REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF KIRINYAGA

FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

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REPORT OF THE AUDITOR GENERAL ON FINANCIAL OPERATIONS OF THE COUNTY ASSEMBLY OF KIRINYAGA FOR THE PERIOD 1 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 Kirinyaga County Assembly which is domiciled in Kerugoya Town has twenty (20) elected and nine (9) nominated Members, all totalling to twenty nine (29).

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 Kirinyaga for the period 1July 2014 to 30June 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, 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 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 Budget Performance Analysis

The approved final budget for the County Assembly of Kirinyaga was Kshs.360,511,497 with Kshs.309,772,239 allocated to the recurrent expenditure and Kshs.50,739,258 to the development expenditure as follows;

	Budgeted Allocation 2014/2015	**Actual Expenditure inclusive of expenditure incurred by the executive on behalf of Assembly's 2014/2015**	**% level of absorption rate**	**Over expenditure (Kshs.)**	**Under Expenditure (Kshs.)**
Recurrent Expenditure	309,772,239.00	411,680,118.00	132%	101,907,879.00	-
Development Expenditure	50,739,258.00	8,144,457.00	16%	-	42,594,801.00
Total	360,511,497.00	419,824,575.00		101,907,879.00	42,594,801.00

The following were noted;

(i) The actual development expenditure was Kshs.8,144,457.00 against a budget of Kshs.50,739,258.00 achieving an absorption rate of 16% while actual recurrent

expenditure was Kshs.411,680,118.00 against the approved budget of Kshs.309,772,239.00 exceeding the approval expenditure by 132%.

(ii) However, audit verification revealed that in addition to the expenditure incurred against the Assembly's budget, the County Government through the Ministry of Finance and Economic planning re-allocated from their expenditure vote an additional Kshs.125,392,428 to the County Assembly to cater for expenses on salaries, travel costs, rent and rates, training expenses, board committees, insurance and general office expenses. The total over expenditure in the assembly for the year was therefore Kshs.101,907,879.00

(iii) The allocated extra Kshs.125,392,428 to the assembly during the year had not been regularized through a supplementary budget as at 30 June 2015.

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

2.0 Car Loan and Mortgage facilities for Members of the County Assembly (MCAs)

2.1 Irregular procurement of the car loan and mortgage facility administration services

The County Assembly appointed Fortune S.A.C.C.O to manage the car loan and mortgage scheme for the members of County Assembly on 5 June 2015. It was however noted that there was no notice advertised inviting various financial institutions to submit expression of interest for administration of the car loan and mortgage scheme as per section 76 and 78(3) of the Public Procurement and Disposal Act, 2005. Further, tender opening, evaluation and award minutes were not availed for audit verification. The basis upon which the Assembly contracted Fortune S.A.C.C.O to administer the car loan and mortgage scheme was therefore not clear. Consequently, the Assembly was in breach of the law.

2.2 Inadequacies in log books and title deeds

It was a condition of the loan that for the ownership of the car and mortgage, the respective logbooks and title deeds were to bear the names of the County Assembly and members of the scheme as required by Section 15 (2) of the Kirinyaga County Assembly Service Board Mortgage (Scheme) Fund Regulation 2015 and Section 8 (2) of the Kirinyaga County Assembly Service Board Car Loan (Scheme) Fund Regulations 2015. However, it was noted that the log books and title deeds issued were not jointly in the names of the County Assembly and members of the scheme but was in the names of third parties or jointly in the names of Members of County Assembly and third parties rather than being issued in the names of the Members of the County Assembly and the County Assembly itself. The County Assembly was therefore in breach of the mortgage fund regulations and the County Assembly service board car loan scheme regulations.

2.3 Defaulting in payment of car loan and mortgages

As at 30 June 2015, twenty two (22) Members of County Assembly had defaulted on repayment of Kshs. 7,425,960 on Car Loan and Mortgage. However, no action had been

taken against the affected members in the effort to make recoveries. It was also noted that the Sacco and Assembly management had no mechanism in place to ensure that recoveries from the defaulters are effected in time.

