REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF MERU

FOR THE PERIOD
1 JULY 2014 TO 30 JUNE 2015

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

EXECUTIVE SUMMARY

Introduction

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

Audit Objectives

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 county residents.

Terms of Reference

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

- ✓ Budgetary Performance Analysis
- ✓ Procurement of goods, works and services
- ✓ Cash and Bank Balances
- ✓ Non-Current Assets
- ✓ Mortgage and Car Loans
- ✓ Training Costs, Consultancy and Legal fees etc.
- ✓ MCAs Travel (Both Local and Foreign Trips)
- ✓ Commitments (Pending Bills)
- ✓ Confidential Expenditure
- ✓ Imprests and advances
- ✓ Inherited Debts / Liabilities
- ✓ Human Resource
- ✓ Review of Controller of Budget Report and Audit Mitigations
- ✓ Review of IFMIS and E-Procurement
- ✓ Review of Financial year 2013/2014 Audit Issues

Key Audit Findings

1.0 Budgetary Control and Performance

During the year under review, the approved budget for County Assembly of Meru was Kshs.756,015,051, with Kshs.622,145,051 (82%) allocated to recurrent expenditure and Kshs.133,870,000 (18%) to development expenditure. The Assembly received Kshs. 665,839,565 from the National Government as transfer from the County Treasury

against an expected budget of Kshs.756,015,051 resulting to a shortfall of Kshs.90,175,486. No explanation was given for the failure to receive Kshs.90,175,486 from the County Treasury.

2.0 Late Transfer of Un spent Funds to County Revenue Fund Account

A credit balance of Kshs.35,594,677 appearing in the bank account No. 0140261449618 as at 30 June 2015 was not transferred to the County Revenue Fund Account as at the end of the financial year 2014/2015 contrary to Section 136(2) of the Public Finance Management Act, 2012. The transfer was made two months later in August 2015. Although the Assembly indicated that the transfer period was extended by the National Treasury, no documentary evidence of the extension was made available for audit verification.

3.0 Foreign Travel - East African Chamber of Commerce - Trade Conference in Dallas- Texas- USA

Records made available for audit review showed that approval was granted for five (5) Members of the County Assembly (MCA's) to attend a three (3) days Trade Conference in Dallas – Texas – USA between 2 and 4 October 2014.

i) However the invited MCAs departed from Nairobi on 2nd and 3rd October 2014 and arrived in the USA on 4th October 2014 which was the final day of the conference. Although, the late departure was attributed to delays in visa processing, the explanation was not found satisfactory as the MCAs could have opted not to travel when they realised that they would not get their visas in good time to attend the conference.

ii) The County Assembly single sourced Concept Communications Company to provide air ticketing for the Trade Conference in Dallas – Texas – U. S. A. The Assembly therefore contravened the Public Procurement and Disposals Regulations 2006 and in the absence of competitive binding it was not possible to ascertain that Concept Communications Company was the most economical service provider and that the Assembly got value for money in the transaction. Further, Concept Communications Company was not a pre-qualified supplier to provide air tickets and travel services to the Assembly during the year under review.

iii) Concept Communications Company was paid Kshs.1,218,000 vide payment voucher No AB0214 in respect to Nairobi – Dallas return air – tickets for the five (5) Members of the County Assembly (MCAs) at unit price of Kshs.210,000. An amount of Kshs.2,173,500 was again paid to the company as conference registration fees for the five (5) Members of the County Assembly (MCAs) at ($690) per person per day for 7 days. The alleged registration fees, which had not been disclosed in the invitation letter, was so exorbitant at US$4,830 (US$690x7) or approximately Kshs.483,000 per MCA. The County Assembly should have reconsidered the benefits versus costs before authorizing the journey. Further, no evidence was adduced for audit review to confirm that M/s Concept Communications indeed paid the registration fees to the conference organizers considering that the Members of the County Assembly (MCAs) arrived in U. S. A. on the last day of the conference.

In view of the foregoing, the propriety of the expenditure totalling Kshs.3,391,500 on the foreign travel to the U. S. A. could not be confirmed.

4.0 Un-procedural Award of Tender on Modernization of County Assembly Chamber and Offices

During the year under review, a Construction Company was awarded a tender NO. MCA / ONT/018/2014 – 2015 to modernize County Assembly Chambers and Office at a contract sum of Kshs.91,345,788 being the lowest bidder.

