620 issued to undisclosed persons vide cheque no. 1453 of 20 December 2013 and which remained un-surrendered as at the time of audit.
    ii. Kshs.10,025,705 paid vide cheque no. 1484 was only supported by memos and an invoice of Kshs.1, 442,000 leaving Kshs.8,583,705 unsupported.

Funds totalling Kshs.23, 650,410 remained unaccounted for.

9.2 Procurement of Structured LAN and Wi-Fi Connectivity

Three firms submitted bids for supply of Connectivity of Structured LAN and Wi-Fi at the Makueni county headquarters buildings. One firm was awarded the contract at a cost of Kshs.7, 163,000 and subsequently a payment was made vide payment voucher no.75 of 23 December 2013. This payment voucher was not authorized as required by the Government Financial Regulations and Procedures.

Further, tender documents and relevant committee minutes relating to this contract were not made available for audit verification.

Scrutiny of the pre-qualification tender documents for tender no. GMC/P/04/2013-14 (for Open IT Limited), GMC/P/04/2013-14 (for Integrated Solutions Limited) and GMC/P/42/2013-14 (for Blue Two Solutions Limited) revealed that the three companies were related in ownership, directorship and management.

9.3 Procurement of Cartridges and Toners

Seven (7) firms made bids to supply cartridges and toners and one was awarded the tender at a contract price of Kshs.7,023,510 and the payment was made vide an unnumbered and unauthorized payment voucher. The payment was split into two and made through cheque number1511 for Kshs.3, 500,000 and Kshs.3, 523,510 through G-PAY from Central Bank of Kenya Account.

However;

a) Two firms that submitted bids are related companies in ownership, directorship and management.
b) Request in writing was not approved by the tender committee as prescribed by the Public Procurement and Disposal Regulations, 2006.
c) The annual procurement plan was not made available for audit review.

9.4 Procurement of Website Update

Three companies submitted bids for supply of website update services and one was awarded the tender at a contract price of Kshs.1,148,000 and payment was effected vide payment voucher. However, all the three (3) companies that made bids are related in ownership, directorship and management. No inspection and acceptance report was done. The payment was based on a casual laborer's assessment report.

10.0 Bursary

10.1 Unsupported Payments

Kshs.11, 882,944 was paid to various institutions as bursaries for students. However, payment vouchers in support of Kshs.11, 882,944 were not presented for audit verification.

10.2 Governor's Bursary

Included in the bursary paid during the year was Kshs.2, 971,000 paid as Governors bursary to various students. However, records on how the needy students were identified were not made available for audit verification. Further, no acknowledgement by way of official receipt was provided for audit review.

11.0 Routine maintenance

During the financial year 2013-2014, the County Government paid Kshs.17, 905,384 for routine maintenance of motor vehicles and other transport equipment. Included in the payment is Kshs.3, 632,825 to various garages for repair and servicing of various motor vehicles. However, inspection report detailing defects and estimated repair costs were not done. Post inspection reports for the vehicles were not done to ensure that the expected work was done.

12.0 Unsupported Payables

Creditors schedule presented for audit review revealed an outstanding balance of Kshs.273,385,327 accruing from expenditure incurred between March 2013 and June 2014.

The following anomalies were observed;

- Included in the schedule of creditors are amounts against which the voucher numbers, local purchase orders and /or invoices were not indicated making it difficult to confirm the authenticity of the information/balances.
- Out of the total creditors, Kshs.136,385,328 related to a figure whose details were not indicated or explained.
- Creditors' ledgers were not maintained.

13.0 Human Resources

13.1 Staff Establishment

The County management did not provide staff establishment for the county Government. It was therefore not possible to establish whether recruitment of employees during the period under review was done within any authorized/approved establishment.

13.2 Manual Payroll

During the financial year 2013/2014, some employees were paid salaries amounting to Kshs.152,311,662 through manual payrolls that were not made available for audit verification.

13.3 Irregular Payment of Salaries

Scrutiny of the monthly payrolls revealed that, the County government paid Kshs.295, 540 between May and November 2014 to a person whose personal file did not exist.

