REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF KISII

FOR THE PERIOD
1 JULY 2014 TO 30 JUNE 2015

Table of Contents

EXECUTIVE SUMMARY 1

Introduction 1

Terms of Reference 1

1.0 Budgetary Performance 1

2.0 Bank and Cash Management 2

2.1 Overdrawn Bank Account 2

2.2 Bank Reconciliations 2

3.0 Procurement of Goods and Services 3

4.0 Car Loan and Mortgage to Members of the County Assembly 3

5.0 Travel, Subsistence and Sitting Allowances 3

5.1 Unsupported Payments 4

5.2 Subsistence Allowances Paid to Members of the County Assembly 4

5.3 Transport Allowances to MCAs and Staff 4

5.4 Payment of Sitting Allowances 4

5.5 Sitting Allowances to Members of the Assembly Public Service Board (PSB) 5

3.0 Outstanding Imprests 6

4.0 Ward Administration Expenses 6

5.0 Internal Control Environment 6

6.0 Integrated Financial Management Information System (IFMIS) 7

7.0 Un-resolved Prior Year Matters 7

DETAILED REPORT 8

1.0 Budgetary Allocation and Performance 8

2.0 Bank and Cash Management 9

2.1 Overdrawn Bank Account 9

2.2 Bank Reconciliation 9

3.0 Procurement of Goods and Services 9

4.0 Car Loan and Mortgage to Members of County Assembly 10

5.0 Travel, Subsistence and Sitting Allowances 11

5.2 Subsistence Allowances Paid to Members of the County Assembly 11

5.3 Transport Allowance to MCAs and Staff 11

5.4 Payment of Sitting Allowances 11

5.5 Sitting Allowances to Members of the Assembly Public Service Board (PSB) 13
6.0 Outstanding Imprests 13
7.0 Ward Administration Expenses 14
8.0 Internal Control Environment 14
9.0 Integrated Financial Management Information System (IFMIS) 15
10.0 Unresolved Prior Year Matters 15

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

EXECUTIVE SUMMARY

Introduction

The financial transactions of the County Assembly of Kisii for the period 1 July 2014 to 30 June 2015 are a subject to audit by the Auditor-General in accordance with Article 229 (5) of the Constitution of Kenya and the Public Audit Act, 2003.

Audit Objective

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

Terms of Reference

The terms of reference set for the audit included verification and confirmation of transactions in respect but not limited to the following areas:

- Budgetary Controls
- Annual operations/Activity plans
- Procurement of goods, works and services
- Allowances including travelling and accommodation expenses for local and foreign trips
- Motor vehicle running expenses and fuel
- Cash and bank balances
- Human resource records
- Non-current assets
- Debtors and imprest holders

Audit Findings

1.0 Budgetary Performance

During the year under review, the County Assembly had a budget of Kshs.641,612,651 against an actual spending of Kshs.610,106,191. This represented an under absorption of 5% of the total budget. The budget related to recurrent expenditure as no development projects were earmarked for funding during the year. However, a review of the vote status report for the year under review disclosed an unusual 100% actual expenditure against the budgeted provisions on several items shown below. Management did not provided any justification for this unusual spending pattern.

Item	Budget	Actual
	Kshs	Kshs
Bank Service Commission and Charges	300,000	300,000
Binding of Records	1,000,000	1,000,000
Courier & Postal Services	113,000	113,000
Daily Subsistence Allowance	25,000,000	25,000,000
Electricity	600,000	600,000
Field Training Attachments	500,000	500,000
Internet Connections	300,000	300,000
Maintenance Expenses - Motor Vehicles	2,500,000	2,500,000
Maintenance of Buildings and Stations -- Non-Residential	1,000,000	1,000,000
Maintenance of Computers, Software, and Networks	1,500,000	1,500,000
Maintenance of Office Furniture and Equipment	1,000,000	1,000,000
Purchase of Curios	50,000	50,000
Sanitary and Cleaning Materials, Supplies and Services	1,500,000	1,500,000
Subscriptions to Newspapers, Magazines and Periodicals	550,000	550,000
Telephone, Telex, Facsimile and Mobile Phone Services	300,000	300,000
Transport Costs and Charges (freight, loading/unloading, clearing and shipping charges)	500,000	500,000
Water and Sewerage Charges	500,000	500,000
	37,213,000	**37,213,000**

Management has not provided justification on why the expenditure was equal to budget.