The County Assembly risks losing funds from the scheme if defaulters are not properly managed.

2.4 Loss of investments income

2.4.1 Loss of revenue from reinvested recoveries of loans by Fortune S.A.C.C.O

Records availed for audit indicated Fortune S.A.C.C.O recovered and reinvested Kshs.35,949,142 from members as part of the loan repayments. Based on the Kenya Bank Reference Rates (K.B.R.R) of 8.54% as at 30 June 2015 issued by the Central bank to guide the interest rates charges to the public by various commercial banks, the Assembly lost an estimated Kshs.3,070,057 for the year ended 30 June 2015 in interest income from possibly reinvested loan recoveries by the S.AC.C.O. Audit verification revealed that there was no provision on what proportion of income the County Assembly was to get from the return on investments made on recovered car loan and mortgage by Fortune S.A.C.C.O. As a result, the Assembly did not prudently manage the fund.

2.4.2 Loss of revenue from interest charged on loans

The interest income accruing from outstanding loans to the members of the scheme was not credited to the capital fund. Interest at the rate of 3% per annum was chargeable from members on outstanding loan balances to cater for the cost of administering the grant fund and loan accounts as provided in section 15(1) of the car loan and mortgage regulations 2014. The interest that accrued to the fund per month totalled Kshs. 4,400,000 on outstanding loans was supposed to be credited to the capital fund. Consequently, the Assembly might have lost revenue due to the scheme.

3.0 Human Resource Audit

3.1 Lack of staff establishment

Kirinyaga County Assembly did not have an approved staff establishment and optimal staffing levels for all cadres of staff, contrary to the requirement of Section B 5 (2) and Section B 6(3) of the County Public Service Human Resource Manual and Transition Authority Circular Ref No TA/2 / dated 18 December 2013 and Section 24 of Transition to Devolved Government Act 2012. Further, the Assembly did not have approved human resource policy. Consequently, the basis for declaring vacancies, advertising and subsequent recruitment could therefore not be established.

3.2 Irregularities in the Staff Recruitment Process

During the year under review, the County Assembly recruited thirty nine (39) staff for various positions. Review of the recruitment records such as the advertisements, applications forms, application register, lists of shortlisted candidates, candidates academic and professional

certificates, curriculum vitae, lists of appointed candidates and appointment letters issued revealed irregularities in the recruitment process as follows:

i) Appointing candidates for positions they did not apply e.g. a candidate who had applied for the post of telephone operator (Job Group L) but appointed as Administrative Assistant/Secretary (Job Group N);

ii) Due to lack of a scheme of service, it was noted that the recruited staff with different educational levels and experience were placed in the same job group e.g. the position of principal clerk assistant was placed in job group N together with first clerk assistant, yet first clerk assistant did not require any experience but principal clerk assistant required 3 years' experience. The two positions required degree certificates. On the other hand, administrative assistants were placed in Job Group N yet the position required diploma holders. These irregularities and anomalies in placing candidates in various positions were acknowledged in human resource board paper number 1 on harmonization of employee grading with Salaries and Remuneration Commission and Public Service Commission;

iii) Having different designations in appointment letter and the pay slip. For example, the pay slip of the officer appointed as legal officer as per the appointment letter reads Senior Administrative Officer;

iv) Failure to achieve 30% ethnic diversity in the recruitment process. Out of the 39 newly appointed officers, no person from non-dominant community in the County was appointed.

In the circumstances, the Assembly was in breach of the law.

3.3 Unremitted/Unpaid PAYE

The County Assembly did not remit to the statutory body PAYE deducted from staff which amounted to Kshs.2,896,939 during the year under review. As a result, the Assembly risks incurring penalties.

3.4 Payment of Salaries Outside the I.P.P.D Payroll

The County Assembly of Kirinyaga paid salaries amounting Kshs. 41,807,342 to 129 ward staff outside the I.P.P.D system in the 2014/2015 financial year. These ward staff were employed in September 2013. There was therefore no justification for the use of manual payment vouchers since the ward staff were on 5-year contract.