The Contract value of Kshs.91,345,788 was varied on 20 February 2015 by Kshs.7,870,600 to stand at Kshs.99,216,388 and this was 8.6% of the original contract price. Although the County Assembly was within the allowed thresh-hold, the financial appraisal No.1 cites un-quantified omission of offsite parking, services installations and furniture for Chamber and Gallery in the variation cost, implying that the cost was likely to go up.

Further, during the evaluation of interested bidders on redesigning of County Assembly Chamber and renovation of offices, one bidder scored the highest marks out of the five (5) bidders who had expressed their interest for redesign works and was awarded the contract.

Available contractual agreements however indicate that the contractor charged 14.5% of the civil works sum of Kshs.91,345,788 as consultancy fee which however exceeded the Architects and Quantity surveyors fee rate of 14% by 0.5 as enshrined in Section 2 c (a) (b) (c) and (e) of Cap 525 thus resulting to an over charge of Kshs.456,729 as follows:-

Rate charged	14.5% of Kshs. 91,345,788	Kshs.13,245,139
Allowed rate	14% of Kshs. 91,345,788	Kshs.12,788,410
Overcharge		**Kshs.456,729**

The project started on 25 August 2014 and was expected to be completed by 11 August 2015. However, as at the time of this audit – November 2015, the project had not yet been completed and the Assembly did not avail extension requests, site meeting minutes, consultant comments and tender award minutes to justify the extended period. An audit review of the works showed that the project was about 70% complete.

No explanation was provided as to why the Architects and Quality surveyors fee rate was charged at 14.5% resulting to an overpayment of Kshs.456,729 and why the project has not been completed on time.

5.0 Non Establishment of an Internal Audit Committee

The County Assembly did not have an audit committee in place, contrary to Section 155 (5) of the Public Finance Management Act, 2012 that states that the County

Government (Assembly) shall establish an internal audit committee whose composition and functions shall be as prescribed by the regulations.
Further, the internal audit unit did not have an Audit Charter which defined the purposes, the authority and responsibility of the internal audit function.

In addition, there was no evidence to show that the County Assembly records including cash books, payment vouchers, imprest registers, imprest surrender documents, payrolls were audited or post-examined by the internal audit unit.

In the absence of Internal Audit Committee and Internal Audit Charter, the internal control systems were likely to be weak and consequently the risk to public resources entrusted to the County Assembly appeared high.

6.0 Direct Procurement of County Assembly Speaker's Residential House

During the year under review, the Meru County Assembly leased a residential house for the speaker. However, the following anomalies were observed:-

i) The valuation report by the Ministry of Lands, Housing and Rural Development vide Ref No MRU/VAL/Rental Assessment dated 28 January, 2015 valued the furnished house, located on LR No Nyaki/Kithoka/2387 at Kshs.115,000.00.The letter did not give a description and valuation of the house as to the number of bedrooms, kitchen, living room and other facilities in the house.

ii) The County Assembly paid a sum of Kshs.470,000.00 to the speaker who is actually the landlord as per the contractual agreement through payment voucher No AB0712 dated 16 February, 2015 at Kshs.80,000.00 per month for November, December, 2014 and January, 2015 and Kshs.115,000.00 for February and March, 2015.
However, the payments were not supported with invoice(s) or any other documents to validate the payments.

iii) Evaluation, Negotiations, Inspection and Acceptance of goods, works and services were not done contrary to Public Procurement and Disposal Act, 2005 and Legal Notice No 106 of 18 June, 2013 Regulation 16(1) that requires a procuring entity establish a tender processing committee in relation to each procurement process for the purposes of carrying out the evaluation of the tenders or proposals, negotiations or inspection and acceptance of goods, works or services.

Under the circumstances, it has not been possible to confirm the authenticity of the expenditure of Kshs.470,000.00 paid to the speaker.

7.0 ICT Environment

An audit review of the Assembly's ICT environment revealed that there were no documented ICT policies and procedures, ICT organization structure, business continuity plans, disaster recovery plans and ICT inventory. Further, although the Public Finance Management Act, 2012 and the County Government Public Finance Management Act, 2013 require all Government entities to adopt IFMIS, the County Assembly had not started using the IFMIS as at 30 June 2015.

In the circumstances, it has not been possible to ascertain that data security, confidentiality, integrity and availability could not be compromised. Further, the Assembly contravened the PFM Act, 2012 and County Government Public Finance Management Act, 2013 by not adopting IFMIS.