2.0 Bank and Cash Management

2.1 Overdrawn Bank Account

The County Assembly maintained a bank account at the National bank that was overdrawn by up to Kshs.5,304,000 in aggregate on various dates in the month of December, 2014. This resulted in interests charged amounting to Kshs.46,200 against the provisions of the Public Financial Management Act, 2012 Sections 119 (4), (6) and Section 147 (1) (d) which requires prudent management of public funds and debt management respectively.

2.2 Bank Reconciliations

From a review of the County Assembly's financial records it was noted that there are three bank accounts at Chase Bank (now in receivership) that hold Kshs.250,000,000 in total being seed money for the Car Loan and Mortgage Fund. No bank statements have been provided to confirm that the funds exist and the actual balances held as at 30 June 2015. Management has also not provided justification for having three accounts

for the fund. In this regard it was not possible to confirm accuracy of the balances held as at 30 June 2015.

3.0 Procurement of Goods and Services

The County Assembly relied heavily on the procurement structures of the County Executive in carrying out its procurements as there were no adequate procurement structures at the County Assembly. The County Assembly engaged in cash purchases of goods and services without inviting quotations contrary to section 88 of the Public Procurement and Disposal Act, 2005. Also, goods and services worth Kshs.932,500 bought as low value goods did not qualify for such under the law.

The County Assembly directly procured and paid Kshs.1,241,200 to a local hotel for conference facilities in the month of September 2014, February and March 2015. The hotel establishment was not pre-qualified for the provision of conference services. It was therefore not clear on what basis the firm was identified and rates determined.

4.0 Car Loan and Mortgage to Members of the County Assembly

The County Assembly Members Loan and Mortgage scheme which provides guidelines on the administration of the Fund became operational on 23 April, 2014. The initial scheme funds totaling Kshs.360,000,000 has been deposited with Chase Bank (now in receivership) in the year 2014/2015 as seed capital of Kshs.250,000,000 and subsequent receipt of Kshs.110,000,000. The following anomalies were noted in the management of the fund, which is in place.

i. The Loans and Mortgages Board has not yet been established for the purpose of managing the Fund.

ii. Financial statements for the Fund have not been prepared and submitted as required by Section 11 of the Kisii County Assembly Member's Loan and Mortgage Act 2014.

iii. Regulations for the administration of the Fund had not been formulated.

iv. There are no clear guidelines as to how the firm giving custodial and managerial services were to be selected.

5.0 Travel, Subsistence and Sitting Allowances

The County Assembly had budgeted to spend Kshs.60,391,550 on domestic travel, subsistence and transport costs during the year. However the following anomalies were noted from a review of the expenditure.

5.1 Unsupported Payments

Payments totaling Kshs.1,066,000 made to various officers in the County Assembly in the month of March 2015 were not supported with documentary evidence. It was not possible to confirm that these expenditures were a proper charge for public funds.

5.2 Subsistence Allowances Paid to Members of the County Assembly

In the month of August, 2014, the Assembly made payments totaling Kshs.2,823,000 as subsistence allowance to seventy two (72) MCAs for attending inter-counties tournaments in Nakuru between 18 August 2014 and 23 August 2014. Additional payments of Kshs.1,882,000 were paid to the same MCAs to attend a County Assemblies forum meeting from 22 to 24 August 2014 in Nairobi. The two meetings were over-lapping resulting in double payments of Kshs.1,411,500 that ought to be recovered from the respective recipients.

5.3 Transport Allowances to MCAs and Staff

Payments totaling Kshs.1,080,000 were made as allowances / refunds for travel expenditure incurred by MCAs and officers in the period under review. The payments were made as travel allowance to and from various meetings organized within the County. The rates of the allowances were arbitrarily set and were not supported by any Government transport policy. In addition, the payments were made despite the Assembly having pre-qualified six (6) firms for car hire services. Consequently, the propriety of the Kshs.1,080,000 expenditure could not be ascertained.

