REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF KERICHO

FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

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REPORT OF THE AUDITOR GENERAL ON FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF KERICHO FOR THE PERIOD I JULY 2014 TO 30 JUNE 2015

EXECUTIVE SUMMARY

Background Information

The Constitution of Kenya, 2010 under Article 176, created the County Government which consists 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 County Assembly of Kericho which is domiciled in Kericho Town has 30 elected and 17 nominated Members and the Speaker all totaling to 48.

Introduction

This management and financial operations audit covers the period 1 July 2014 to 30 June 2015. It was undertaken to assess the adequacy and reliability of the systems of management and financial controls instituted by the management of the County Assembly in running its affairs with emphasis on the utilization of public resources.

Terms of Reference

The Office of the Auditor-General is an independent office mandated by the Constitution under Article 229 to audit the accounts of the National and County Governments. In this regard, the office planned a management and financial operations audit of the County Assembly of Kericho 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 of the County Assembly.
- Assessment of compliance with the procurement laws in process of acquisition of goods or services
- Assessment of compliance with Public Finance Management Act, 2012 in the utilization of public funds.
- Compliance with other relevant laws and regulations
- To ascertain the integrity and reliability of financial and other information used by management in the utilization of public funds.
- 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 offices.
- Review of applicable legislation and regulations.

- Examination of payment vouchers and support documents, cashbooks, vote books, bank statements, bank slips, 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 for 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, expenditures incurred are 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.

The following sections below highlight key audit findings noted during the audit of the financial operations for the year ended 30 June 2015.

KEY AUDIT FINDINGS

1.0 Weak Internal Control System

Evaluation of the internal control systems at the County Assembly disclosed weakness in the following areas:-

i) Payment vouchers were not serially numbered and authorization for payments was not done in most instances.

ii) No dates were indicated on most payments vouchers processed for payment. It was also observed that no examination of the expenditure was carried out before payments were made.

iii) The ledgers and sub-ledgers were not sufficiently maintained to record all financial transactions.

iv) The vote book was not properly updated or fully adhered to thus in some cases expenditures were incurred where funds had already been exhausted.

v) Several payments were made by cash thereby increasing the risk of cash handling and pilferage.

No explanation was given for failure to maintain a strong internal control system.

2.0 Budget Performance Analysis

The approved final budget for the County Assembly was Kshs.578,757,604 with Kshs.569,589,133 (98%) allocated to the recurrent expenditure and Kshs.9,168,471 (2%) to the development expenditure: The County Assembly actual expenditure was Kshs.583,584,592 or Kshs.4,826,993 over the approved budget of Kshs.578,757,604 as follows:

Item	Budgeted Allocation 2014/2015	Actual Expenditure for the year	Actual as % of budget	Actual % of Total Expenditure
Development	9,168,471	7,029,144	77%	1.2 %
Recurrent	569,589,133	574,416,126	101%	99%
Total	**578,757,604**	**583,584,597**	**4,826,993**	100%

The following was noted:-

i) The County Assembly had budgeted Kshs.9,168,471 for development during the year and an expenditure of Kshs.7,029,144 was incurred, However, only an expenditure of Kshs4,126,900 was supported with payment vouchers leaving an expenditure of Kshs.2,902,244 unsupported.

ii) The Assembly underspent on twelve (12) items with a total expenditure of Kshs.64,162,924 and overspent on eleven (11) items with a total of Kshs.68,990,775.

iii) The analysis shows compensation of employees had the highest over expenditure followed by Domestic travel, foreign travel and Rentals. No explanation was provided for the material variations and neither were reallocations regularized through supplementary budget before the end of the financial year.

iv) The County Assembly did not maintain a development cash book as required by the PFM Act, 2012.

3.0 Unexplained Expenditure

According to the approved budget, the County Assembly was allocated Kshs.578,757,604 during the year under review. It was however noted that Kshs.678,657,356 was disbursed to the Assembly by the County Executive as evidenced by bank statements produced for audit examination. Although, it has been explained the actual transfers from the County Executive as per the requisitions was Kshs.579,557,680, bank statements produced for audit reflected transfers of

Kshs.678,657,356 as observed earlier. Out of this amount, the County Executive recovered Kshs.52,800,000 in respect of internal borrowing leaving unexplained expenditure of Kshs.47,099,752 above the budgeted amount of Kshs.578,578,757,604. However, no records were produced for audit examination and it was therefore not possible to ascertain how Kshs.47,099,752 was spent.