8.0 Irregular Hire of Ward Offices

The County Assembly leased ward offices in the year 2013/2014. However, the contractual agreements were signed by the MCAs as the tenants and the subsequent payments by the County Assembly were paid to them.

Since the lease rentals were paid by the County Assembly, the agreement ought to have been made between the landlord and the County Assembly.

Further, documents made available for audit verification show that during the year under review, the County Assembly paid a total of Kshs.4,777,100 as ward rent for the first and second quarter. Although the rent differed per ward, most of the offices were rented at Kshs.20,000 per month. No valuation was done to support this amount.

In addition, procurement procedures were not adhered to as the landlords were not invited to offer office space through expression of interests to the procuring unit (County Assembly) as stipulated in regulation 8 (3) (b) of the Public Procurement and Disposal Regulations 2006.

Consequently, the County Assembly was in breach of the provision of the procurement regulations. Further, in absence of valuation reports to determine fair rent, there was a possibility of ward rents being overstated.

9.0 Irregular Recruitment of County Ward Employees

During the year under review, the County Assembly spent Kshs.34,185,000 to pay salaries to two hundred and seventeen (217) staff to work at the MCAs' ward offices. However, the respective advertisements, shortlisting and interviewing documents were not made available for audit review. It was therefore not possible to ascertain that proper recruitment procedures were followed.

In the circumstances, the expenditure of Kshs.34,185,000 on County Ward employees is not a proper charge to public funds.

10.0 Unrecovered Taxes Paid for MCAs and Staff

During the year under review, a total of Kshs.5,760,000.00 was paid to Members of the County Assembly and the Clerk as airtime allowances. The Assembly also paid the resultant tax due totaling to Kshs.1,728,000 or 30% to Kenya Revenue Authority on behalf of the employees. However, the same amount was not recovered from the individuals monthly salaries.

In view of the foregoing, the propriety of the expenditure of Kshs.1,728,000 could not be confirmed.

11.0 Incomplete Fixed Assets Register

Documents made available for audit review showed that the County Assembly spent Kshs.6,370,895.00 to purchase various non-current assets during the year under review. Although, the Assembly had tagged most of the assets for ease of identification and verification, the fixed assets register was not updated as required by Section 149(2) of the Public Finance Management Act, 2012.

In the absence of an updated Fixed Assets Register, the existence, location and valuation of the fixed assets could not be confirmed as at June 2015.

FCPA Edward R.O Ouko, CBS
AUDITOR-GENERAL

Nairobi

31 August 2016

DETAILED AUDIT FINDINGS

1.0 Budgetary Control and Performance

1.1 Revenue

During the year under review, the Approved Budget for Meru County Assembly was Kshs.756,015,051, with Kshs.622,145,051 (82%) allocated to recurrent expenditure and Kshs.133,870,000 (18%) to development expenditure. The Assembly received Kshs.665,839,565 from the National Government as transfer from the County Treasury .The total revenue shortfall amounted to Kshs.90,175,486 as shown below:-

Item	Budgeted Receipts Kshs.	Actual Receipts Kshs.	Variance Kshs.	Rate
Exchequer recurrent & Development)	756,015,051	665,839,565	90,175,486	88%

1.2 Expenditure

The Assembly had budgeted to spend Kshs.756,015,051 on both recurrent and development expenditures. However, the actual expenditure was Kshs.712, 566,287 resulting to an overall net under-expenditure of Kshs.43,448,764 as follows:-

Item	Budgeted Expenditure Kshs.	Actual Expenditure Kshs.	Variance Kshs.	Absorption Rate (%)
Recurrent	622,145,051	612,488,891	9,656,160	98
Development	133,870,000	100,077,396	33,792,604	75
	756,015,051	712,566,287	43,448,764	94

The detailed analysis of the net under – expenditure is at **(Appendix I).**

Further, the net under – expenditure of Kshs.43,448,764 comprised of an under-expenditure of Kshs.108,206,603 **(Appendix II)** and an over-expenditure of Kshs.64,757,839 **(Appendix III)**

In addition, the over-expenditure of Kshs.64,757,839 was in respect to seven (7) items namely; Compensation of employees, Domestic Travel Subsistence and Other Transportation Costs, Fuel Oil and Lubricants, Routine Maintenance - Vehicles and Other Transport Equipment, Purchase of Office Furniture and General Equipment, Purchase of Hansard Equipment and Construction of Buildings (Assembly Restaurant). The under expenditure of Kshs.108,206,603.00 was mainly from six (6) items namely; Chamber renovation Kshs.39,570,540, other operating expenses (Kshs.27,248,484), Rental of Produced Assets (Kshs.8,397,879), printing and advertising (Kshs.7,591,440), and payables from previous financial year – development and recurrent (Kshs.6,889,236 and Kshs.6,119,985 respectively).