In such circumstances, it was not possible to confirm the existence of the employee and that the amount was a proper charge to public funds.

14.0 Doubtful Legal Fees

Included in Other operating expenses of Kshs.87, 278,783 is Kshs.7, 499,000 paid for provision of legal services only supported by fee notes. However, copies of instructions were not attached and were not made available for audit verification.

It was therefore, not possible to determine whether the money spent on legal services was a proper charge to public funds

15.0 Non-Current Assets

A fixed assets Register for the assets acquired by the County Government since inception was not produced for audit review. It was therefore not possible to ascertain the value, ownership and existence of the assets acquired.

16.0 Failure to Take Over Assets and Liabilities of the Defunct Local Authorities

As previously reported in the special audit report of 5 December 2013, the County Government of Makueni had not taken over assets and liabilities of the three defunct local authorities as at the time of audit in February 2015.

Edward R.O. Ouko, CBS
AUDITOR – GENERAL

Nairobi

25 May 2015

Detailed Audit Findings

1.0 County Government Policies and Procedures

The County Government of Makueni did not have any approved policies and operational manuals. However, it was noted that the following policies and procedures manuals were in draft stages awaiting approval by the executive committee:

a) The financial regulations and procedures.
b) The IT policy
c) The community model in development projects.
d) The county public service human resource manual (drafted by the transitional authority)

Recommendations

- Management should expedite the formulation of written policies and procedure manuals to safeguard the County government to mitigate the aforementioned risks
- Develop and implement an It strategic plan, policy and IT steering committee

2.0 Training Expenses

A temporary imprest of Kshs. 1,411,500 was advanced to the Director of Youth and Sports vide imprest no. 2012851 of 16/6/2014 to carry out "Boda Boda Riders" training in 30 wards. A budget in support of the imprest indicated the amount was to be spent as shown below;

Item	No	Rate (Kshs)	Wards	Total (Kshs)
Meal allowance DYDO's	1	1,050	30	31,500
Meal allowance for county officers during supervision and monitoring	2	4,000	30	240,000
Mobilizations airtime	1	2,000	30	60,000
Transport for committee members	12	3,000	30	1,080,000
Total				**1,411,500**

Payment voucher no. 3900 of 30/6/2014 was used to surrender the full amount. However, the payment voucher lacked the relevant documents in support of the

surrender, including payment schedules containing the names, personal numbers, respective job groups and signatures of the officers who participated in the training, daily attendance lists of the participants/ trainee and the period during which the training took place. In the circumstances, the amount remained unaccounted for.

Recommendations

- The management should provide additional documentary evidence to fully account for the temporary imprest.
- Recovery in full the amount from the officer's salary should be initiated where there is no value for money.

3.0 Cash and Bank Management

The County Government of Makueni operated the following bank accounts:

Bank	Account no.	Name
Central Bank of Kenya	1000170557	Recurrent account
Central Bank of Kenya	1000170573	Development account
Central Bank of Kenya	1000170937	Revenue account
Kenya Commercial Bank	1140778218	Imprest account
Kenya Commercial Bank	114304953	Liquor license
Kenya Commercial Bank	1140751719	Revenue account
Kenya Commercial Bank	1147187010	Development account
Kenya Commercial Bank	1140751042	Operations account
Cooperative Bank	01141539156001	Donor fund account
Cooperative Bank	01141539338600	

The following anomalies were observed:

3.1 Central Bank of Kenya Account No. 1000170557- Recurrent Account

The cash book had a credit balance of Kshs. 2,342,521,619 though the bank reconciliation statements reflected a debit balance of Kshs. 69,339,729. The remitting difference of Kshs. 2,411,861,348 was not supported.

The bank reconciliation statements reflected payments in cash book not yet reflected in bank statement (unpresented cheques) totaling to Kshs. 99,371,590. However, a schedule of individual payments of this total was not disclosed making it difficult to independently verify the amount.

3.2 Central Bank of Kenya Account No1000170573- Development Account

The cash book had a credit balance of Kshs. 572,740,291 though the bank reconciliation statements reflected a debit balance of Kshs. 799,540,763. The resulting difference of Ksh.1, 372,281,054 was not supported or explained.