4.0 Cash and Bank

The County Assembly operated two (2) bank accounts maintained at the Kenya Commercial Bank KCB) A/c No 1143992032 and the Family Bank A/c No 02200011142 respectively. Examination of banking records produced for audit including certificate of bank balance disclosed that as at 30 June 2015, the cash balance held at Family Bank was Kshs.204,800,000. However, no bank reconciliation statement was prepared and it was therefore, not possible to ascertain the reconciled cash book balance as at 30 June 2015.

5.0 Staff Remuneration / Salaries and Wages

The approved budget for compensation of employees was Kshs.189,678,397. However, examination of the cash book and Payrolls disclosed an expenditure of Kshs.223,195,965 was incurred on basic salaries and personal allowances. The resulting over expenditure of Kshs.33, 517,568 was not explained.

6.0 Reallocation of Funds

The approved budget for refurbishment of buildings was Kshs.5,400,000. However, examination of the cashbook and payment vouchers disclosed that an expenditure on refurbishment of buildings of Kshs.11,760,953 exceed the budgeted amount by Kshs.6,360,953 but no supplementary budget to regularise the expenditure was presented and approved by the assembly. It was further noted that the expenditure was not incurred on refurbishment of buildings as intended but was incurred in payment of allowances to Members of the County Assembly (Kshs.3,750,500), contracted guards (Kshs.5,645,513) and suppliers of goods and services (Kshs.2,188,940) whose details were not provided.

So far no explanation has been given for the reallocation of funds.

7.0 Unsupported Development Expenditure

The Assembly incurred actual development expenditure during the year amounting to Kshs.7,029,144 out of which Kshs.4,126,900 was supported with payment vouchers leaving a balance of Kshs.2,902,244 unsupported.

8.0 Doubtful Expenditure

An expenditure of Kshs.6,619,970 was incurred in respect of Ward Offices rent. However, it was observed that cash payments were made to MCAs instead of the landlords. In addition, it was noted that all MCAs both elected and nominated including

the Speaker were paid the amount but no receipts in acknowledgement of the rent paid were made available for audit verifications.

No explanation was given for payment of Ward Offices rent to MCA's instead of the Landlords. In the circumstances, the propriety of the expenditure could not be confirmed.

9.0 Domestic Travelling and Subsistence Allowance

The County Assembly spent a sum of Kshs.32,460,720 on domestic Travel and Subsistence Allowance out of the budgeted amount of Kshs. 44,229,220 during the year. Although this expenditure was below the budget, this is an item on which the County Assembly could save on so as to deal with other more productive expenditure.

10.0 Payment of Subsistence Allowances

An expenditure of Kshs.2,323,200 was incurred in payment of subsistence allowance to various committee members for sessions held on weekends. No authority of Speaker was presented for audit verification. In the absence of any authority for holding sessions over the weekends the payment of allowances remain illegal.

11.0 Foreign Travelling and Accommodation Allowance

The County Assembly spent a sum of Kshs. 11,771,040 on foreign travels to Uganda by members of the County Assembly. This expenditure fully exhausted the budget allocation for the year on one single trip. Further, no report was prepared as an output for the trip to show how the County Assembly benefited.

In the circumstance, therefore it was not possible to confirm whether the trip was of value to the County Assembly.

12.0 Procurement of Consultancy Services

The County Assembly paid various consultancy firms Kshs.4,238,388 for consultancy services rendered to the Assembly. However, it was noted that consultancy services were procured directly from firms which were not prequalified contrary to the procurement procedures.

No explanation was given for single sourcing of consultancy services.

13.0 Expenditure on Training

M/s Perch Hotel Kisumu, was paid Kshs.2,573,000 for providing accommodation to MCAs during a training workshop held at the hotel. However, no supporting documents such as LSO, Invoice, list of participants and facilitators were attached to the payment voucher to support the expenditure.

In view of the above, the propriety of the expenditure could not be confirmed.

14.0 Procurement of Legal Services

The County Assembly incurred an expenditure of Kshs.2,050,000 on legal fees which was paid to M/s J.K.Kirui and Company. Advocates. The amount was paid vide cheques nos. 641, 698 and 1317 for Kshs.800,000 Kshs.1,000,000, and Kshs.250,000 respectively. It was however observed that the firm had been disqualified during pre-qualification of suppliers and it was therefore not clear how it was irregularly sourced to provide the service.

15.0 Purchases of Fuel on Cash

An expenditure of Kshs.941,123 was incurred in procurement of fuel in cash. However, no fuel register was maintained for the fuel drawn and it was therefore not possible to ascertain the authenticity of the expenditure.