3.5 Use of Inflated rates to pay for plenary sittings

Examination of payment schedules on plenary sittings revealed several Members of the County Assembly other than the Speaker were paid using the rates used to pay the Chairpersons and Vice Chair Persons of various committee of Kshs.6,500 and Kshs.5,200 respectively during plenary sessions instead of the official rate of Kshs.3,900 per sitting. Use

of the inflated rates to pay for plenary sittings resulted to an over-payment in sitting allowances by Kshs.4,292,200. The overpaid amount should be recovered from the members of the County Assembly.

3.6 Expenditure on excessive committee meetings and plenary sitting allowances

Kirinyaga County Assembly paid Members of County Assembly excessive sitting allowances by Kshs.8,838,500 in year 2014/2015. Thirteen (13) MCAs were paid for combined 4,590 sittings instead of allowed maximum 4,368 sittings based on maximum committee session and plenary sitting that should have been paid in a week of 8 sittings or 32 sitting in a month translating to 336 sittings in a year. Consequently, thirty members earned allowances exceeding the maximum amount of Kshs.124,800 per month authorized by Salaries and Remuneration Commission. The Assembly might have lost KShs.8,838,500 in excess sitting allowances paid to MCAs. The overpayment should be recovered from the concerned members of Assembly.

4.0 Procurement issues

4.1 Irregular Procurement of conferencing facilities from non- prequalified suppliers

Records of Kirinyaga County Assembly's transactions for the 2014/2015 financial year showed that the County Assembly traded with suppliers who were not in the pre-qualified list. A total of Kshs.2,594,568 was incurred on this expenditure. The county assembly was therefore in breach of the procurement regulations.

4.2 Un-procedural evaluation and award of Medical Insurance Tender

It was noted that the tender committee of the County Assembly of Kirinyaga carried out the technical and financial evaluation of the medical insurance cover tender in the tender committee meetings held on 16 and 22 October, 2014.
After performing technical and financial evaluation, the tender committee awarded the tender for Kshs.7,469,804 in the same meeting.

It was irregular for the tender committee to perform technical and financial evaluation as this was the mandate of the tender processing committee. The County Assembly was therefore in breach of the procurement regulations.

5.0 Opening and operation of bank accounts for ward offices without proper authority and accountability process

It was noted that each ward of the County Government operated a bank account where the operation funds amounting to Kshs.40,000.00 for the wards were being deposited. The signatories were the ward staff employed by the assembly. However, it was noted that the county assembly finance department was not being involved in the running of the bank accounts and therefore the accountability process of how the funds were being spent could not be confirmed. Further, there were no cash books maintained in the ward during the year. In addition, approval or authority from the county treasury was not sought when the twenty (20) bank accounts were being opened.

The county assembly is highly exposed to various malpractices due to non -involvement of assembly finance department in the running of the bank accounts at the ward levels.

6.0 Committee matters

6.1 Meetings without substantive agenda and duplication of Minutes

Review of committee meeting minutes revealed lack of substantial agenda and duplication in the contents of minutes. For example, review of County Assembly Service Board minutes for the meeting held on 26 January 2015 and meeting held on 23 January 2015 revealed duplication of Minute 204 /26/1/2015 to Minute 208/26/1/2015 which were similar to Minute 199/23/01/2015 to Minute 202/23/01/2015 word by word. The County Assembly Public Health and Sanitation Committee meeting minutes for the meeting held on 23 June 2015 were also similar to the County Assembly Public Health and Sanitation Committee meeting minutes for meeting held on 16 June 2015. Consequently, the public might have lost money through unnecessary sitting allowances.