3.3 Kenya Commercial Bank Account No. 1140751042- Operations Account

Reversals of payments to the tune of Kshs. 40,430,719 were made in the cash book. However, the cancelled cheques and the payment vouchers vide which the cheques were drawn were not presented for audit review.

3.4 Bank reconciliation statements for the following three accounts were not prepared.

- **Kenya Commercial Bank Account No. 1140778218**
- **Kenya Commercial Bank Account No. 1147187010**
- **Cooperative Bank Account No. 01141539338600**

Recommendations

- Bank reconciliations should be performed monthly to compare bank balances to balances in the general ledger cash accounts. This is done to ensure accuracy and accountability for all cash transactions.
- The County Treasury should ensure all cash and bank balances agree to bank

4.0 Budgetary controls and performance

4.1 Unreleased Exchequer.

The revenue allocation from the National government was Kshs. 4,366,239,078 in the financial year 2013/2014, only Kshs. 3,608,416,167 was released into the Makueni County Revenue Fund leaving a balance of Kshs. 757,822,911 unreleased. Further examination of records held at the county treasury revealed that, out of the unreleased funds, Kshs.510,689,794 was withheld by the national treasury as a refund for July 2013 to December 2013 salaries paid by the national government on behalf of the county government for the devolved staff.

Recommendations

- The National treasury to adhere to the provision of county revenue allocation bill 2013.
- The amounts recovered by the National Government should be fully supported.

4.2 Unutilized Funds

During the financial year 2013/2014 the County Government of Makueni received funds amounting to Kshs. 4,508,437,305 as detailed below;

Source	Amount (Kshs)
Unspent funds as at 30/06/2013	195,397,249
National treasury	4,119,105,961
Other government entities	4,746,353
Local revenue	189,187,741
Total	**4,508,437,305**

However, the draft financial statements presented by the County Government reflected total expenditure of Kshs. 3,379,933,858 meaning the county government did not utilize funds amounting to Kshs. 1,128,503,446 i.e. 25% of the available funds.

Recommendation

- The County management should ensure funds area absorbed within the budget period to enhance service delivery to the County residents.

4.3 Unaccounted for Funds

As evidenced by a letter referenced CONF/NOF.51/08 'C'/ (72) of 4 April 2014, the National Treasury issued a demand invoice vide letters Ref. No. MDP/6/1/116 and MDP/6/1/116 of 22 October 2013 and 14 February, 2014 respectively to the County Government of Makueni for salaries paid on its behalf.

The following issues were observed;

- The demand invoice, payroll data and the two letters vide which the demand invoice was lodged were not availed for audit verification.
- According to the letter referenced CONF/NOF.51/08 'C'/ (72) of 4 April 2014, the County Government of Makueni owed the national government Kshs. 510,689,795 as at 26 march 2014. Though the full amount was recovered from 3rd Quarter of 2013/14, exchequer releases, only Kshs. 246,401,490 was supported by payroll data leaving Kshs. 264,288,304 unsupported.

Recommendations

- The County Government should obtain the payroll data from the National Treasury and subject it to audit to establish its authenticity.
- The Kshs.264,288,304 should be supported or refunded to the County Government of Makueni

5.0 Local Revenue

Out of the budgeted local revenue collection of Kshs. 350,000,000 for the financial year 2013/2014, only Kshs. 189,187,741 approximately 54% was collected resulting to under performance of Kshs.159,038,818 approximately 46%.

Recommendations

- Management should institute effective and efficient mechanisms to maximize revenue collection and accountability.
- The revenue under collection of Kshs.159,038,818 should be explained.