5.4 Payment of Sitting Allowances

The following inconsistencies/anomalies were noted from the payment of the sitting allowances.

i) In the month of August 2014, members of the County Assembly received a total of Kshs.10,483,200 being maximum payments for 16 plenary sittings and 16 committee's sittings. However, they were only entitled to 12 plenary sitting allowances since the period from 18 to 24 August, 2014 all the MCAs were in Nakuru attending the Inter-Counties Tournament. A total of Kshs.1,310,400 paid for the 4 days plenary was therefore irregular.

ii) The Assembly calendar indicated that it adjourned for recess from 4 December, 2014 for a period of 67 days. However, payment records of sitting allowance (plenary and committee sessions) for the month of December, 2014 reveals that a total of Kshs.10,483,200 was paid to the members despite only four plenary sittings having taken place in the first week of December, 2014 before the recess. Therefore, sitting allowances Kshs.3,931,200 for 12 plenary sittings is ineligible.

iii) In the month of January 2015, members of the Assembly received a total of Kshs.10,483,200 for 32 sittings (plenary and committee sessions) said to

have taken place in the month of January, 2015. However, only 16 committee sittings were eligible for payment as the plenary sittings were not held as the Assembly was still on recess. The 16 plenary sitting allowances paid for the month totaling Kshs.5,241,600 is ineligible.

iv) Five members of the Assembly Liaison Committee had travelled to Dubai between 4 and 14 November, 2014. The members were paid the maximum 16 plenary sittings yet they missed 8 plenary sittings while out of the Country. The ineligible allowance paid amounted to Kshs.249,600.

v) Two members of the Assembly travelled to Taiwan to attend an Inter Youth Conference between 15 November to 6 December 2014. The members therefore missed 11 plenary sittings yet they were paid the maximum of 16 plenary sittings that month. The resultant ineligible allowance paid total to Kshs.100,100.

vi) Three Assembly members travelled to Turkey between 18 November 2014 and 25 November 2014. The members therefore missed four (4) plenary sittings yet they were paid the maximum 16 monthly sittings. The resultant ineligible allowance paid is Kshs.67,600.

vii) Eleven Assembly members of the Transport, roads and public works committee conducted road inspections from 7 July 2014 to 14 July 2014 in 8 Sub–Counties. The members were paid breakfast and lunch allowances and also received sitting allowances totaling Kshs.171,600 for the period they were inspecting the projects.

viii) Payment voucher No.182 of 30-11-14 of Kshs.455,000 was for sitting allowances for an adhoc committee on illegal land allocations. The committee had twenty five (25) Assembly members and six (6) Assembly staff members. The payment of sitting allowances was not justified since no sitting was convened as per the standing orders.

5.5 Sitting Allowances to Members of the Assembly Public Service Board (PSB)

A review of the payments made to members of the Assembly Public Service Board on various dates revealed the following anomalies:

i) In the month of August 2014, the Assembly paid members of the Public Service Board (PSB) a total of Kshs.1,200,000 as sitting allowances. These payments were not supported by attendance registers and minutes.

ii) In the month of November, 2014 a payment of Kshs.320,000 was made for PSB sitting allowances. The payment was not supported with minutes and other relevant documents.

iii) In addition, tax on the allowances was not deducted at source and remitted to Kenya Revenue Authority as required by the Income Tax Act.

iv) Further, payments totaling Kshs.400,000 made in January 2015 for services rendered for a County Assembly Service Board meeting were not supported with documentary evidence. Audit therefore could not confirm that these expenditures were a proper charge for public funds.

3.0 Outstanding Imprests

As at 30 June 2015, imprests totaling Kshs.7,274,110 were advanced to fifteen (15) MCAs relating to the year 2014/2015 which ought to have been surrendered or accounted for on or before 30 June 2015 as required by Section 152(3) of the Public Finance and Management Act, 2012. It was also noted that several MCA's were issued with additional imprests prior to surrender of imprest previously issued.

Non surrender of imprests in the year they relate to distorts the expenditure figures and financial statements and adversely affects the provisions for subsequent years to which they have to be charged.

4.0 Ward Administration Expenses

In the year under review, a total of Kshs.54,000,000 was remitted from the Assembly main account to ward office bank accounts. Examination of a sample of the ward returns revealed that a significant part of the money was used to pay casual workers. It is not clear how the casuals serving in ward offices were recruited as the County Assembly Service Board was not involved contrary to Section 63 of the County Governments Act, 2012.

