REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF KITUI

FOR THE PERIOD
1 JULY 2014 TO 30 JUNE 2015

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

EXECUTIVE SUMMARY

Introduction

The Office of the Auditor-General has the mandate to audit and report on accounts of the National and County Governments under Article 229 of the Constitution of Kenya and the Public Audit Act, 2003. This financial operations audit has been conducted in accordance with Article 229 of the Constitution of Kenya.

Audit Objectives

The objective of the audit was to ascertain whether the operational systems formulated and applied by the County Assembly of Kitui functioned as intended and could be relied upon to manage County resources for efficient delivery of services to the residents of the County.

Terms of Reference

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

i. Budgetary Performance analysis.
ii. Procurement of goods and services.
iii. Foreign and domestic travelling and accommodation allowances.
iv. Cash and Bank Balances.
v. Non-Current Assets.
vi. Information Technology (IT) Environment.
vii. Imprest management.
viii. Human Resource Management.
ix. Management of creditors and debtors.

The audit was to confirm that;

i. Funds appropriated and disbursed for use by the County Assembly were applied for the intended purposes;
ii. Expenditures conformed to applicable regulations and procedures public funds spent yielded planned outputs outcomes and impact;
iii. Internal controls and reasonable precautions have been put in place to safeguard receipt, issue and proper use of public property;
iv. Accountability and transparency principles were followed and money was used in an economic, efficient and prudent manner;

v. Plans and budgets were implemented as planned.

Methods Used to Conduct the Audit

The methods used to carry out the audit included the following;

i. Interviews with key officers at the County Assembly offices;

ii. Review of applicable legislation and regulations;

iii. Examination of payment vouchers and support documents, cash books, vote books, bank statements, bank-in slips, miscellaneous receipt books, procurement documents, stores records, asset records, asset registers and other related records;

iv. Review of minutes of various meetings where there were resolutions on use of public funds;

v. Physical inspection and verifications;

vi. Observation of processes and activities; and,

vii. Review of documents used by management to monitor use of funds.

Scope and Determination of Responsibilities

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The standards require that the audit is planned and performed so as to obtain reasonable evidence that, in all material respects, expenditure incurred is fairly stated and recording is achieved in all financial transactions.

The matters mentioned in this report are therefore those that were identified through tests considered necessary for the purpose of achieving the audit objectives and it is possible that there might be other matters and/ or weaknesses that were not identified.The formulation and maintenance of effective control measures and compliance with laws and regulations is the responsibility of the management. Our responsibility is to report on the weaknesses and non-compliance with laws and regulations identified in the course of the audit.

The sections below highlight the key audit findings noted during the audit of the financial operations of the County Assembly of Kitui for the year ended 30 June 2015:

Key Audit Findings

1.0 Budget and Budgetary Control

1.1 Revenue Analysis

The approved budget for the County Assembly of Kitui was Kshs.853,299,365 out of which a balance of Kshs.689,129,512 was allocated to the Recurrent Vote and Kshs.164,169,853 to the Development Vote. However, the County Treasury disbursed Kshs.514,533,347 only to the County Assembly thus resulting in under-expenditure totaling to Kshs. 338,766,018.

1.2 Development Budget

According to the appropriation status report for the period July 2014 to June 2015, the total development expenditure totaled Kshs. 23,392,503 out of the total development budget of Kshs.164,169,853. However, the balance excluded payments totaling Kshs.46,851,407 which had not been keyed in the IFMIS system. Therefore, in all, the total development expenditure incurred by the County Assembly amounted to Kshs.70,243,910 thus leaving an unutilized balance of Kshs.93,925,943.25 mainly resulting from undisbursed funds.

In addition, a sum of Kshs.164,169,853 was spent on two development projects namely construction of non-residential buildings (renovation of the Assembly Chambers) at a cost of Kshs.125,000,000, and on infrastructure and civil works at a cost of Kshs.39,169,883. However, analysis for the infrastructure and civil works expenditure totaling to Kshs. 39,169,853 was not presented for audit review and therefore it was not possible to confirm the propriety of the expenditure.

1.3 Recurrent Budget

The total recurrent budget for the year under review amounted to Kshs. 689,129,512. The appropriation status report for the period July 2014 to June 2015 indicated that the total expenditure for the year was Kshs 568,475,767.00. Therefore, the overall under-expenditure totaled to Kshs. 120,653,745.00. However, expenditure totaling to Kshs. 87,094,492.85 had not been keyed into the Integrated Financial Management and Information System (IFMIS) and therefore the actual under-expenditure was Kshs. 33,559,252.