6.0 Outstanding Imprest

Temporary imprests were issued at various dates and to various officers amounting to Kshs. 5,026,026 during the financial year ended 30 June 2014 as shown below;

Name of officer	Imprest Date	Warrant No	purpose	Amounts (Kshs)
Sospeter Musembi	25/6/2014	2012506	Facilitation for inspection of liquor selling outlets	1,932,800
Judith Mbindyo				550,000
Judith Mbindyo	20/12/2013	1905153	Sand harvesting task force	524,000
Elizabeth Kyalo	31/10/2013	1759852	Not stated	24,486
Dan Okeyo	13/5/2014	1963798	Security purposes	290,400
Molly Makau	20/12/2013			49,340
Kawive Wambua	8/1/2014	1905170	Bursary committee allowances	660,000
Kawive Wambua	25/2/2014	1948271	Bursary committee allowances	330,000
D.N Oleshege				250,000
D.N Oleshege	16/1/2014	1905198	Security purposes	300,000
John Kasivu	23/12/2013	1905157	District alcoholic allowances	115,000
TOTAL				**5,026,026**

However, as at the time of audit on 20 February 2015 eight (8) months after the closure of financial year 2013/2014, the imprest had not been surrendered.

Recommendations

- The management should always ensure temporary imprests are surrendered properly and within the stipulated period.

- Any unaccounted imprests should be recovered from the responsible officers

7.0 Domestic Travel and Subsistence

Examination of payment vouchers on domestic travel and subsistence amounting to Kshs. 11,879,465 during the year revealed noncompliance to the laid down rules on issuance of temporary imprest.

It was noted that cash was advanced to officers either through authority letters or claims lodged requesting for reimbursements.

The following anomalies were observed during audit:

a) Cash advanced to officers is expensed immediately on issuance eliminating safeguards that ensure officers account for imprest issued.
b) Journeys undertaken by officers were neither supported by work tickets nor bus tickets hence claims were made for journeys without evidence of officers leaving their duty stations.
c) Payments made to officers while attending seminars, training did not possess evidence of attendance in form of invitation letters, timetable, list of participants.
d) Officers issued with imprest did not acknowledge receipt of funds through appending signatures on payment schedules.
e) In some instances the following information was not disclosed
    i. The personal numbers of the payees listed in the schedules
    ii. The place of visit by the officers
    iii. Days out of duty station
    iv. The purpose of the visit

Recommendations

- The County Executive should institute measures to ensure that funds advanced for travelling and subsistence are authorized through issuance of imprest.
- Controls should also be put in place to ensure those imprests issued are surrendered in full within the stipulated period.
- Any unaccounted for imprests should be recovered appropriately.

8.0 Fuel, Oil and Lubricants

Examination of records revealed that the expenditure on fuel, oil and lubricant amounting to Kshs. 7,952,831 for the year 2013/2014. However; the responsible officers assigned with the duty of managing the use of fuel did not maintain bulk fuel registers. Interviews conducted and perusal of records provided revealed that management of fuel was being done using detail orders. The measures in place are in our opinion not adequate and this exposes the system to abuse.

An amount of Kshs. 7,952,831 spent on fuel could not be confirmed to have been utilized for the intended purpose.

Recommendation

- Recover the unsupported expenditure on fuel of Kshs.7,952,831 from the responsible officers/parties.

9.0 Procurement of Goods and Services

9.1 Planting of Tree Seedlings

The budget for the Financial Year 2013/2014 included Kshs. 15,000,000 for tree planting under the Department of Lands, Urban Planning and Environmental Management. Examination of records/documents maintained at the County Treasury revealed the following unsatisfactory matters:

a) Direct procurement of tree seedlings, planting and transport services of Kshs. 47,269,177 was procured during the financial year 2013/2014 from various persons and organisations. However, procurement records including details of reasons upon which a determination that the relevant conditions set out in section 74 subsections 2 and 3 of the Public Procurement and Disposal Act,2005 were satisfied to warrant direct procurement were not presented for audit review. Further, market survey and price negotiation reports and agreements in support of the unit price of the tree seedlings across the county were not available for audit scrutiny.
b) The expenditure exceeded the approved estimate of Kshs. 15,000,000 by Kshs. 32,269,177 which was approximately 215% contrary to the maximum limit of 10% variation.
c) Out of the total expenditure of Kshs. 47,269,177;
    i. Kshs. 17,892,385.00 was made up of cash payments of Kshs. 11,098,765; and unauthorised temporary imprests of Kshs. 6,793,620 issued to undisclosed persons vide cheque no. 1453 of 20 December 2013 and which remained un-surrendered as at the time of audit.
    ii. Kshs. 10,025,705 paid vide cheque no. 1484 was only supported by memos and an invoice of Kshs. 1,442,000 leaving Kshs. 8,583,705 unsupported.
d) Due to lack of sustainability in the project planning, the said seedlings were not taken care of after planting. They all dried off leaving the total expenditure of Kshs. 47,269,177 being a loss to the public funds