6.2 Inappropriate travel and accommodation allowances

During the year, the County Assembly incurred travel and accommodation expenditure of Kshs.63,611,922 for various committees' members incurred in respect of report writing retreats in hired hotels/institutions particularly in Nairobi and Embu. The work and discussions that took place at these seminars included discussing bills, discussing Acts, County planning and budgeting, capacity building, vetting of executive committee nominees and trainings which could have been conducted at the Kirinyaga County Assembly offices and therefore reduce cost. Further, transport was being paid at a flat figure of Kshs.4,000 and in some instances, members were being paid millage allowance as per AA rates.

The allowances appeared excessive since the deliberations of the meetings could have been done within the county and thus saving the public funds which could have been channeled to other development areas.

7.0 Lack of Audit Committee

During the financial period under review, the County Internal Auditor did not have a committee to report to and has been addressing reports to the Clerk. The findings of the Internal Audit could not be enforced since independence of the office was compromised. Failure to constitute independent audit committee weakens the effectiveness of the internal audit department since the recommendations made by the department reports are required to be deliberated and enforced through the independent audit committee.

8.0 Commitments / Pending Bills

Records provided for audit revealed that the County Assembly had pending bills amounting to Kshs.46,723,230.00 as at 30 June 2015. No reason was provided as to why the bills were not cleared during the financial year. Further these debts were not supported with relevant invoices and contract agreement.

9.0 Unresolved Prior Year Matters

9.1 Irregular Procurement of Conference and Facilitation Services

The County Assembly irregularly procured the services of conferences and facilitation services for a total of Kshs.4,728,500.00 during the financial year 2013/2014. However, the suppliers contracted were not in the list of the prequalified suppliers of goods and services in that financial year. The matter remains unresolved as of 30 June 2015.

9.2 Unconfirmed conference services and facilitation fees

During the financial year 2013/2014, a total of Kshs.7,545,292.00 was paid to various firms in respect of conference services and facilitation fees without signed lists of daily attendance, seminars programmes of activities, timetable etc. The required documents were still missing as of 30 June 2015.

9.3 Unsupported Expenditure on Foreign Trips

During the financial year 2013/2014, the Assembly paid travel and subsistence allowances amounting Kshs.25,937,623 for facilitating the MCA's and County Assembly staff on foreign travel. However, out of the total payments made expenditure totaling Kshs.23,280,432 was not supported by the travel documents. The over-paid amount had not been recovered from MCAs by 30 June 2015.

9.4 Speakers House Refurbishment

In 2013/2014, the County Assembly undertook the refurbishment of the Speakers House at a cost of Kshs.6,253,135.40. The Assembly irregularly used restricted tendering method of procurement to source for the contractor of this project. The house was not ready for occupation as at July 2014 despite the house being completed.

9.5 Wasteful Expenditure on Domestic Travel

The County Assembly paid total of Kshs.9,896,040.00 to MCAs and staff being subsistence allowances and travel expenses while attending seminars and workshops in various destinations within the country during financial year 2013/2014. The payment were not supported by travel documents and remained unrecovered from MCAs as of 30 June 2015.

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

Nairobi

22 September 2016

DETAILED AUDITOR-GENERAL'S REPORT ON FINANCIAL OPERATIONS OF THE COUNTY ASSEMBLY OF KIRINYAGA FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

KEY AUDIT FINDINGS

1.0 Budgetary performance (Unauthorized expenditure)

The approved recurrent budget for the Kirinyaga County Assembly was originally an amount of Kshs 482,916,163.00 for the financial year 2014/2015. It was later adjusted to Kshs.309,772,239.00 through a supplementary budget during the year. However, audit verification revealed in addition to expenditure incurred against the Assembly's budget, the County Government through the Ministry of Finance and Economic Planning also paid for various goods and services amounting to Kshs.125,392,428.00 on behalf of the County Assembly thus incurring additional expenditure of Kshs.125,392,428.00 without approval from the Commission on Revenue Allocation and Controller of Budget. Consequently, the county was in breach of the law. Details as per **Appendix 1.**

2.0 Car Loan and Mortgage facilities for Members of the County Assembly (MCAs) Non Compliance with Relevant Acts and Regulations