2 .0 Payments not in the Integrated Financial Management Information System (IFMIS)

A review of the payments posted in the IFMIS system for the year under review revealed that payments totaling to Kshs.136,657,794.55 made up of recurrent vote expenses (Kshs.75,092,897.85), development vote expenses (Kshs.49,564,896.70) and Car-loan disbursements (Kshs.12,000,000) had not been captured in the IFMIS system but were instead maintained in an excel work sheet.

3.0 Internal Audit Department

Review of the internal audit function of the County Assembly revealed that there was no approved work plan for the period 2014/2015. In addition, an audit committee to provide oversight on the work of the internal audit unit had not been established. In the circumstances, the function could not be relied upon to oversee the operations of the County Assembly management.

4.0 Irregular Sitting Allowance Payments

A review of sitting allowance payments made to the Members of the County Assembly (MCAs) during the year under review revealed the following irregularities:

i. A sum of Kshs. 620,000 was paid to five (5) Members of County Assembly on diverse dates as advance sitting allowances. There was no law or regulation that allows Members of County Assembly to receive sitting allowances before Committee sittings occur.

ii. An analysis of the weekly sittings by the Members of the County Assembly during the year revealed that the weekly limit of four committee sittings was not observed as fifty five (55) Members were paid for 372 sittings above the limit.

iii. An overpayment of Kshs.1,450,800 was made to the 55 MCAs of the Assembly.

5.0 Irregularities In the Management of Car and House Loans

The approved budget for the Kitui County Assembly Service Board showed that a total of Kshs.116,000,000 was allocated towards house loans to members of the County Assembly and staff. An additional Kshs.20,000,000 was allocated towards car loans to Members of County Assembly. A review of documentation revealed the following anomalies:

i. The minutes of the car loans management committee, revealed that 16 members out of a sample of 28 received maximum loan of Kshs.2,000,000 but the value of the vehicles the members bought was way much lower than the respective loan disbursements. This resulted to irregular lending to the MCAs amounting to Kshs.20,005,000.

ii. A scrutiny of the status reports issued by the bank from time to time revealed that 19 members out of the sample of 28 did not submit log books of the vehicles they reported to have bought. As a result, it was not possible to confirm purchase of the vehicles.

6.0 Irregularities in Procurement of Legal Services

The following observations were made in respect of legal payments.

i. Legal services costing Kshs. 3,300,000 were procured from a legal firm after the County Assembly Service Board on 14 October 2014 approved the use of lawyers at an agreed fee of Kshs.3,300,000. Although the documents made available showed that the legal fee was negotiated, the negotiation reports were not made available for audit verification and therefore it was not possible to confirm how the fee was arrived at. A sum of Kshs. 1,300,000 was paid to the same legal firm in respect of representation for a constitutional petition number 20 of 2015 at Machakos High Court. The payment was a deposit but the total fee charged was not disclosed. Further, no documents were made available to show how the payee was considered for the legal services and the fee arrived at given that there were three pre-qualified legal providers for the Assembly.

7.0 Human Resource Management

a) Over Expenditure on Personnel Costs

An audit review of personnel costs revealed that expenditures on four items exceeded the respective budgets by a total of Kshs. 8,890,709.

b) Irregularities on Recruitment of Personnel

Examination of personnel records revealed that the County Assembly Service Board recruited staff during the financial year to fill various vacancies. However personal files of the recruits revealed that six (6) of the officers were issued with appointment letters for positions that they had not applied for. Further, three officers were appointed to the ranks of Second Clerk Assistant and First Clerk Assistant I respectively although only one vacancy was advertised for each of these posts.

8.0 Unsupported Allowances

a) Allowances to Members of County Assembly for Traveling to the USA (Salt Lake City, Utah)

i) A payment of Kshs.2,316,573 was made to a business firm vide payment voucher number 802/2014 for facilitating activities planned for MCAs visiting Salt Lake City, Utah, USA for a conference and consultancy and logistics for the County Assembly representatives attending the conference. However, no documents were made available to show how the firm was identified and the cost of the services arrived at.

ii) Further, a sum of Kshs.1,010,282.00 was paid in respect of accommodation allowances to seven (7) officers who were to travel to the USA for the conference. The total allowances payable were budgeted at Kshs.3,508,020 but the supporting schedule of payments showed two rates were applied to calculate accommodation costs.

iii) A sum of Kshs.2,022,650 was paid to a tour firm for supply of air-tickets on the trip. However, no documents were presented for audit to show how the firm was identified.