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

16.0 Car and Mortgage Loans Fund

A Service Level Agreement between the Family Bank Limited and the Kericho County Assembly Public Service Board was signed on 31 March 2014 after the enactment of the Kericho County Assembly Members Car Loan Scheme Fund (Regulations 2014) and the Kericho County Assembly Members Mortgage Scheme Fund (Regulations 2014. However, no procurement records were produced for audit verification to ascertain whether Family Bank was competitively sourced to render the service as required by the laid down procurement procedures.

Further, it was observed that the officer administering the fund (The Clerk to the Assembly) had not kept in his custody the log books and original documents of properties acquired through the mortgage scheme as required by the regulations. In addition, books of accounts were not maintained and statement of accounts relating to the fund were not prepared and submitted to the Auditor General as required by section 15 subsection 1 (c) and (d) and section 18 subsection 1(c) and (d) of the Scheme Fund Regulations 2014.

There are very high chances that the County Assembly cannot recover any money from defaulters.

17.0 Sitting Allowance on Department and Oversight Committee

The County Assembly incurred an expenditure of Kshs.42,536,394 in respect of committee sitting allowances during the year. The committee sat in different locations out of the Assembly on diverse dates during the year. However, the payments were made in cash which was carried by the cashier and committee clerks who accompanied the members of committee to the various meeting rooms. The Assembly management did not explain why the payments could not be paid directly into the individual bank accounts. Further it was not clear why the Assembly did not issue temporary Imprests to

the members before the start of the journey. Furthermore the mode of transport and specific dates of the purported meetings/official duties were not indicated.

Consequently, it was not possible to confirm whether or not the meetings/official duties took place.

In the circumstances, the propriety of the expenditure of Kshs.42,536,394 could not be confirmed.

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

Nairobi

20 September 2016

DETAILED AUDIT FINDINGS

1.0 Weak Internal Control System

Evaluation of the internal controls system at the County Assembly disclosed weakness in the following areas:-

vi) Payment vouchers were not serially numbered and authorization for payments was not done in most instances.

vii) No dates were indicated on most payments vouchers processed for payment. It was also observed that no examination of the expenditure was carried out before payments were made.

viii) The vote book and ledgers were not sufficiently maintained to record all financial transactions.

ix) The budgetary control procedures were not fully adhered to thus in some cases expenditures were incurred where funds had already being exhausted.

x) Several payments were made by cash thereby increasing the risk of cash handling

Recommendation

The management should ensure that a strong internal control system is maintained in order to safe guard against loss of public funds. Cash transactions should be minimised and replaced with electronic fund transfer or internet banking.

2.0 Budget Performance Analysis

The approved final budget for the County Assembly was Kshs.578,757,604 with Kshs.569,589,133 (94%) allocated to the recurrent expenditure and Kshs.9,168,471 (2%) to the development expenditures as follows:

Item	Budgeted Allocation 2014/2015	Actual 2014/2015	Actual as % of budget	Actual as % of Total Expenditure
Development	9,168,471	7,029,144	77%	1.2 %
Recurrent	569,589,133	574,416,126	101%	98.5%
Total	**578,757,604**	**583,584,597**	**4,826,993**	

A breakdown of the expenditure in some items revealed under and over expenditure as follows:-

	Budget Kshs	Actual Expenditure	Under Expenditure	Over Expenditure
Compensation of Employee	189,678,379.	223,195,962		33,517,583
Insurance Cost	16,917,144	16,932,206		15,062
Utilities and Supplies and services	140,000	135,010	4,990	
Communication Supplies and Services	585,260	154,407	430,853	
Domestic Travel and Subsistence and Travel cost	44,229,220	49,729,395		5,500,175
Foreign Travel and Subsistence and Travel cost	11,544,240	19,617,615		8,073,375
Printing ,Advertisement & Information Supplies	3,445,116	3,440,596	4,520	
Rentals of Assets	505,000	6,619,970		6,114,970
Training Expenses	20,480,036	7,067,461	13,412,575	
Hospitality Supplies and Services	71,532,513	40,127,523	31,404,990	
Insurance Cost-Build/MV	9,343,026	9,343,026	0	
Specialized Materials and Supplies	3,121,804	2,671,354	450,450	
Office and General Supplies	9,117,824	9,029,310	88,514	
Fuel Oil and Lubricants	10,143,341	13,763,897		3,620,556
Other operating Expenses	21,292,820	20,678,278	614,542	
Routine Maintenance building	0	1,658,077		1,658,077
Routine Maintenance-Vehicles	2,036,986	2,324,712		287,726