Recommendation

The Assembly should ensure that it contains its operations within the approved budget

2.0 Late Transfer of Unspent Funds to County Revenue Fund Account

A credit balance of Kshs.35,594,677 appearing in the bank account No. 0140261449618 as at 30 June 2015 was not transferred to the Revenue Fund Account as at the end of the financial year 2014/2015 contrary to Section 136(2) of the Public Finance Management Act, 2012. The transfer was made two months later in August 2015. Although the Assembly indicated that the transfer period was extended by the National Treasury, no documentary evidence of the extension was made available for audit review.

Recommendations

i). The County Assembly to adhere to stipulated budget timelines for effective budget implementation.

ii). The unspent funds remaining at the closure of the financial year be swiped into County Revenue Fund account as provided for in Section 136 (2) of the Public Finance Management Act, 2012.

3.0 Foreign Travel - East African Chamber of Commerce - Trade Conference in Dallas- Texas- USA

Records made available for audit review showed that approval was granted for five (5) Members of the County Assembly (MCAs) to attend a three (3) days Trade Conference in Dallas – Texas – USA between 2 and 4 October 2014.

i). However, the invited MCAs departed from Nairobi on 2nd and 3rd October 2014 and arrived in the USA on 4th October 2014 which was the final day of the conference. Although, the late departure was attributed to delays in visa processing, the explanation was not found satisfactory as the MCAs could have opted not to travel when they realised that they would not get their visas in good time to attend the conference.

ii). The County Assembly single sourced Concept Communications Company to provide air ticketing for the Trade Conference in Dallas – Texas – U. S. A. The Assembly therefore contravened the Public Procurement and Disposals Regulations 2006 and in the absence of competitive bidding it was not possible to ascertain that Concept Communications Company was the most economical service provider and that the Assembly got value for money.

Further, Concept Communications Company was not a pre-qualified supplier to provide air tickets and travel services to the Assembly during the year under review.

iii). Concept Communications Company was paid Kshs.1,218,000 vide payment voucher No AB0214 in respect to Nairobi – Dallas return air – tickets for the five (5) Members of the County Assembly (MCAs) at unit price of Kshs.210,000. An amount of Kshs.2,173,500 was again paid to the company as conference registration fees for the five (5) Members of the County Assembly (MCAs) at ($690) per person per day for 7 days. The alleged registration fees, which had not been disclosed in the invitation letter, was so exorbitant at US$4,830 (US$690x7) or approximately Kshs.483,000 per MCA. The County Assembly should have reconsidered the benefits versus costs before authorizing the journey.

Further, no evidence was adduced for audit review to confirm that M/s Concept Communications Company indeed paid the registration fees to the conference organizers especially putting into account that the Members of the County Assembly (MCAs) arrived in U. S. A. on the last day of the conference.

In view of the foregoing, the propriety of the Kshs.1,218,000 and Kshs.2,173,500 expenditure totalling Kshs.3,391,500 on foreign travel to the U. S. A. could not be confirmed.

Recommendations

i). In future, the MCAs and other County Assembly officers should opt not to travel for conference(s) when late.

ii). The County Assembly should ensure that the Public Procurement and Disposal Act, 2005 and its Regulations 2006 are strictly followed.

iii). The amount of Kshs.3,391,500 spent on the two did not benefit the county residents and should be recovered from the responsible officers.

4.0 Un-procedural Award of Tender on Modernization of County Assembly Chamber and Offices

During the year under review, M/s Delta Ayeman Contractors Ltd was awarded Tender NO. MCA / ONT/018/2014 – 2015 to modernize County Assembly chambers and office at a contract sum of Kshs.91,345,788 having been the lowest evaluated tenderer.

The Contract value of Kshs.91,345,788 was varied on 20 February 2015 by Kshs.7,870,600 to stand at Kshs.99,216,388 and this was 8.6% of the original contract price. Although the County Assembly was within the allowed thresh-hold, the financial appraisal No.1 cites un-quantified omission of offsite parking, services installations and furniture for Chamber and Gallery in the variation cost, meaning that the cost was likely to go up.