2.1 Irregular procurement of car loan and mortgage facility administration

The County Assembly entered into a Memorandum of Understanding (M.O.U) with Fortune S.A.C.C.O for implementation of the Car loan and Mortgage schemes on 24 November, 2014. Subsequently, the Assembly appointed Fortune S.A.C.C.O on 5 February 2015 to manage the car loan and mortgage scheme. It was however noted that there was no notice advertised inviting various financial institutions to submit expression of interest for administration of the car loan and mortgage scheme as per section 76 and 78(3) of the Public Procurement and Disposal Act, 2005. Further, tender opening, evaluation and award minutes were not availed for audit verification. The basis upon which the Assembly contracted Fortune S.A.C.C.O to administer the car loan and mortgage scheme was therefore not clear. Consequently, the Assembly was in breach of the law.

Recommendation

The County assembly should ensure that procurement of financial services is done in accordance with the Public Procurement and Disposal Act, 2005 by ensuring that the laid down rules and regulations are adhered to.

2.2 Inadequacies in log books and title deeds

Log books and title deeds were not jointly issued in the names of the County Assembly and members of the scheme as required by Section 15 (2) of the Kirinyaga County Assembly Service Board Mortgage (Scheme) Fund Regulation 2015 and Section 8 (2) of the Kirinyaga County Assembly Service Board Car Loan (Scheme) Fund Regulations 2015.

Log books and title deeds were either in the names of third parties or jointly in the names of Members of County Assembly and third parties rather than being issued in the names of the

Members of the County Assembly and the County Assembly. See **Appendix 2** for details. In the circumstance, the Assembly might not be able to recover the security in case of default.

Recommendation

The County assembly should ensure that all log books and title deeds are jointly issued in the names of both the assembly and the respective Member of County Assembly.

2.3 Defaulting in payment of car loan and mortgages

As at 30 June 2015, twenty two (22) Members of County Assembly had defaulted on payment of Kshs. 7,425,960 on Car Loan and Mortgage. Mechanisms put in place by the S.A.C.C.O and the assembly management for recovery of the defaulted amount was not verified since there was no action that had been taken against the affected members. (see **Appendix 3)**

Recommendation

The County Assembly should ensure proper valuation and insurance of the cars and properties acquired by the members of the county assembly through the scheme.

2.4 Loss of investments income

2.4.1 Loss of revenue from reinvested loan recoveries

It was noted that Fortune S.A.C.C.O recovered and reinvested Kshs.35,949,142 from members as part of the loan repayments. Based on the Kenya Bank Reference Rates (K.B.R.R) of 8.54% as at 30 June 2015 issued by the Central bank to guide the interest rates charges to the public by various commercial banks, the Assembly lost an estimated Kshs.3,070,057 per month in interest income from reinvested loan recoveries by the S.AC.C.O.i.e (KShs.35,949,142.00*8.54%). Audit verification revealed that there was no provision on what proportion of income the County Assembly was to get from the return on investments made on recovered car loan and mortgage by Fortune S.A.C.C.O.

Recommendation

The County assembly should ensure that a share of the investment income is ploughed back to the fund to facilitate capital growth and hence minimize the effect of inflation to the fund.

2.4.2 Loss of revenue from interest charged on loans

The interest income accruing from outstanding loans to the members of the scheme was not credited to the capital fund. Interest at the rate of 3% per annum was chargeable from members on outstanding loan balances to cater for the cost of administering the grant fund and loan accounts as provided in section 15(1) of the car loan and mortgage regulations 2014. The interest that accrued to the fund per month totaled Kshs.4,400,000 on outstanding loans was supposed to be credited to the capital fund. i.e (148,000,000*0.03). Consequently, the Assembly might have lost revenue to the scheme.

Recommendation

The Fund administrator should ensure that interest is charged on the outstanding loan balances and the interest earned credited to the fund.