b) Allowances Paid to MCAs' on a Trip to Turkey and Dubai

Eight (8) MCAs travelled to Turkey/and Dubai for 12 days between 10 and 21 November 2014. The supporting schedule showed that accommodation allowances totaling to Kshs.4,614,333 were paid to the MCAs. However, the Transition Authority and the Ministry of State for Public Service (Circular No. MSPS 18/2A/89 of 12 November 2009) pegs the per diem rates for officers in job group P and Q at 446 dollars and 437 US dollars for Turkey and Dubai respectively. However, the MCA's were paid daily rates of 522 and 503 US dollars respectively thus resulting in irregular payments totaling to US dollars (172x12) 2,064.

c) Unsupported Domestic Allowance

Expenditure records indicated that MCA's were paid a total of Kshs. 1,120,000 as transport allowance for a trip to Kisumu. Apparently, the County Assembly Service Board approved the allowance at Kshs. 20,000 per MCA payable and surrendered as imprest. However, no authority was sought from the Salaries and Remuneration Commission before the implementation of the decision. Therefore the expenditure was irregular.

d) Unsupported Travelling Costs and Allowance

The County Assembly of Kitui paid travelling allowances totaling to Kshs.1,100,000 being payment for transport expense of Kshs.20,000 to each of the 56 MCAs for a trip to Mombasa. However, the purpose of the visit was not disclosed and, no authority was sought from the Salaries and Remuneration Commission before the County Assembly Service Board approved the payment of the allowance as imprest. Further, the criteria used to cap the allowance at Kshs.20,000 was not disclosed.

9.0 Unsupported Ward Office Expenses

Documents presented for audit revealed that the Assembly paid Kshs.265,000 to each Member of County Assembly as Ward Office Expenses for the period under audit. Initially the monthly disbursement for each of the forty (40) County wards was Kshs.15,000 from 1 July 2014 to 30 November 2014.The County Assembly Board later adjusted the sum to Kshs.25,000 payable from 1 December 2014 to 31 May 2015 and to Kshs.40,000 from June 2015. However, there was no manual or regulation or budgets to guide the use of the Ward Office expenditures. .

10 Irregular Payment of Salary to Ward Assistants

The County Assembly budget for the financial year 2014/2015 indicated that the County Assembly Board approved an increase of salaries for Ward Assistants attached to County Assembly Members from Kshs.15,000 to Kshs.20,000 with effect from 1 July 2014. However, no evidence was presented for audit to confirm that the salary rate was approved by the Salaries and Remuneration Commission. Therefore, it was not possible to confirm that the salaries paid to the Ward Assistants totaling Kshs.10,320,000 were a proper charge to public funds.

11 Unsupported Maintenance of Motor Vehicles

The County Assembly management purchased an engine overhead for one of its vehicles (Nissan Sunny KAT 518 X) at a cost of Kshs.110,000 but the vendor was not in the Assembly's list of pre-qualified suppliers.

12.0 Construction of Chambers - Unsupported Payments

Examination of payments made under a contract for renovation of the County Assembly Chambers revealed that the first two Fee Notes raised by the contractors included unsupported payments totaling to Kshs.13,298,650. In the absence of relevant evidence, it was not possible to confirm the propriety of the expenditure.

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

Nairobi

15 September 2016

DETAILED AUDIT FINDINGS

1.0 Budget and Budgetary Control

1.1 Revenue Analysis

The approved budget for the County Assembly of Kitui amounted to Kshs 853,299,365 comprised of Kshs. 689,129,512 for recurrent expenditure and Kshs 164,169,853 for development expenditure. However, a total Kshs. 514,533,347 only was disbursed to the Assembly during the year as follows:

Date	Recurrent (Kshs)	Development (Kshs)	Total (Kshs)
07-05-15	31,729,623.00	-	31,729,623.00
30-06-15	78,000,000.00	-	78,000,000.00
8-12-14	19,826,017.00	-	19,826,017.00
25-08-14	24,178,882.00	-	24,178,882.00
22-09-14	6,100,000.00	18,579,253.00	24,679,253.00
22-09-14	29,132,380.00	-	29,132,380.00
03-11-14	4,878,000.00	-	4,878,000.00
11-11-14	17,481,292.00	-	17,481,292.00
28-11-14	58,000,000.00	-	58,000,000.00
29-12-14	8,565,988.00	20,167,140.50	28,733,128.50
15-01-15	28,000,000.00	-	28,000,000.00
06-02-15	22,000,000.00	-	22,000,000.00
04-03-15	22,000,000.00	-	22,000,000.00
25-03-15	20,000,000.00	-	20,000,000.00
13-04-15	22,000,000.00	-	22,000,000.00
02-06-15	-	38,745,393.50	38,745,393.00
11-06-15	45,150,378.45	-	45,150,378.45
Total	**437,042,560.45**	**77,490,787.00**	**514,533,347.45**

Further, disbursements totaling to Kshs.235,242,758 were made as direct payments (salaries) bringing the total recurrent grants to Kshs.672,285,318.45 equivalent to 79% of the budget. Therefore, recurrent vote grants totaling to Kshs.16,844,194 and development vote grants totaling to Kshs.86,679,066 or Kshs.103,523,260 for both votes were not received during the year. Consequently, the residents of Kitui County did not receive goods and services equivalent to the undisbursed balance.