Disparities were also noted in the expenditures returns for the months of December to April 2015 between various wards.

5.0 Internal Control Environment

The County Assembly has the Clerk as the Accounting Officer mandated to oversee and supervise the managerial functions of the Assembly. The Clerk ensures that the public funds allocated to Assembly are used according to the provisions of the constitution and the Public Financial Management Act 2012. A review of the control environment revealed the following internal control weaknesses:

i) No internal audit unit has been established at the Assembly so oversight of key operational activities.

ii) The assets register was not regularly updated and its completeness could not be confirmed.

iii) The County Assembly did not prepare bank reconciliation statement for the year under review. Consequently, it was not possible to confirm whether all

the bank transactions and bank balances for the year under review were fairly stated.

6.0 Integrated Financial Management Information System (IFMIS)

The County Assembly has not fully adopted IFMIS during the period under review contrary to Public Finance Management Act, 2012 which requires County Government entities to process all its transactions through the system. The County Assembly operated an imprest system whereby they received funds from the County Executive and then made returns on how they have spent. These returns were then used to make entries in the vote book by the County executive staff under the Assembly vote. This has led to instances of frequent cash payments. The County Assembly needs to have its own stand-alone system separate from the executive so that they are fully accountable.

7.0 Un-resolved Prior Year Matters

Issues highlighted in the audit report for the period 1 July 2013 to June 2014 have remained unresolved. The management of the Assembly has not provided a status report of the highlighted issues for audit review. Kisii County Assembly should address the anomalies noted in order to ensure effective delivery of services to the people of Kisii County. Further, laid down Government procedures and regulations should be followed to ensure public resources are only used for purposed for which they were intended.

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

Nairobi

17 October 2016

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

DETAILED REPORT

1.0 Budgetary Allocation and Performance

The County Assembly was allocated Kshs.641,612,651 in the year 2014/2015. Out of this amount Kshs.175,255,400 was remitted directly to the Assembly's Bank Account while the balance was expended through the County Executive for payment of salaries and other direct payments as per instructions from the Office of the Clerk of the County Assembly. In total as per the records obtained from the County Executive, the County Assembly spent Kshs.610,106,191 which is 95% of the total budget. The budget related to recurrent expenditure only as no development projects had been included for funding during the year. A detailed analysis of the actual expenditure against the budget could not be performed for each budget item as the information was not available and could not be extracted from the Assembly's records.

Budget Versus Actual Expenditure for the Year Ended 30 June 2015

Item	Budget	Actual	Variation	
	Kshs	Kshs	Kshs	%
Basic Salaries - Civil Service	397,192,539	398,198,539	-1,006,000	0%
Utilities, supplies and services	1,100,000	1,100,000	0	0%
Communication costs	763,000	713,000	50,000	7%
Domestic travel	60,391,550	58,540,630	1,850,920	3%
Foreighn travel	20,000,000	20,970,065	-970,065	-5%
Printing, advertising and information services	16,059,562	16,032,700	26,862	0%
Rentals of produced assets	57,100,000	55,041,595	2,058,405	4%
Training expem	4,253,000	2,500,000	1,753,000	41%
Hospitality supplies and services	10,253,000	9,000,000	1,253,000	12%
Insurance costs	22,500,000	10,821,775	11,678,225	52%
Ofice and general supplies	10,000,000	9,050,937	949,063	9%
Fuels and Lubricants for Transport	6,000,000	3,924,000	2,076,000	35%
Other operating costs	9,300,000	5,746,750	3,553,250	38%
Maintenance Expenses - Motor Vehicles	2,500,000	2,500,000	0	0%
Purchase of assets	20,700,000	12,466,200	8,233,800	40%
Routine maintenance - other assets	3,500,000	3,500,000	0	0%
	641,612,651	**610,106,191**	**31,506,460**	5%

Recommendation

The management of Kisii County Assembly should initiate Budget systems which not only addresses the recurrent needs, but also the developmental needs of the County.