3.0 Human Resource Audit

3.1 Lack of staff establishment

Kirinyaga County Assembly did not have an approved staff establishment and optimal staffing levels for all cadre of staff. contrary to the requirement of Section B 5 (2) and Section B 6(3) of the County Public Service Human Resource Manual and Transition Authority Circular Ref No TA/2 / dated 18 December 2013 and Section 24 of Transition to Devolved Government Act 2012. Further, the Assembly did not have approved human resource policy. Consequently, the basis for declaring vacancies, advertising and subsequent recruitment could therefore not be established.

Recommendation

Comprehensive workload and skills assessment should be done and optimal staffing levels be established. Approved staff establishment should also be developed.

3.2 Irregularities in the Staff Recruitment Process

During the year under review the County assembly recruited thirty nine (39) staff for various positions. Review of the recruitment records such as the advertisements, applications forms, applications register, lists of shortlisted candidates, candidates academic and professional certificates, curriculum vitae, lists of appointed candidates and appointment letters issued revealed irregularities in the recruitment process as follows:

i) Appointing candidates who did not process required qualifications as per the advertisement such as the position of legal officer, principal clerk assistant, I.C.T Officer and telephone operators;

ii) Appointing candidates for positions they did not apply e.g. a candidate who had applied for the post of telephone operator (Job Group L) but appointed as Administrative Assistant/Secretary (Job Group N);

iii) Due to lack of a scheme of service, it was noted that the recruited staff with different educational levels and experience were placed in the same job group e.g. the position of principal clerk assistant was placed in job group N together with first clerk assistant, yet first clerk Assistant did not require any experience but principal clerk assistant required 3 years' experience. The two positions required degree certificates. On the other hand, administrative assistants were placed in Job Group N yet the position required diploma holders. These irregularities and anomalies in placing candidates in various positions were acknowledged in human resource board paper number 1 on harmonization of

employee grading with Salaries and Remuneration Commission and Public Service Commission;

iv) Having different designations in appointment letter and the pay slip. For example, the pay slip of the officer appointed as legal officer as per the appointment letter reads Senior Administrative Officer;

v) Appointing candidates whose applications were neither recorded in the application register nor among shortlisted candidates listed in the Daily Nation dated 20 May 2014 for the legal officer and the principal clerk assistant position;

vi) Failure to achieve 30% ethnic diversity in the recruitment process. Out of the 39 newly appointed officers, no person from non-dominant community in the County was appointed.

In the circumstances, the Assembly was in breach of the law. See **Appendix 4** for details.

Recommendations

i) County Public Service Board should appoint only qualified candidates as per the job requirements set out in the advertisement;

ii) A candidate should only be appointed for the position applied for to enhance fairness in the recruitment process;

iii) The County Assembly should identify the right job groups and job requirements for different levels and cadres of staff;

iv) Job designation in the pay slip should agree with the designation in the appointment letter;

v) The County Assembly Service Board should not appoint candidates who did not apply or who were not shortlisted for the relevant position.

3.3 Unremitted/Unpaid PAYE

The County Assembly deducted Kshs.2,896,939 from its employees being PAYE. However, the Assembly did not remit/pay to Commissioner of Income Tax as required by law. As a result, the Assembly risks incurring penalties.

Recommendation

The County Assembly should pay the unpaid PAYE accordingly.

3.4 Payment of Salaries Outside the I.P.P.D Payroll

The County Assembly of Kirinyaga paid salaries amounting Kshs. 41,807,342 to 129 ward staff outside the I.P.P.D system in the 2014/2015 financial year. These ward staff were

employed in September 2013 and there was therefore no justification of using manual payment vouchers since the ward staff were on 5-year contract.

Recommendation

All salaries on permanent and contract staff should be paid through I.P.P.D payroll system.

3.5 Use of Inflated rates to pay for plenary sittings

Examination of payment schedules on plenary sittings revealed several Members of the County Assembly other than the Speaker were paid using the rates used to pay the Chairpersons and Vice Chair Persons of various committees of Kshs.6,500 and Kshs.5,200 respectively during plenary sessions. Use of the inflated rates to pay for plenary sittings resulted to an over-payment of sitting allowances by Kshs.4,292,200. See **Appendix 5** for details.