Recommendation

The County Assembly management should absorb the Assembly's recurrent budgets wholly to enable residents access services planned for their benefit.

1.2 Development Budget

The appropriation status report for the period under review reflected development expenditure totaling Kshs. 23,392,503 out of the total development budget of Kshs.164,169,853. However, the expenditure excluded a sum of Kshs.46,851,407 not been keyed into the IFMIS system. Therefore the actual total development expenditure was Kshs. 70,243,910 resulting to an under expenditure of Kshs.93,925,943 as follows:

Programme	Approved Budget Kshs.	Expenditure Kshs.	Expenditure not in IFMIS Kshs.	Total Expenditure Kshs.	Variance Kshs.
Non-Residential Buildings (Offices, Schools, Hospitals, etc)	125,000,000.00	17,013,258.00	45,940,836.00	62,954,094.00	62,045,906.00
Other Infrastructure and Civil Works	39,169,853.25	6,379,245.00	910,571.00	7,289,816.00	31,880,037.25
Totals	**164,169,853.25**	**23,392,503.00**	**46,851,407.00**	**70,243,910.00**	**93,925,943.25**

A detailed analysis is in **appendix 1** of this report.

Further, total disbursements to the Assembly during the year amounted to Kshs.77,490,787 resulting to an under–expenditure of Kshs.7,246,877 resulting to an equivalent denial of promised and expected services to the residents.

Also, analysis of expenditure on infrastructure and civil works totaling to Kshs.39,169,853 was not presented for audit review. In the circumstances, propriety of the development expenditure totaling to Kshs.164,169,853 could not be confirmed.

1.3 Recurrent Budget

The total recurrent budget amounted to Kshs.689,129,512 and comprised of a balance of Kshs.233,269,511 allocated for general administration and Kshs.455,860,001 for the legislative department. The appropriation status report for the period under review reflected a total expenditure of Kshs.568,475,767 being Kshs.213,730,630 and Kshs.354,745,137 for the two departments respectively. However, this balance did not include expenditure totaling to Kshs.87,094,492 not keyed into the IFMIS System. Therefore, the total recurrent expenditure was Kshs.655,570,260. This expenditure fell short of the original budget of Kshs.689,129,512 by Kshs.33,559,252.

Recommendation

Management should improve absorption of both development and recurrent budgets to facilitate County residents enjoy public services promised to them.

2.0 Payments not in IFMIS

A review of the payments posted in the IFMIS system for the year under review revealed that payments in respect of Recurrent, Development and Car-loans amounting to Kshs.75,092,897.85, Kshs.49,5644,896.70 and

Kshs.12,000,000.00 respectively all totaling to Kshs.136,657,794.55 were not captured in the IFMIS system but were instead recorded in an excel work sheet contrary to government financial regulations that require appropriate books of account be used to record all financial information. Information and data stored in excel software can easily be changed without leaving any audit trail. In the circumstances the accuracy of the Kshs.136,657,794.55 expenditure balance recorded on the excel worksheet could not be ascertained.

Recommendations

i) All payments should be keyed into the IFMIS when they occur and data integrity including completeness and accuracy confirmed by senior officers.
ii) The County Assembly should report challenges experienced in IFMIS operations to the system's directorate without delay.

3.0 Internal Audit Department

A review of the operations of the internal audit department for the County Assembly revealed that there was no approved work plan for the 2014/2015 financial year. Also, an audit committee was not established or an internal audit Charter published. Therefore, it was not possible to ascertain whether any system reviews were planned or undertaken and whether the internal audit function was meeting its mandate.

Recommendations

i) The County Assembly management should publish an Internal audit charter to strengthen the independence and streamline the operations of the Internal Audit Department.

ii) The management should initiate the process for constituting an internal audit Committee to regulate the Internal audit function including approval of work plans.