In view of the foregoing, funds totalling Kshs. 47,269,177 remained a loss to public funds.

No explanation was given for exceeding the approved estimate or for the use of the direct method of procurement. Further, the unaccounted for expenditure of Kshs 23,650,410 has not been explained.

Recommendations

- The management should account for Kshs. 23,650,410 that remains unsupported.
- Proper project sustainability should be included in the planning stage to ensure that the project is a success.

The management should hold the project planners responsible for the loss of Kshs.47,269,177 public funds.

9.2 Procurement of Structured LAN and Wi-Fi Connectivity

Three firms namely Open IT Limited, Blue Two Solutions and Integrated Solutions Limited bidded for supply of Connectivity of Structured LAN and Wi-Fi at the Makueni County Headquarters. M/s Open IT Limited was awarded the contract at a price of Kshs.7, 163,000 and subsequently a Payment was made vide unauthorized payment voucher no.75 of 23 December2013. In support of the payment voucher was a Local Purchase Order (LPO) no. 2121992 of 11 December2013, Invoice No. ISL: INV: 652 of 17 December2013 and a Certificate of Completion issued by an ICT officer of 20 December2013.

However, the following unsatisfactory matters were observed;

i. Assessment of the existing infrastructure was not conducted prior to invitation of bids.
ii. The network diagram was not presented for audit verification.
iii. The specifications of the network were not presented for audit review.
iv. Tender documents and relevant committee minutes relating to this contract were not made available for audit verification.
v. Though the procurement report indicated that invitation to tender was done on 21 December2013, the LPO was raised on 11 December 2013 nine (9) days before the bids were invited.
vi. The County Government was invoiced on 17 December 2013 four (4) days before the bids were invited.
vii. A Completion Certificate was issued on 20 December 2013 one day before the bids were invited.
viii. Scrutiny of the pre-qualification tender documents for tender no. GMC/P/04/2013-14 (for Open IT Limited), GMC/P/04/2013-14 (for Integrated Solutions Limited) and GMC/P/42/2013-14 (for Blue Two Solutions Limited) revealed that the three companies were related in ownership, directorship and management as detailed hereunder:

Directorship/Ownership

Open IT ltd Ltd	**Integrated Solutions Ltd**	**Blue Two Solutions**
Vincent Ngundi	Vincent Ngundi	Vincent Ngundi
Joel Mwendo	Bosco Sombe	Mwendo Bosco

Management

Firm	**General Managerial Enquiries**	**Personnel Enquiries**	**Technical Enquiries**
Open it limited	Vincent Ngundi Cell no-	Irene Irungu Cell no-	

	0722657670	0723350029	
Blue Two Solutions Limited	Mwendo Bosco Cell no- 0722246809	Vincent ngundi Cell no- 0722657670	Irene Irungu Cell no- 0723350029
Integrated Solutions Limited	Bosco sombe Cell no- 0734246809/ 0722246809		

Physical verification of the project revealed the following:-

a) The distribution switches on ground floor could not be traced.
b) On the 4th and 5th floors, distribution switches were not functional
c) On the 5th floor left wing, voice cabling was not done and some rooms did not have both the voice and data cabling in place.
d) On All floors, 70% of the lines were not activated and in worse cases, cables were not slotted to the distribution switches.
e) For Wi-Fi network, the signal was too weak and in some locations not detected at all an indication that the Nano stations were inadequate or malfunctioned.

Recommendations

- The Public Procurement and Disposal Act, 2005 and Regulations, 2006 should be adhered to.
- The County Executive should recover all the amounts paid for no value for money.
- The responsible officers in the irregular procurement should be dealt with administratively
- The firms should be debarred for unfair business.