Recommendation

The County assembly should recover the amount paid irregularly.

3.6 Expenditure on excessive meetings

Kirinyaga County Assembly paid Members of County Assembly excessive sitting allowances by Kshs.8,838,500 in year 2014/2015. Thirteen(13) MCAs were paid for combined 4,590 sitting allowances instead of allowed maximum 4,368 sitting allowances based on maximum committee session and plenary sitting that should have been paid in a week of 8 sittings or 32 sittings in a month translating to 336 sittings in a year. Consequently, thirty members earned allowances exceeding the maximum amount of Kshs.124,800 per month authorized by Salaries and Remuneration Commission. The Assembly might have lost KShs.8,838,500 in excess sitting allowances for the year ended 30 June 2015. See **Appendix 6** for details.

Recommendation

The sitting allowance paid should not exceed the maximum allowed number of sittings.

4.0 Procurement of conferencing facilities from non- prequalified suppliers

Records of Kirinyaga County Assembly's transactions for the 2014/2015 financial year showed that the County Assembly traded with suppliers who were not in the pre-qualified list. A total of Kshs.2,594,568 was incurred on this expenditure. The county assembly was therefore in breach of the law. See **Appendix 7** for details.

Recommendation

The County Assembly of Kirinyaga should procure from the suppliers who have been identified through a prequalification process.

5.0 Opening and operation of bank accounts for ward offices without proper authority and accountability process

It was noted that each ward of the County Government operated a bank account where the operation funds amounting to Kshs.40,000.00 for the wards were being deposited. The signatories were the ward staff employed by the assembly. However, it was noted that the County assembly finance department was not being involved in the running of the bank accounts and therefore the accountability process of how the funds were being spent could not be confirmed. Further, cash books were not maintained in the wards during the year. In addition, approval or authority from the County Treasury was not sought when the twenty (20) bank accounts were being opened.

The county assembly is highly exposed to various malpractices due to non -involvement of assembly finance department in the running of the bank accounts at the ward levels.

6.0 Committee matters

6.1 Meetings without substantive agenda

Review of committee meeting minutes revealed lack of substantial agenda and duplication in the contents of minutes. For example, review of County Assembly Service Board minutes for the meeting held on 26 January 2015 and meeting held on 23 January 2015 revealed duplication of Minute 204 /26/1/2015 to Minute 208/26/1/2015 which were similar to Minute 199/23/01/2015 and Minute 202/23/01/2015 word by word. The County Assembly Public Health and Sanitation Committee meeting minutes for the meeting held on 23 June 2015 were also similar to the County Assembly Public Health and Sanitation Committee meeting minutes for meeting held on 16 June 2015. Consequently, the public might have lost money through unnecessary sitting allowances.

Recommendation

Meetings should only be convened when there is substantive agenda for discussion.

6.2 Inappropriate travel and accommodation allowances

During the year, the County Assembly incurred travel and accommodation expenditure of Kshs.63,611,922 for various committees' members incurred in respect of report writing retreats in hired hotels/institutions particularly in Nairobi and Embu. The work and discussions that took place at these seminars included discussing bills, discussing Acts, County planning and budgeting, capacity building, vetting of executive committee nominees and trainings which could have been conducted at the Kirinyaga County Assembly offices and therefore reduce cost. Further, transport was being paid at a flat figure of Kshs.4,000 and in some instances, members were being paid millage allowance as per AA rates.

The allowances appeared excessive since the deliberations of the meetings could have been done within the county and thus saving the public funds which could have been channeled to other development areas.

Recommendations

The accounting officer should discourage holding of meetings and report writing sessions in hired hotels outside the county. The MCAs should be advised to use the local premises to manage cost escalations on travel and subsistence allowance votes.