4.0 Irregular Sitting Allowance Payments

A review of sitting allowance payments made during the year to the Members of the County Assembly revealed that:

i. Advance payments of sitting allowance totaling to Kshs. 620,000 were paid to five (5) Members of the County Assembly on diverse dates during the year under review. No law or regulation allows Members of the County Assembly to receive sitting allowances in advance. Details of the payments are shown below:

Cheque	Date	Payee	Details	Amount Kshs
1681	24-Dec-14	Daniel N.Kimanzi	Advance sitting allow.	200,000
001980	05-03-15	Nzuki Wambua	Advance sitting allow.	120,000
001729	23-01-15	Nzyoni Manguye	Advance sitting allowance	100,000
001617	11-12-14	Johnray Ngava	Advance sitting allowance	100,000
001687	24-12-14	Jackson Mwanduka	Advance sitting allow.	100,000
Total				**620,000**

ii. An analysis of weekly sittings by the Members of the County Assembly revealed that fifty five (55) Members were paid for 372 sittings more than the prescribed maximum of four sittings per week. As a result there was an overpayment of approximately Kshs.1,450,800 as shown in **Appendix 2** of this report.

Recommendations

i. Management should not pay Members of the County Assembly allowances in advance.

ii. The excess allowances totaling to Kshs.1,450,800 should be recovered from the salaries of the respective payees.

5.0 Irregularities in the Management of Car and House Loans

The approved budget for the Kitui County Assembly Service Board reflected a total of Kshs.116,000,000 allocated for house loans to Members of County Assembly and their staff. An additional Kshs.20,000,000 was allocated for car loans to Members of the County Assembly. Towards the end of the 2013/2014 financial year, the Board appointed a bank to administer the funds. A review of various documentation revealed the following anomalies:

i) Minutes of the car loans management committee, established by the County Assembly to facilitate management of the loan scheme, revealed that 16 members out of a sample of 28 received the maximum amount of allowable loan of Kshs.2,000,000 but the value of the vehicles that each of the MCAs bought was way much lower.

This resulted into an irregular loan of Kshs.20,005,000 as follows;

Name	Loan Issued (Kshs)	Vehicle Valuation (Kshs)	Variance (Kshs)
Eunice Mwathi Katheke	2,000,000.00	1,200,000	800,000.00
Boniface Maundu Katumbi	2,000,000.00	710,000	1,290,000.00
Felix Kinuva Kauvi	2,000,000.00	620,000	1,380,000.00
Jacob Kilonzi Maundu	2,000,000.00	300,000	1,700,000.00
Joyce Mwende Mutemi	2,000,000.00	765,000	1,235,000.00
Peter Mwikya Kilonzo	2,000,000.00	900,000	1,100,000.00
Hussein Mwandia	2,000,000.00	640,000	1,360,000.00
Deys Maithya Mukala	2,000,000.00	1,000,000	1,000,000.00
Joseph Nzungi Ngwele	2,000,000.00	400,000	1,600,000.00
Robinson Mativo	2,000,000.00	1,150,000	850,000.00
James Munuve	2,000,000.00	870,000	1,130,000.00
Mwove Kinyala	2,000,000.00	350,000	1,650,000.00
Mary Mbandi	2,000,000.00	400,000	1,600,000.00
Mwendwa Munyoki	2,000,000.00	810,000	1,190,000.00
Titus Munyoki Kasinga	2,000,000.00	580,000	1,420,000.00
Daniel K. Ngoima	2,000,000.00	1,300,000	700,000.00
Total			**20,005,000.00**

This was contrary to Section 10 of the Public Finance Management (County Assembly Car Loan /Members Scheme Fund) and the conditions prescribed in Appendix A to the service level agreement.

ii) Scrutiny of status reports issued by the bank from time to time revealed that 19 out of a sample of 28 members did not submit to the bank for custody log books of the vehicles that they reported to have bought. The omission contravened Section 9 of the Public Finance Management (County Assembly car loan /members scheme Fund) and the service level agreement requirement regarding documents to be presented to the bank. **(Appendix 3)**

iii) No evidence was presented to show that the County Assembly Board conducted an assessment on the cost-effectiveness and financial status of the bank appointed to manage the scheme.

Recommendations

i) The County Assembly management should only issue loans equivalent to the values of the assets purchased by the borrowers.

ii) The management should, in addition, compel borrowers under the Fund to submit appropriate collateral or other securities prescribed in the loan agreements.

iii) To obtain the most cost-effective and efficient services from financial institutions, the County Assembly Board should assess the operations and financial status of the institutions before it appoints them to manage the loan scheme.