9.3 Procurement of Cartridges and Toners

Seven (7) firms bidded to supply cartridges and toners namely Blue Two Solutions, Faxforncare, Integrated Solutions, Compusy office Supplies, Technology Telecommunications, Butemark Computer Solutions and Kenya Tonner & Ink.

M/S Blue Two Solutions was awarded the tender at a contract price of Kshs. 7,023,510 and the payment was made vide an unnumbered and unauthorized payment voucher. The payment was split into two and made through cheque number 1511 for Kshs. 3,500,000 and Kshs. 3,523,510 through G-PAY from Central Bank of Kenya Account No. 1000170557. In support of the payment voucher were LPOs no 2049546 and 2049546 of 22 November2013, Delivery note no. 19 of 29 November 2013 and an invoice no. B2:INV/0032 of 4 December 2013.

However, the following anomalies matters were observed;

i. Tender documents, tender opening and evaluation minutes were not presented for audit verification.

ii. M/S Blue Two Solutions and M/S Integrated Solutions are related companies in ownership, directorship and management and competed against each other for this tender.
iii. Request in writing was not approved by the tender committee for application of restricted tendering as prescribed by the Public Procurement and Disposal Regulations, 2006.
iv. Procurement plan was not made available for audit review.

9.4 Procurement of Website Update

Three companies namely Integrated Solutions, Blue Two Solutions and Open IT Limited bided for supply of website update services. M/S Integrated Solutions was awarded the tender at a contract price of Kshs. 1,148,000 and the payment was effected vide payment voucher no. 74 of 23 December2013. In support of the payment voucher were LPO no. 2121993 of 11 December2013, Job Card No. 007 and Completion Certificate issued by an ICT officer on 20 December2013, Invoice No. ISL: INV: 651 of 17 December2013. However, the following observations were noted;

i. Tender documents, opening and evaluation minutes were not presented for audit.
ii. All the three (3) companies that bidded are related in ownership, directorship and management.
iii. No inspection and acceptance was conducted but the payment was based on a casual laborer's report.

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

Recommendations

- The following documents should be presented for audit for all the above three (3) procurements.
  i. Approval of the tender committee for application of restricted tendering/ floating of quotations.
  ii. Quotations from all the bidders.
  iii. Tender opening and evaluation minutes.
  iv. Specifications in case of LAN and Wi-Fi connectivity procurement.
  v. Network diagram
  vi. Inspection and acceptance reports.
- The management should adhere and comply to the provision of the public procurement and disposal Act,2005
- The County Executive should recover all the funds paid for without value for money in the transactions.

10.0 Bursary

10.1 Unsupported Bursary Payments

During the year, Kshs.11, 882,944 was paid to various institutions being bursaries for students. However, payment vouchers in support of Kshs.11, 882,944 were not presented for audit verification. The payments were as follows:

Date	Amount (Kshs)	Details
31-May-14	8,100,916.00	Bursary Allocation
30-Jun-14	1,197,083.00	Bursary Allocation
30-Apr-14	2,584,945.00	Bursary Allocation
Total	**11,882,944.00**	

10.2 Governor's Bursary

Included in the bursary paid during the year was Kshs.2,971,000 paid as Governor's bursary to various students. However, records on how the needy students were identified were not availed for audit verification. Further, acknowledgement of receipt of the funds by the institutions was not provided for audit review.

Recommendations

- The management to provide the payment vouchers for audit review.
- Management to ensure that all the bursaries disbursed to various institutions for identified beneficiaries are acknowledged by such institutions.
- Further, the management should put in place policies on how the Governor's bursaries is managed and awarded.
- Recover any unsupported bursary payments from the responsible officers/parties.

11.0 Routine Maintenance- Motor vehicles and other transport equipment

During the financial year 2013-2014, the County paid Kshs.17,905,384 for routine maintenance of motor vehicles and other transport equipment. Included in the payment is Kshs.3, 632,825 paid to various garages for repair and servicing of various motor vehicles. However, inspection report detailing defects and estimated repair costs and subsequently, the post inspection reports for the vehicles were not made available for audit review.