The County assembly should invest in pool transport to facilitate transportation of members to various destinations whenever a need arises.

7.0 Lack of Audit Committee

During the financial period under review, the County Internal Auditor did not have an Audit Committee to report to and has been addressing reports to the Clerk. The findings of the Internal Audit could not be enforced since independence of the office was compromised. Failure to constitute the independent audit committee weakens the effectiveness of the internal audit department since the recommendations made by the department reports are required to be deliberated and enforced through the independent audit committee.

Recommendation

Audit committee should be constituted.

8.0 Commitments / Pending Bills

Records provided for audit revealed that the County Assembly had pending bills amounting to Kshs.46,723,230 as at 30 June 2015. No reason was provided as to why the bills were not cleared during the financial year. Further these debts were not supported with relevant invoices and contract agreements.

Recommendation

The county assembly should strive to clear the outstanding obligations as they fall due to ensure that pending bills are minimal at the closure of the financial year. This will ensure that subsequent year budget is not affected by pending bills carried forward from previous years.

9.0 Unresolved Prior Year Matters

9.1 Irregular Procurement of Conference and Facilitation Services

The County Assembly irregularly procured the services of conferences and facilitation services for a total of Kshs.4,728,500.00 during 2013/2014 financial year. However, the suppliers contracted were not in the list of the prequalified suppliers of goods and services in that financial year. Further, it was noted that the County Assembly also had spacious facilities which could have been used instead of outsourcing these activities at exorbitant costs. The propriety of the payments made could not be confirmed without proper supporting documents. The County Assembly was therefore in breach of Public Procurement and Disposal Regulations, 2006.

9.2 Unconfirmed conference services and facilitation fees

During the financial year 2013/2014, a total of Kshs.7,545,292.00 was paid to various firms in respect of conference services and facilitation fees without signed lists of daily attendance, programme of activities and/or timetable of seminars/workshops being produced. It was therefore not possible to confirm the occurrence of the meetings and the participation of the

County Assembly staff on the indicated days, facilitation and that the learning process was performed as planned.

9.3 Unsupported Expenditure on Foreign Trips

During the financial year 2013/2014, the County Assembly paid travel and subsistence allowances of Kshs.25,937,623 for facilitating the Members of County Assembly and some County Assembly staff on foreign travel. However out of the total payments made, expenditure totaling Kshs. 23,280,432.00 was not supported by any travel documents i.e. visa and air tickets, no evidence was produced to confirm whether members of County Assembly attended the scheduled events and meetings.

The reports compiled by the Members of the County Assembly after these trips have also not been implemented and there was no evidence that the executive would implement them. In some cases, the relevance of the trips was not indicated and deliberated on beforehand.

In the circumstances, these trips appear irregular and the public may have not gotten the value for money from the expenditure.

9.4 Speakers House Refurbishment

In 2013/2014, the County Assembly undertook the refurbishment of the Speakers House at a cost of Kshs.6,253,135.40. The Assembly irregularly used restricted tendering method of procurement to source for the contractor of this project. The house was not ready for occupation as at July 2014 despite the house being completed.

9.5 Wasteful Expenditure on Domestic Travel

The County Assembly paid Kshs.9,896,040.00 to Members of the County Assembly and staff as subsistence allowances and travel expenses while attending seminars and workshops in various destinations within the country during financial year 2013/2014. However, the payment vouchers were not supported by travel documents including bus tickets, air travel ticket or work tickets. Instead, the County Assembly paid flat rate of transport allowances and there was no other proof to confirm whether the journeys actually took place. It was also observed that the participants of these seminars and workshops did not sign any attendance registers. There were also no certificates of participation issued and neither was there a timetable that could confirm that the seminar actually took place. Further, Kirinyaga County has the facilities to hold these seminars and it would have been more cost effective to hold these seminars within the county.

Conclusion

The County Assembly of Kirinyaga should address the anomalies noted in order to ensure effective delivery of service to the County residents.

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

Nairobi

22 September 2016