2.0 Bank and Cash Management

2.1 Overdrawn Bank Account

The County Assembly's bank account held at National Bank was overdrawn by up to Kshs.5,304,000 as aggregated on various dates in the month of December, 2014. The overdrawn bank account resulted in avoidable interests charged against the provisions of the Public Financial Management Act, 2012 Sections 119 (4), (6) and Section 147 (1) (d) which requires prudent management of public funds and debt management respectively.

2.2 Bank Reconciliation

The County Assembly's has three bank accounts at Chase Bank (now in receivership) that hold Kshs.250,000,000, the initial funds for the Car Loan and Mortgage Fund. No documentation was provided to confirm that the funds existence as at 30 June 2015. Management has also not provided justification for having three accounts for the Fund.

Recommendation

The management should avail documentation to confirm the existence of the funds.

3.0 Procurement of Goods and Services

The County Assembly relied heavily on the procurement structures of the County Executive in carrying out its procurements as there were no adequate procurement structures at the County Assembly. The County Assembly engaged in cash purchases of goods and services without inviting quotations contrary to section 88 of the Public Procurement and Disposal Act, 2005.

Goods and services worth Kshs.932,500 bought as low value goods did not qualify for such under the law **(Refer to Appendix I)**. The County Assembly directly procured and paid Kshs.1,241,200 to a local hotel for conference facilities in the month of September 2014, February and March 2015. The hotel establishment was not pre-qualified for the provision of conference services. It was therefore not clear on what basis the firm was identified and rates determined. The purchases are included in **Appendix II**.

Recommendation

Management should adhere to the procurement procedures and also ensure that the Public Procurement and Disposal Act, 2005 (amended 2013).

4.0 Car Loan and Mortgage to Members of County Assembly

The Kisii County Assembly Member's Loan and Mortgage Act, 2014 became operational on 23 April, 2014. The Act provides guidelines on the administration of the Fund. The Assembly received Kshs.110,000,000 for mortgage and car loan for its members in the year 2014/2015. Review of the statement of account from Chase bank (Scheme Fund Managers - which is under receivership), for the period between 28 April 2014 and 1 October 2015 showed that a total of Kshs.72,430,000 had been advanced to members as car loans while Kshs.51,462,525 was outstanding. Total mortgage funds advanced were Kshs.208,223,766 leaving a balance of Kshs.125,335,026 as outstanding. The following anomalies were noted from the audit review:

i) It is not clear how the firm giving custodial and managerial services (Chase Bank) was selected.

ii) The agreement does not give time limits (start and expiry) for management of the funds.

iii) The agreement does not highlight whether the unutilized funds will bear interest or not.

iv) The loans and mortgages board has not yet been established for the purpose of managing the Fund.

v) Financial statements for the Fund have not been prepared and submitted as required by section 11 of the Act. In the absence of the financial statements, it was not possible to confirm the actual status of the Fund.

vi) Regulations for the administration of the Fund had not been formulated by the time of the audit.

vii) An amount totalling Kshs.26,441,208 could not be supported.

Recommendation

Regulations guiding the operation of the Fund should be formulated as required by Section 14 of the Kisii County Assembly Members Loan and Mortgage Act, 2014. The Fund management should prepare financial statements and submitted for audit.

5.0 Travel, Subsistence and Sitting Allowances

5.1 Unsupported Payments

Payments totaling Kshs.1,066,000 were not supported by relevant documents including invoices, invitation letters and counter receipt vouchers. The payments were mainly claims of subsistence allowance and office expenses. The list of these payments is included in **Appendix III**.

Recommendation

The cost of overdrawn funds should be recovered from the responsible officers of the County Assembly. Management should ensure prudent financial management of cash flows to avoid heavy financing cost that accrue in terms of interests.

5.2 Subsistence Allowances Paid to Members of the County Assembly

In the month of August, 2014, the County Assembly made a payment of Kshs.2,823,000 as subsistence allowances to seventy two (72) MCAs for attending inter-counties tournaments in Nakuru between 18 August 2014 and 23 August 2014. Further, an additional, Kshs.1,882,000 was paid to the same members to attend a County Assemblies forum meeting from 22 to 24 August 2014 in Nairobi. The two meetings were over-lapping resulting in over payment of Kshs.1,411,500. **(Refer to Appendix IV.)**

Recommendation

Management should initiate steps to recover Kshs.1,411,500 over paid and strict procedures should be put in place to ensure that all claims and payments are only made for genuine travels.