In the circumstances, it was not possible to establish whether there was need to repair the vehicles and whether the repairs were actually carried out on the respective motor vehicles.

Recommendations

- Inspection of motor vehicle should always be carried out before and after the repairs are carried out to ensure appropriate repairs are done and paid for.
- Recover any payments made for services not rendered to the County Executive.

12.0 Unsupported Payables

Creditors schedule presented for audit review revealed an outstanding balance of Kshs. 273,385,327 accruing from expenditure incurred between March 2013 and June 2014.

The following anomalies were observed:

- Included in the schedule were creditors against which the voucher numbers, local purchase orders and /or invoices were not indicated making it difficult to confirm the authenticity of the information amounts or balances.
- Out of the total creditors, Kshs. 136,385,328 related to an amount whose details were not indicated or explained.
- Creditor's ledgers were not maintained.

Recommendations

- The accounting officer should ensure all payables are adequately supported in the financial statements.
- Any unsupported payables should not be paid.

13.0 Human Resource Management

13.1 Staff – Establishment

The County Government did not provide staff establishment for the county and thus it was not possible to establish whether recruitment of employees during the period under review was done within the authorized/approved staff establishment.

13.2 Manual Payroll

During the financial year 2013/2014, some employees were paid salaries amounting to Kshs. 152,311,662 through manual payrolls that were not availed for audit verification.

13.3 Irregular Payment of Salaries

Scrutiny of the monthly payrolls revealed that, the County government paid Kshs.295, 540 between May and November 2014 to a person whose personal file did not exist.

In such circumstances, it was not possible to confirm the existence of the employee and that the amount was proper charge to public funds.

Recommendations

- The management/Accounting officer should present the manual payrolls, prepare and adopt staff establishment and provide explanation on the circumstances under which the name of the person was irregularly added to the payroll.
- Recover the irregularly paid salary of Kshs.295,540 from the responsible officers

14.0 Doubtful legal fees payments

Included in Other Operating Expenses of Kshs.87,278,783 is Kshs.7,499,000 paid for provision of legal services. In support of the payment vouchers were fee notes only. However, copies of instructions were not attached and were not made available for audit verification. It was therefore, not possible to determine whether the money spent on legal services was a proper charge to public funds. The payments were as follows;

Date	PV. No	Chq No	Payee	Amount (Kshs)
26-Nov-13		001281	Nyamu & Nyamu Co. Advocates	1,274,000
26-Nov-13		001281	Nyamu & Nyamu Co. Advocates	850,000
26-Jun-14	3996		Nyamu & Nyamu Co. advocates	2,000,000
26-Jun-14	3996		Nyamu & Nyamu Co.Advocates	2,000,000
24-Apr-14	1899		Nyamu&Nyamu Co.Advocates	1,375,000
			Total	**7,499,000**

Recommendations

- Management should adequately support these payment. They should provide the instructions for the above legal expenses payment for audit review.
- Any unsupported legal payments should be recovered appropriately.

15.0 Non-Current Assets

A fixed assets register for the assets acquired by the County Government since inception was not produced for audit review. It was therefore not possible to ascertain the value, ownership and existence of the assets acquired.
No explanation was given for failure to maintain a fixed assets register.

Recommendation

The County Executive should ensure fixed assets register is maintained and updated regularly.

16.0 Failure to Take Over the Assets and Liabilities of the Defunct Local Authorities'

As previously reported in the special audit report of 5 December 2013, the County Government of Makueni had not taken over assets and liabilities of the three defunct local authorities as at the time of audit in February 2015.

Recommendation

The County Government should expedite on taking over of the assets and liabilities of the defunct local authorities in liaison with the Transition Authority.

Conclusion

The County Government of Makueni had challenges in its first year of operation as regards to setting up other structures, adhering to the existing Public Financial Management Regulation and Procedures, the Public Procurement and Disposal Act 2005 and Regulations 2006 and general human resources management policies and procedures.

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Nairobi

25 May 2015