Further, during the evaluation of interested bidders on redesigning of County Assembly Chamber and renovation of offices, K & M Arch plans Ltd scored the highest marks out of the five (5) bidders who had expressed their interest for redesign works and was awarded the contract.

Available contractual agreements however indicate that the contractor charged 14.5% of the civil works sum of Kshs.91,345,788 as consultancy fee which however exceeded the Architects and Quantity Surveyors fee rate of 14% by 0.5% as enshrined in Section 2 c (a) (b) (c) and (e) cap 525 thus resulting to possible over charge of Kshs.456,729 as follows:-

Rate charged	14.5% of Kshs. 91,345,788	Kshs.13,245,139
Allowed rate	14% of Kshs. 91,345,788	Kshs.12,788,410
Overcharge		**Kshs.456,729**

In addition the project started on 25 August 2014 and was expected to be completed by 11 August 2015.

However, as at the time of this audit – November 2015, the project had not yet been completed and the Assembly did not avail extension requests, site meeting minutes, consultant comments and tender award minutes to justify the extended period. An audit review of the works showed that the project was about 70% complete.

No explanation was provided as to why the Architects and Quality Surveyors fee rate was charged at 14.5% resulting to an overpayment of Kshs.456,729 and why the project was not completed on time.

Recommendations

i) Recover the overpayment from the retention money and in future ensure that no overpayments are made outside the provisions of the regulations.

ii) The County Assembly Management to ensure project completion is within agreed timelines for the benefit of County residents

5.0 Non Establishment of an Internal Audit Committee

The County Assembly did not have an audit committee in place, contrary to Section 155 (5) of the Public Finance Management (PFM) Act, 2012 that states that the County

Government (Assembly) shall establish an internal audit committee whose composition and functions shall be as prescribed by the regulations.

Further, the internal audit unit did not have an Audit Charter which defined the purposes, the authority and responsibility of the internal audit unit.

In addition, there was no evidence to show that the County Assembly records including cash books, payment vouchers, imprest registers, imprest surrender documents, payrolls etc. were audited or post-examined by the internal audit unit.

In the absence of Internal Audit Committee and Internal Audit Charter, the internal control systems were likely to be weak and consequently the risk to public resources entrusted to the County Assembly appeared high.

Recommendations

i). The County Assembly to adhere to the provisions of the PFM Act 2012 by instituting a strong internal audit functions.

ii). Audit Committee to be put in place in line with the law.

iii). An audit charter be developed, approved and implemented by the County Assembly.

6.0 Direct Procurement of County Assembly Speaker's Residential House

During the year under review, the Meru County Assembly leased a residential house for the speaker. However the following anomalies were noted:-

i) The valuation report by the Ministry of Lands, Housing and Rural Development vide Ref No MRU/VAL/Rental Assessment dated 28 January, 2015 valued the furnished house, located on LR No Nyaki/Kithoka/2387 at Kshs.115,000.00. The valuation letter did not give a description and valuation of the house as to the number of bedrooms, kitchen, living room and other facilities in the house.

ii) The County Assembly paid a sum of Kshs.470,000.00 to the speaker who is actually the landlord as per the contractual agreement through payment voucher No AB0712 dated 16 February, 2015 at Kshs.80,000.00 per month for November, December, 2014 and January, 2015 and Kshs.115,000.00 for February and March, 2015.

However, the payment voucher was not supported with invoice or any other documents to validate the payment.

iii) Evaluation, Negotiations, Inspection and Acceptance of goods, works and services were not done contrary to Public Procurement and Disposal Act, 2005 and Legal Notice No 106 of 18 June, 2013 Regulation 16(1) that requires a procuring entity to establish a tender processing committee in relation to each procurement process for the purposes of carrying out the evaluation of the tenders or proposals, negotiations or inspection and acceptance of goods, works or services.

Under the circumstances, it has not been possible to confirm the authenticity of the expenditure of Kshs.470,000.00 paid to the speaker.

Recommendations

i) The County Assembly should ensure that the Public Procurement and Disposal Act, 2005 and its Regulations 600 are strictly followed.

ii) The amount of Kshs.470,000 be recovered from the speaker as they are not supported.

7.0 ICT Environment

An audit review of the Assembly's ICT Environment revealed that there were no documented ICT policies and procedures, ICT organization structure, business continuity plans, disaster recovery plans and ICT inventory. Further, although the Public Finance Management Act, 2012 and the County Government Public Finance Management Act, 2013 require all Government entities to adopt IFMIS, the County Assembly had not started using the IFMIS as at 30 June 2015.