5.3 Transport Allowance to MCAs and Staff

Payments totaling Kshs.1,080,000 were made as allowances / refunds for travel expenditure incurred by MCAs and officers in the period under review. The payments were made as travel allowances to and from various meetings organized within the County. The rates used for the allowances were arbitrarily set and were not supported by any Government transport policy. In addition, the payments were made despite the Assembly having pre-qualified six (6) firms for car hire service providers. See **Appendix V**

Recommendation

The Assembly should apply a cost effective measure of when procuring transport services.

5.4 Payment of Sitting Allowances

Records revealed that the County Assembly spends approximately Kshs.10,483,200 per month on sitting allowance which is based on the 32 maximum number of sittings allowable per member irrespective of whether committees sat or not. The following inconsistencies were noted from the payment of the sitting allowances.

i) In the month of August 2014, members of the County Assembly received a total of Kshs.10,483,200 being maximum payments for 16 plenary sittings and 16 committee's sittings. However, they were only entitled to 12 plenary sitting allowances since the period from 18 to 24 August, 2014; no plenary sittings were held within the Assembly precincts as the members had travelled to Nakuru for inter county tournament and the Assembly forum meeting in Nairobi thereafter. A total of

Kshs.1,310,400 paid for the 4 days plenary were therefore irregular. **(Refer to Appendix VI)**

ii) The Assembly calendar indicated that it adjourned for recess from 4 December, 2014 for a period of 67 days. However, payment records of sitting allowance (plenary and committee sessions) for the month of December, 2014 reveals that a total of Kshs.10,483,200 was paid to the members although only four plenary sittings took place in the first week of December, 2014. Therefore, sitting allowances totaling Kshs.3,931,200 were irregular.

iii) In the month of January 2015, members of the Assembly received a total of Kshs.10,483,200 for 32 sittings (plenary and committee sessions) said to have taken place in the month of January, 2015. However, only 16 committee sittings were eligible for payment as the plenary sittings were not held since the Assembly was still on recess. The 16 plenary sitting allowances paid for month totaling Kshs.5,241,600 **(Refer to appendix VI)** were irregular.

iv) Five members of the Assembly Liaison committee had travelled to Dubai between 4 and 14 November, 2014. The members were paid the maximum 16 plenary sittings yet they missed 8 plenary sittings while out of the Country. The resultant ineligible payment is Kshs.249,600. **(Refer to appendix VII)**

v) Two members of the Assembly travelled to Taiwan to attend an Inter youth conference between 15 November to 6 December 2014. The members therefore missed 11 plenary sittings yet they were paid the maximum of 16 plenary sittings that month. The resultant ineligible payment is Kshs.100,100. **(Refer to appendix VII)**

vi) Three Assembly members travelled to Turkey between 18 November 2014 and 25 November 2014. The members therefore missed four (4) plenary sittings yet they were paid the maximum 16 monthly sittings. The resultant recoverable loss is Kshs.67,600. **(Refer Appendix VII)**

vii) Eleven Assembly members of the Transport, roads and public works committee conducted road inspections from 7 July 2014 to 14 July 2014 in 8 sub–counties. The members were paid breakfast and lunch allowances and also received sitting allowances totaling Kshs.171,600 for the period they were inspecting the projects.

viii)Payment voucher No.182 of 30-11-14 of Kshs.455,000 related to sitting allowances for an adhoc committee on illegal land allocations. The committee had twenty five (25) Assembly members and six (6) Assembly staff members. The Assembly members received Kshs.15,000 each for its 10 day sittings totaling Kshs.375,000 and Kshs.90,000 was paid for members of staff involved **(Refer to Appendix VIII)**.

Recommendation

The basis for the payment of sitting allowances was not justified and all the irregular payments should therefore be recovered from respective beneficiaries.