6.0 Irregular Procurement of Legal Services

The following observations were made in respect to legal payments.

i) The County Assembly Service Board on 14 October 2014 appointed a legal firm to represent it in a petition at a cost of Kshs.3,300,000. Although documents presented for audit indicated that the legal fee was negotiated, no report was presented to show how the firm was appointed.
In addition, there ought to have been a negotiation committee formed to carry out the negotiations as required under Section 75 (a) of the Public Procurement and Disposal (Amendment) Regulations, 2013.

ii) A sum of Kshs.1,300,000 was paid to the legal firm in respect of representation at constitutional petition number 20 of 2015 at Machakos High Court. The payment was a deposit but the total fee charged was not disclosed. Further, no documents were made available to show how the payee was appointed to offer the legal services given that it was only but one of the three pre-qualified legal providers for the Assembly.

Recommendations

i) The County Assembly management should in future ensure that all legal engagements are as per the public procurement laws and regulations.

ii) Officers who awarded legal contracts to private firms without following due process should be sanctioned.

7.0 Human Resource Management

a) Over Expenditure on Personnel Costs

An audit review of personnel costs revealed that four expenditure items exceeded the budgeted amounts by a total of Kshs. 8,890,709 as follows:

Sub Vote	Item	Actual Expenditure (Kshs)	Approved Budget (Kshs)	Variance (Kshs)
General Administration and planning	Basic Salaries	44,820,960.00	40,117,222.00	4,703,728.00
General Administration and planning	House Allowance	20,307,549.00	18,362,000.00	1,945,549.00
General Administration and planning	Transport Allow	6,950,888.00	6,136,000.00	814,888.00
Legislative Department	Basic Salaries	97,503,844.00	96,077,310.00	1,426,534.00
Total				**8,890,709.00**

The Assembly did not, therefore, adhere to its approved budget and further the source of the additional funds spent on the items was not explained.

Recommendations

i) The County management should only incur expenditure within its budgets.

ii) The management should, whenever it needs additional funds, seek supplementary budget approvals through the National Treasury.

b) Irregular Recruitment of Personnel.

Personnel records examined revealed that the County Assembly Service Board recruited staff during the financial year to fill various vacancies. The advertisement for the vacancies was carried in a national newspaper and appointment letters issued in October 2014. However audit examination of the new officers' personal files revealed that six (6) of the officers were issued with appointment letters for positions that they had not applied for. Further, three officers were appointed to the posts of Second Clerk Assistant and First Clerk Assistant although only one vacancy was advertised for each post - see Appendix 4 for details.

In the circumstances, the Service Board did not adhere to the requirements of the advertisements. Further, the County Assembly Service Board may have denied opportunities to needy and qualified citizens by not advertising all available posts.

Recommendations

The County management should recruit staff as per the advertisments and follow public service requirements on recruitment of staff.

8.0 Unsupported Allowances

a) Allowances to Members of County Assembly (MCAs) for Travel to the USA.

During the year under review, the MCAs were paid a total of Kshs.7,847,243 for an official visit to the USA. However, as explained below, the allowances were not supported with sufficient and relevant evidence;

i) A payment of Kshs.2,316,573 was made to an event organizing firm vide payment voucher number 802/2014 for facilitation of MCA's activities and consultancy and logistic arrangements for County Assembly representatives attending a conference in Salt Lake City Utah, USA. However, no documents were made available to show how the firm was identified to provide the services and how the cost of the contract was arrived at. The address of the payee was P.O Box 130721 Tyler, Texas, and the payment was to be wired to Capital One Bank located in Texas. No documents were made available to show who the vendor (BIG D Finance) was including whether it was an incorporated company or an individual. Further, invoice number 14215 of 22 October 2014 was denominated in dollars (US $ 25,235) but the respective cheque number 001466 was made in Kenya Shillings thus suggesting that the payment may have been made in Kenya.

Further, the invoice did not show the number of officers who were to attend the conference and therefore it was not possible to confirm the validity and accuracy of the price charged for the services. In the absence of such records and information, the propriety of the expenditure could not be confirmed.

ii) In addition, a sum of Kshs.1,010,282.00 was paid vide payment voucher number 764/2014 of 30 October 2014 to cater for part of accommodation allowances payable to seven (7) officers who were to travel for the conference in Salt Lake City in the USA. The total allowances payable were budgeted at Kshs.3,508,020. The supporting schedule of payments indicated that two rates were applied to calculate the accommodation costs as follows:

420 dollars X Kshs. 91X13 Days X 7 Officers	Kshs.3,478,020.00
Add Transport to and from Nairobi	Kshs. 30,000.00
Sub Total	**Kshs.3,508,020.00**
Less: 122 dollars X Kshs 91 X 13 Days X 7 Officers	Kshs. 1,010,282.00
Payable	**Kshs.2,497,738.00**

The aggregate sum of Kshs.2,497,738 was paid to the officers vide payment voucher numbers 448/2014, 761/2014, 760/2014, and 759/2014. It was not explained why two different rates were used (122 and 420 dollars) to calculate the payable amount for accommodation for the 13 days. Further, the rates used are not among those prescribed in the Salaries and Remuneration Committee (SRC) Circular SRC/ADM/CIR/1/13 Vol. III (126) of 10 December 2014.