Routine Maintenance-Other Assets	1,386,060	1,228,470	157,590	
Government pension and Retirement	873,120	3,569,896		2,696,776
Refurbishment of Building	5,400,000	11,760,953		6,360,953
Purchase of Household &Furniture.	310,000	42,300	267,700	
Purchase of Office Furniture& Equipment.	4,942,526	6,087,508		1,144,982
County Assembly Board	5,564,700	2,438,200	3,126,500	
Car & Mortgage loans	137,000,000	122,800,000	14,200,000	
Development	9,168,471.00	9,168,471		
Total expenditure	**578,757,586**	**583,584,597**		

The following was noted:-

i) The County Assembly had budgeted Kshs.9,168,471 for development during the year under review and an expenditure of Kshs.7,029,144 was incurred. However, only an expenditure of Kshs.4,126,900 was supported with payment vouchers leaving an expenditure of Kshs.2,902,244 unsupported.

ii) The Assembly under spent on twelve (12) items with a total expenditure of Kshs.64,162,924 and overspent on eleven (11) items with a total of Kshs.68,990,775.

iii) The analysis shows compensation of employees had the highest over expenditure followed by Domestic, Foreign travel and Rentals. No explanation was provided for the material variations and neither were reallocations regularized through supplementary budget before the end of the financial year.

iv) The County Assembly did not maintain a development cash book as required by the PFM Act, 2012.

3.0 Unexplained Expenditure

According to the approved budget, the County Assembly was allocated Kshs.578,757,604 during the year under review. It was however noted that Kshs.678, 657,356 was disbursed to the assembly by the County Executive as evidenced by bank statements produced for audit examination. Although it has been explained the actual

transfers from the County Executive as per the requisitions was Kshs.579,557,680, bank statements produced for audit reflected transfers of Kshs.678,657,356 as observed earlier. Out of this amount, the county executive recovered Kshs.52, 800,000 in respect of internal borrowing leaving unexplained expenditure of Kshs.47,099,752 above the budgeted amount of Kshs.578,578,757,604. However, no records were produced for audit examination and it was therefore not possible to ascertain how Kshs.47, 099,752 was spent. **See Appendix I.**

In the circumstances, the propriety of the expenditure of Kshs.47, 099,752 could not be confirmed.

Recommendations

i) The management of the County Assembly should ensure that its operations are within the ambit of the approved budget.

ii) The expenditure of Kshs. 47, 099,752 should be justified as a proper charge to public funds.

4.0 Cash and Bank

The County Assembly operated two (2) bank accounts maintained at the Kenya Commercial Bank KCB) A/c No 1143992032 and the Family Bank A/c No 02200011142 respectively. Examination of banking records produced for audit including certificate of bank balance disclosed that as at 30 June 2015, the cash balance held at Family Bank was Kshs.204, 800,000.However, no bank reconciliation statement was prepared and it was therefore not possible to ascertain the reconciled cash book balance as at 30 June 2015. Further, examination of the cashbook for the KCB account disclosed the following anomalies:

4.1 Cash Transactions/Payments

During the financial period under review, it was noted that the Kericho County Assembly made most of the payments to MCAs by cash even though they received their salaries through the bank. It was however not explained why the allowances were not paid to the individual bank accounts of the staff and the MCA's as expected to minimize the risk of misuse of funds.

Recommendation

The County Assembly should desist from cash transactions but instead make payments directly to staff and MCAs bank accounts to minimize the risk of cash handling.

4.2 Unaccounted for Cash Withdrawals

Examination of the cash book disclosed that the County Assembly withdrew cash for office use of Kshs.2,438,420 vide cheques No 872 on 05 November 2014. However,

folios 35 and 36 of the cashbook reflected an expenditure of Kshs.1,274,412 therefore a sum of Kshs.1,164,008 was not accounted for.

4.3 Bank Reconciliation Statement

The bank reconciliation statement as at 30 June 2015 reflected payments in the Cashbook not recorded in bank statement totalling Kshs.4,161,847.Out of this amount, Kshs.901,700 was in form of stale cheques dating back to December 2014.

No explanation was given for failure to validate the cheques or write them back to cashbook.