5.5 Sitting Allowances to Members of the Assembly Public Service Board (PSB)

A review of the payments made to Members of the County Assembly Public Service Board on various dates revealed the following anomalies:

i. In the month of August 2014, the Assembly paid members of the Public Service Board (PSB) a total of Kshs.1,200,000 as sitting allowances. The payments made through cheques No. 801, 802 and 804 were not supported by attendance registers and minutes.

ii. In the month of November, 2014 a payment of Kshs.320,000 was made for PSB sitting allowances paid by cheque No. 880. The payment was not supported with minutes and other relevant documents.

iii. In addition, tax on the allowances payable at the rate of 30% totaling Kshs.456,000 on the above and other payments was not paid to Kenya Revenue Authority as required by the Income Tax Act.

Recommendation

Supporting schedules and attendance register for the Assembly PSB should be availed to support the payment of sitting allowances totaling Kshs.1,520,000. In the absence of these documents, recovery should be made from respective beneficiaries. Taxes payable as a result of the allowances should also be remitted to KRA as per the Income Tax Act.

6.0 Outstanding Imprests

As at 30 June 2015, imprests totaling Kshs.7,274,110 advanced to fifteen (15) MCAs relating to the year 2014/2015 had not been surrendered. Some of the imprests date back to October, 2014 relating to foreign travels made whose supporting documents were not availed as at the time of the audit. Further, some of the MCAs were holding more than one temporary imprest.

Recommendation

The respective imprest holders should account for the cash advances with proper supporting documents or recovery efforts be initiated as provided in the Public Finance Management Act. 2012.

7.0 Ward Administration Expenses

A total of Kshs.54,000,000 was remitted to ward office bank accounts. The funds were for the payments of rent, casuals and other office expenses as water, electricity and conservancy. Examination of ward returns revealed that a significant part of the money was used to pay casual workers.

It is not clear how the casuals serving in ward offices were recruited as no criteria was applied contrary to Section 63 of the County Governments Act, 2012.

Further, disparities were also noted in the expenditures returns for the months of December to April 2015 between various wards. Expenditure on salaries of casual workers in five of the wards is as shown below:

Ward	Month	Salaries (Kshs)
Bassi Central	Dec-April 2015	63,000
Majonge Bassi	Dec-April 2015	100,000
Kisii Central	Dec-April 2015	45,000
Bosotisengera	Dec-April 2015	70,000
Bokimonge	Dec-April 2015	80,000

Recommendation

The payment to the ward offices should be suspended until the disparities are reconciled and Commission for Revenue Allocation Guidelines on ward office budgets implemented.

8.0 Internal Control Environment

The County Assembly has the Clerk as the accounting officer mandated to oversee and supervise the managerial functions of the Assembly. The clerk ensures that the public funds allocated to Assembly are used according the provisions of the Constitution and the Public Financial Management Act, 2012. A review of the internal control environment revealed the following weaknesses:

i) The cash book was not balanced and updated regularly.

ii) Entries into the vote book were not done consistently and there was no evidence of segregation of functions with regard to update and review of accounting records.

iii) The assets register was not regularly updated and its completeness could not be confirmed.

iv) The County Assembly did not ensure regular preparation and review of bank reconciliation.

v) The Assembly did not have proper structures to ensure that the procurement of goods and services followed the set law and regulations.

vi) No risk assessment processes are in place at the County Assembly.

vii) No internal audit unit has been established at the Assembly so oversight of key processes is inexistent.

Recommendation

The management should initiate measure to ensure that its in compliance with Public Finance Management Act 2012.

9.0 Integrated Financial Management Information System (IFMIS)

The County Assembly has not fully adopt IFMIS during the period under review contrary to Public Finance Management Act, 2012 which requires County Government entities to process all its transactions through the system. This has led to instances of frequent cash payments. In the circumstances, the propriety of the payments made outside the IFMIS system which the management did not quantify could not be confirmed.

Recommendation

The management should adopt IFMIS fully.

10.0 Unresolved Prior Year Matters

Issues highlighted in the audit report for the period 1 July 2013 to June 2014 have remained unresolved. The management of the County Assembly of Kisii has not provided a status report of the highlighted issues for audit review.

Conclusion

Kisii County Assembly should address the anomalies raised in this report in order to ensure effective delivery of services to the people of Kisii County. Further, laid down Government procedures, processes and regulations should be followed to ensure public resources are only used for purposes for which they were intended.

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

Nairobi

17 October 2016