A total of Kshs.2,022,650 was paid to a tour firm for supply of air tickets used by MCA's travelling for the trip. However, documents showing how the payee was identified were not made available for audit and in the circumstances it was not possible to confirm the propriety of the expenditure.

Recommendations

i. The County Assembly management should provide documentary evidence to validate travel totaling to Kshs.7,847,243 or recover the balance from the payees and sanction the officers who sanctioned the payments.

ii. All procurement for goods and services should adhere to the Public Procurement and Disposal Act, 2005 and the respective regulations.

b) Allowances Paid to MCAs' while Traveling to Turkey and Dubai.

The County Assembly planned for a trip to Turkey and Dubai for eight (8) MCAs for 12 days between 10 and 21 November 2014. The supporting schedule showed that the trip was expected to cost Kshs.4,614,333 inclusive of accommodation allowances of (3,377,920), air tickets (Kshs.763,200), service bay (Kshs.72,000) and VAT (Kshs. 401,213).

However, the Transition Authority's Circular No. TA/7/1 of 10 May 2012 grades Members of County Assembly in Band B1, which is equivalent to job group P and Q. The Ministry of State for Public Service Circular MSPS 18/2A/(89) dated 12 November 2009 pegs the per diem rates for officers in job group P and Q at 446 dollars and 437 dollars for Turkey and Dubai respectively. However, the MCA's on the trip to these destinations were paid daily rates of 522 dollars and 503 dollars respectively. The payments exceeded the due rates by 76 and 66 dollars respectively both totaling to an equivalent of Kshs. 606,240 as shown below;

	Kshs
Turkey: 5days x 8 MCAs x 76 dollars x Kshs 90	273,600
Dubai: 7days x 8 MCAs x 66 dollars x Kshs 90	332,640
Total	**606,240**

As at 30 June 2015, the over-payments had not been recovered or explained.

Further, the passport for one of the MCA's was not made available for audit review and although the Assembly management clarified that the officer did not travel to Turkey, per diem amounting to Kshs.422,240 paid to the MCA for the trip had not been recovered as at 30 June 2015.

Recommendation

The County Assembly management should recover overpayments amounting to Kshs.606,240 and the un-utilized per diem payments amounting to Kshs.422,240 from the officers responsible.

c) Unsupported Domestic Travelling Allowance

Other expenditure records indicated that the County Assembly spent a total of Kshs.1,120,000 on transport allowances paid to 56 MCA's on a trip to Kisumu. The allowances were paid at the rate of Kshs.20,000 per person. Further, the Assembly spent Kshs.1,100,000 vide Payment voucher 1011/2014 being payment of transport expense on 56 MCAs travelling to and from Mombasa on official duty. However, the official duty was not disclosed. Minutes of the County Assembly Service Board meeting of 21 November 2014 indicated that the Board approved the payment of transport allowance amounting to Kshs.20,000 per person for each of the two trips. The allowance was paid as imprest and surrendered as per the laid down regulations governing issuance and surrender of imprests. However, no authority was sought from the Salaries and Remuneration Commission before the implementation of the decision. Further, the criteria used to set the allowance rate at Kshs.20,000 per person was not disclosed.

In addition to being irregular, the payment of the allowance as imprest facilitated avoidance of tax since imprests are not subject to tax.

Recommendations

i) The County Assembly management should only pay allowances as prescribed in the guidelines set by the Salaries and Remuneration Commission.

ii) The overpayment of Kshs.1,120,000 should be recovered from the respective officers.

9.0 Unsupported Ward Office Expenses

Documents presented for audit revealed that the County Assembly disbursed Kshs.265,000 to each MCA to finance Ward Office expenses for the period 1 July 2014 to 30 November 2014 payable at the rate of KShs.15,000 per month. The allocation was later increased by the Board to Kshs.25,000 with effect from 1 December 2014 to 31 May 2015. Further, in the month of June, 2015 the allocation was increased to Kshs.40,000 for each of the 40 Wards.

There was no published guideline or regulation on how the ward office disbursements were to be used. In addition, budgets and actual expense records were not made available for audit. Further, goods received vouchers were not attached to cash receipts purportedly issued on purchase of goods and further, the receipts were not recorded in accounting books such as the petty cash book.