In addition, receipts in cashbook not in bank statement totalling Kshs.1,102,654 included an amount of Kshs.1,101,034 relating to unpaid cheque of 18 December 2013. However, the source of the unpaid cheque and payee could not be established as the cheque was not in the custody of the cashier. It was also not explained why the cheque had not been replaced by the drawer since December 2013. No explanation has been given for the anomalies to date.

Recommendations

i) The management should ensure that bank reconciliation for the account maintained at the family bank is prepared.

ii) Electronic / internal banking should be adopted

iii) Cash withdrawals for payment of subsistence allowances to staff and members of the County Assembly should be stopped forthwith and all payments of allowances be made through the bank accounts of the individuals.

iv) The unaccounted for cash withdrawn totalling Kshs.1,164,008 and the unpaid cheque of Kshs.1,101,034 should be accounted for.

5.0 Staff Remuneration / Salaries and Wages

The approved budget for compensation of employees was Kshs.189,678,397. However, examination of the cash book and payrolls disclosed an expenditure of Kshs.223,195,965 was incurred on basic salaries and personal allowances The resulting over expenditure of Kshs.33,517,568 was not explained.

Recommendation

The management should ensure that its activities are within the approved budget.

6.0 Reallocation of Funds

The approved budget for refurbishment of building was Kshs.5,400,000 However, examination of the cashbook and payment vouchers disclosed that an expenditure on refurbishment of buildings of Kshs.11,760,953 **(Appendix II)** was incurred which

exceeded the budgeted amount by Kshs.6,360,953 but no supplementary budget to regularise the expenditure was presented and approved by the assembly. It was further noted that the expenditure was not incurred on refurbishment of buildings as intended but was incurred in payment of allowances to Members of the County Assembly (Kshs.3,750,500), contracted guards (Kshs.5,645,513), and suppliers of goods and services (Kshs.2,188,940) whose details were not provided.

So far no explanation has been given for the reallocation of funds.

Recommendation

The management should ensure that the provisions of the Public Finance Management Act, 2012 and Public Procurement and Assets Disposal 2015 are adhered to.

7.0 Unsupported Development Expenditure

The Assembly incurred actual development expenditure during the year amounting to Kshs.7,029,144 out of which Kshs.4,126,900 was supported with payment vouchers leaving a balance of Kshs.2,902,244 unsupported.

8.0 Doubtful Expenditure

An expenditure of Kshs. 6,619,970 (**Appendix III**) was incurred in respect of Ward Offices rent. However, it was observed that cash payments were made to MCAs instead of the landlords. In addition, it was noted that all MCAs both elected and nominated including the Speaker were paid the amount but no receipts in acknowledgement of the rent paid were made available for audit verifications.

No explanation was given for payment of Ward Offices rent to MCA's instead of the Landlords .In the circumstances, the propriety of the expenditure could not be confirmed

Recommendation

The management should ensure that rent for Ward Offices is paid to the landlords only and amount paid inform of Ward Offices rent be recovered from the payee as no evidence was produced to confirm the rent was paid.

9.0 Domestic Travelling and Subsistence Allowance

The County Assembly spent a sum of Kshs.32,460,720 on domestic travel and subsistence allowance out of the budgeted amount of Kshs. 44,229,220 during the year. Although this expenditure was below the budget, this is an item on which the County Assembly could save on so as to deal with other more productive expenditure. Further committee meetings should be held within the premises of the Assembly to reduce the cost of travel and accommodations, the time and logistics required to do so.

Recommendation

Government financial regulations should be adhere to avoid loss of public funds.

10.0 Payment of Subsistence Allowances

An expenditure of Kshs.2,323,200 (**Appendix IV**) was incurred in payment of subsistence allowance to committee members for sessions held on weekends. However, no explanation was given for holding sessions over the weekends to justify the payment of allowances.

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

Recommendation

The payment of allowances for committee sessions held on weekends should be justified to avoid loss of public funds.

11.0 Foreign travelling and Accommodation Allowance

The County Assembly spent a sum of Kshs.11,771,040 on foreign travels to Uganda by members of the County Assembly. This expenditure fully exhausted the budget allocation for the year on one single trip. Further, no report was prepared as an output for the trip to show how the County Assembly benefited. In the circumstances, therefore it was not possible to confirm whether the trip was of value to the County Assembly.

12.0 Procurement of Consultancy Services

The County Assembly paid various consultancy firms Kshs.4,238,388 (**Appendix V**) for consultancy services rendered to the Assembly. However, it was noted that the consultancy services were procured directly from firms which were not prequalified contrary to the procurement procedures.
No explanation was given for single sourcing of consultancy services

Recommendation

The management should ensure that services are competitively sourced as required by the procurement procedures and regulations.