In the circumstances, it has not been possible to ascertain that data security, confidentiality, integrity and availability could not be compromised.

Further, the Assembly contravened the PFM Act, 2012 and County Government Public Finance Management Act, 2013 by not adopting IFMIS.

Recommendations

i) The management to hasten the process of having ICT policies and procedures, ICT organization structure, business continuity plans, disaster recovery plans and ICT inventory.

ii) The County Assembly to embrace use of IFMIS in processing all financial transactions to assure data integrity.

8.0 Irregular Hire of Ward Offices

The County Assembly leased ward offices in the year 2013/2014. However, the contractual agreements were signed by the MCAs as the tenants and the subsequent payments by the County Assembly were paid to them.

Since the lease rentals were paid by the County Assembly, the agreement ought to have been made between the landlord and the County Assembly.

Further, documents made available for audit verification show that during the year under review, the County Assembly paid a total of Kshs.4,777,100 (**Appendix IV**) as ward rent

for the first and second quarter. Although the rent differed per ward, most of the offices were rented at Kshs.20,000 per month. No valuation was done to support this amount.

In addition, procurement procedures were not adhered to as the landlords were not invited to offer office space through expression of interests to the procuring unit (County Assembly) as stipulated in regulation 8 (3) (b) of the Public procurement and Disposal Regulations, 2006.

In the circumstances, the County Assembly was in breach of the provision of the procurement regulations. Further, in absence of valuation reports to determine fair rent, there was a possibility of ward rents being overstated.

Recommendations

i) The County Assembly should ensure that all ward offices are valued to determine their fair rent.

ii) Procurement laws, procedures and regulations should always be adhered to in all procurements.

iii) The irregular rental expenditure of Kshs.4,777,100 to be recovered from the respective MCAs as it is not supported.

9.0 Irregular Recruitment of County Ward Employees

During the year under review, the County Assembly spent Kshs.34,185,000 to pay salaries to two hundred and seventeen (217) staff who were employed to work at the offices of the MCAs at the wards. However, the respective advertisements, shortlisting and interviewing documents were not made available for audit review. It was therefore not possible to ascertain that proper recruitment procedures were followed.

In the circumstances, the expenditure on County Ward employees is not a proper charge to public funds.

Recommendations

i) County Assembly Service Board (CASB) should regularize the appointments. The management of Meru County assembly should follow the guidelines as contained in the County Government Act, 2012 paragraph 63(2).

ii) Any unmerited recruitment be cancelled and expenditure be recovered from the responsible officers.

10.0 Unrecovered Taxes Paid for MCAs and Staff

During the year under review, a total of Kshs.5,760,000.00 was paid to Members of the County Assembly speaker and the Clerk as airtime allowances.

The Assembly also paid the resultant tax due totaling to Kshs.1,728,000 or 30% (**Appendix V**) to Kenya Revenue Authority (KRA) on behalf of the said employees. However, the same amount was not recovered from the individuals monthly salaries.

In view of the foregoing, the propriety of the expenditure of Kshs.1,728,000 could not be confirmed.

Recommendations

i) Recover the Kshs.1,728,000 paid to KRA as tax on airtime allowance on behalf of the speaker, clerk and MCAs from the responsible officers.

ii) The County Assembly Management to adhere to the Human Resources Management procedures and regulations.

11.0 Incomplete Fixed Assets Register

Documents made available for audit review showed that the County Assembly spent Kshs.7,745,025.00 to purchase various non-current assets including computers and other IT equipment (Kshs.4,008,285.00) and officer furniture (Kshs.3,736,740.00) during the year under review. However, although, the Assembly had tagged most of the assets for ease of identification and verification, the fixed assets register was not updated as required by Section 149(2) of the Public Finance Management Act, 2012.

In the absence of an updated Fixed Assets Register, the existence location and valuation of the Assembly's assets could not be confirmed.

Recommendations

i) The Fixed Assets Register should be updated to include all County Assembly fixed assets.

ii) All the required details of the Fixed Assets Registrar be included.

Conclusion

Due to the unsatisfactory issues raised in paragraphs one (1) to eleven (11) of this report, the systems formulated and applied by the County Assembly of Meru were not entirely reliable for the management of the county's finances in the delivery of effective and efficient service to the County residents.

The County Assembly should however ensure full control functions, enhanced expenditure control.

FCPA Edward R.O Ouko, CBS
AUDITOR-GENERAL

Nairobi

31 August 2016