Recommendations

i) The County Assembly management should include all planned expenditures in the annual budget and record in the official books of accounts all expenditures that it incurs.

ii) The County Assembly management should develop guidelines on the purpose and use of Ward Office funds.

iii) The management should provide sufficient and relevant evidence showing that the expenditure totaling to Kshs.10,600,000 (265,000 x 40 wards) reported as ward expenses was a proper charge on public funds, or sanction the officers who authorized the payments.

10.0 Irregular Payment of Salaries to Ward Assistants.

The County Assembly budget for the financial year 2014/2015 indicated that during the year under review, the County Assembly Board approved an increase of salaries for the ward office assistants from Kshs.15,000 to Kshs.20,000 as provided for in the budget with effect from 1 July 2014. However, no documentary evidence was made available to show that the said salary rate was approved by the Salaries and Remuneration Commission. Therefore, the salary paid to the ward assistants totaling Kshs. 10,320,000 (see **Appendix 4**) may not have been a proper charge to public funds. In addition, it was noted that two nominated MCAs , had a Ward Assistant on the County Assembly payroll even though they did not represent any specific Ward.

Further, the audit could not confirm that the ward assistants were recruited as provided for in public service regulations as there were no advertisements, applications or interviews carried out before the staff were appointed. Further, the County Assembly Board was not involved in recruitment of Ward Assistants. Instead the staff were reportedly recruited by MCAs.

Recommendations

i) The County Assembly management should only recruit staff as provided for in relevant public service regulations. All emoluments paid to staff should be approved by the Salaries and Remuneration Commission.

ii) The County Assembly management should provide evidence confirming that the salary totaling to Kshs.10,320,000 were a proper charge on public funds, or surcharge the officers who authorized the expenditure.

11.0 Unsupported Maintenance of Motor Vehicles

Examination of payment vouchers further revealed that the County Assembly management purchased an engine overhead for one of the Assembly's vehicles (Nissan Sunny KAT 518 X) through payment voucher number 127/2014 of 15 August 2014 at a cost of Kshs.110,000. The direct procurement method used was not approved by the tender committee and furthermore, no justification was given for using the method. Further, the vendor shown in expenditure records was not in the list of pre-qualified suppliers and in addition, the receipt that would confirm payment of Value-Added-Tax was not attached to the voucher. In addition, the defect was not disclosed in the work ticket and further, it was not clear how the engine overhead was fixed as no labor charges were claimed.

Recommendation

The County Assembly management should provide relevant evidence to confirm that the expenditure amounting to Kshs.110,000 incurred on purchase of spare parts was a valid charge on public funds , or surcharge the officers who authorized the expenditure.

12.0 Construction of Chambers - Unsupported Payments

Audit of the payments made so far in respect of a tender for the renovation of the County Assembly Chambers initiated during the 2013/14 financial year revealed that Fee Note 1 and Fee Note 2 totaling to Kshs. 13,298,650 included unsupported disbursements amounting to Kshs. 4,832,350 and Kshs. 8,466,300 as shown below;

Fee Note 1

Item	**Amount (Kshs.)**
Fees due	14,666,602.92
Reimbursables	4,832,350.00
VAT	3,119.832.47
Total	**22,618,785.39**

Fee Note 2

Fees Due	33,828,399.83
Less fee note 1	(14,666,602.92)
Disbursements	8,466,300.00
VAT	4,420,495.51
	32,048,592.42
	54,667,377.81

Included in the disbursements were payments totaling to Kshs. 1,800,00 made at the rate of Kshs. 300,000 per month to consultants(architect, quantity surveyor, structural engineer, civil engineer, mechanical and electrical engineer) over a period of six months, from November 2014 to April 2015. However, contractual agreements between the Board and the consultants were not presented for audit to support the disbursements totaling to Kshs.13,298,650. In addition, no receipts were attached to support claimable expenditures such as mileage, traveling, typing and printing.

In the circumstances, it has not been possible to certify that the disbursements constituted a proper charge on public funds.

Recommendation

The County Assembly management should provide evidence to confirm the validity of payments totaling to Kshs.13,298,650 made in respect of the contract for renovation of the County Assembly Chambers, or surcharge the officers who made the payments.

Conclusion

Like in its maiden year, the County Assembly of Kitui faced numerous challenges in its second year of operation. The challenges mainly related to procurement of goods, works and services and also staffing and recruitment. However, the challenges could be overcome if the management would follow good management practices and adhere to the Constitution, the provisions of the Public Finance Management Act, 2012, the Public Procurement and Disposal Act, 2005 and related regulations. This would enhance service delivery to the residents of Kitui County.

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

Nairobi

15 September 2016