13.0 Unsupported Expenditure on Training

M/s Perch Hotel Kisumu, was paid Kshs.2,574,090 (**Appendix VI**) for providing accommodation to MCAs during a training workshop held at the hotel. However, no supporting documents such as LSO, Invoice, list of participants and facilitators were attached to the payment voucher supporting the expenditure. It was also not explained why the training was held in Kisumu.

In view of the above, the propriety of the expenditure could not be confirmed.

Recommendation

The management of the County Assembly should ensure that any expenditure incurred by the assembly is properly supported.

14.0 Procurement of Legal Services

The County Assembly incurred an expenditure of Kshs.2,050,000 on legal fees which was paid to M/s J.K.Kirui and Company Advocates. The amount was paid vide cheque nos. 641 for Kshs.800,000, 698 for Kshs.1,000,000, and 1317 for Kshs.250,000 respectively.

It was however observed that the firm had been disqualified during pre-qualification of suppliers and it was therefore not clear how it was sourced to provide the service.

Recommendation

The County Assembly should source its services from pre-qualified suppliers in order to promote transparency in the procurement process.

15.0 Purchases of Fuel on Cash

An expenditure of Kshs.941,123 was incurred in procurement of fuel in cash **(Appendix VII)**. However, the following unsatisfactory matters were observed:-

i) Some of the cash sales supporting the payments did not have details of the motor vehicles which drew the fuel.

ii) Some fuel was drawn by members of the County Assembly personal cars.

iii) The cash purchases of fuel was not supported with imprest warrants and therefore the source of funding could not be established.

iv) No fuel register was maintained for the fuel drawn and it was therefore not possible to ascertain if the fuel was drawn or not.

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

Recommendation

The procurement of fuel should be made from contracted suppliers and in the event some activities are conducted outside the duty station, imprest should be issued to the team leader or any member of the delegation.

16.0 Car and Mortgage Loans Fund

A Service Level Agreement between the Family Bank Limited and the Kericho County Assembly Public Service Board was signed on 31 March 2014 to enable members of the scheme to access loan facilities under Car and Mortgage loans scheme. According

to the agreement, the bank was obligated to give monthly reports advising the Assembly of all monies disbursed. As at 29 December 2014, the Family Bank reported that forty eight (48) members had been issued with loans totalling Kshs.199,000,000 out of the total disbursement of Kshs.204,800,000. The bank gave a similar report as at 30 December showing no further movement of the funds. It was however noted that the bank did not adhere to the monthly reporting as required by section 5(c) of the Service Level Agreement.

The scheme fund was to earn an interest of 3% which was to be credited to the capital fund in accordance with section 2.1 of the agreement. However, the certificate of bank balance as at 30 June 2015 reflected a balance of Kshs.204,800,000 reported as at 31 December 2014, a clear indication that the 3% of Kshs.204,800,000 which is Kshs.6,144,000 had been credited to the capital fund as at 30 June 2015.

Further, the officer administering the fund had not kept the duly executed loan documents in his custody as required by the scheme. No explanation was given for failure to manage the fund as required by the regulations.

In the circumstance, the public funds disbursed through the scheme were predisposed to the risk of default without any recourse to the defaulter as the loans were not properly guaranteed.

Recommendation

The management should ensure that logbooks and original documents relating to property financed by a loan from the fund are kept in the custody of the officer administering the fund.

17.0 Expenditure on Committee Expenses

The County Assembly incurred an expenditure of Kshs.42,536,394 in respect of committee expenses during the year under review (**Appendix VIII).** It was observed that the amount was paid to MCAs and staff purported to have travelled on official duties to various stations on diverse dates during the year. However, it was noted that the payments were made in cash but no evidence was produced for audit to confirm temporary Imprests had been issued to the payees and therefore it was not possible to ascertain how the amount was accounted for. Further, the nature and specific dates of the purported meetings/official duties were not disclosed and consequently, it was not possible to confirm whether the meetings/official duties took place or not. In addition, some of the schedules attached to support the payments were not signed by the payees and thus casting doubts on the authenticity of the expenditure.
In the circumstances, the propriety of the expenditure of Kshs.42,536,394 could not be confirmed.

Recommendation

The management should ensure that no expenditure is incurred on payment of travelling and subsistence allowances without prior issuance of temporary imprest which should be surrendered or accounted for as required by the laid down financial procedures and regulations.

Conclusion

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

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

Nairobi

20 September 2016