REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF MOMBASA

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 MOMBASA FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

EXECUTIVE SUMMARY

Background Information

The Constitution of Kenya, 2010 under the Article 176, created the County Governments which consist of the County Assembly and the County Executive. The County Assembly which is the Legislative arm of the County Government consists of the Speaker and Members of County Assembly (elected and nominated). The Mombasa County Assembly which is domiciled in Mombasa Town has 30 elected and 13 nominated Members all totaling to forty-three (43).

Introduction

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

Terms of Reference

The Office of the Auditor-General is an independent office mandated by the Constitution under Article 229 to audit the accounts of the National and County Government. In this regard, the office planned a management and financial operations audit of the County Assembly of Mombasa for the period 1July 2014 to 30June 2015 with the following audit objectives.

- Assessment of controls over management of cash and bank accounts.
- Assessment of controls over management of assets under the control of the County Assembly.
- Assessment of compliance with the procurement laws in process of acquisition of goods or services
- Assessment of compliance with Public Finance Management Act, 2012 in the utilization of public funds.
- Compliance with other relevant laws and regulations
- To ascertain the integrity and reliability of financial and other information used by management in the utilization of public funds.

To confirm that all necessary supporting documents, records, and accounts have been kept in respect of all transactions.

Methodology

The approach used in carrying out this audit included the following:

- Interviews with key officers at the County Assembly offices.
- Review of applicable legislation and regulations.
- Examination of payment vouchers and support documents, cashbooks, vote books, bank statements, bank slips, miscellaneous receipt books, procurement documents, stores records, asset registers and other related records.
- Review of minutes of various meetings where there were resolutions regarding utilization of public funds.
- Physical inspection and verifications
- Observation of processes and activities.
- Review of documents used by management to monitor use of funds.

Scope and Determination of Responsibilities

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs).These standards require that the audit is planned and performed so as to obtain reasonable evidence that, in all material respects, expenditure incurred is fairly stated and recording for all financial transactions is achieved. 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. The responsibility of Auditor-General is to report on the weaknesses and non-compliance with Laws and regulations identified in the course of the audit.

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

KEY AUDIT FINDINGS

1.0 Budget Performance Analysis

In the financial year 2014/2015 County Assembly had a total budget of Kshs.436,380,990 comprising of Kshs.31,350,000 for development and Kshs.405,030,990 for recurrent expenditure. This was an increase of 47% compared to the financial year 2013/2014 budget of Kshs. 268.5 million. As at the end of the

financial year, the County Assembly had spent Kshs. 290,570,967 on recurrent vote being 72% of the budget while Kshs. 9,049,900 had been spent on development representing 29%. Analysis of the proportion of the actual expenditure reveal that 97% of the total expenditure was on recurrent while only 3% was on development.

A review of the recurrent expenditure revealed that fourteen (14) budget lines had nil expenditure which implies idle funds. Similarly, County Assembly spent Kshs.52.71 million on sitting allowances to the 43 MCAs, representing an absorption rate of 98 per cent of the annual MCA sitting allowance budget, an increase from Kshs.14.4 million spent in financial year 2013/14.

2.0 Delay in Passing of Finance Bill 2014

According to the County Assembly's Bill tracker, the Finance Bill 2014 was passed on 19 November 2014, fifty (50) days after the deadline of 30 September 2015 contrary to Section 133 of Public Finance Management Act, 2012 which requires that not later than ninety days after passing the Appropriation Bill, the County Assembly shall consider and approve the Finance Bill with or without amendments. It was not clear how the revenue targets could be achieved when the Bill enactment was delayed for over 50 days.

3.0 Ward Office Expenditure – Unaccounted for Disbursements to Ward Offices

A review of disbursements to ward offices made during the year revealed that disbursements amounting to Kshs.4,200,000 to various ward offices were not accounted for as the expenditure returns for the disbursed funds were not made available for audit verifications. It was further revealed that additional funds were released to the wards that had failed to submit returns for the previous disbursements contrary to the County Assembly Service Board directive on management of ward offices. In addition, out of Kshs.600,000 disbursed to Bofu and Miritini ward offices, only Kshs.391,975 was accounted for leaving a balance of Kshs.208,025 unaccounted for.

In the circumstance, the propriety and accuracy of disbursements to ward offices of Kshs.4,200,000 could not be determined.

4.0 Staff Medical Insurance Cover

4.1 Tendering for Medical Insurance Cover

A review of documents availed by the management indicated that the County Assembly through tender No. CAM/PRO/T/01/2014-2016 awarded an insurance brokerage firm a contract to offer medical insurance cover at a premium of Kshs.33,245,433. However, the firm's quote of Kshs.33,245,433 was the highest compared to Kshs.29,416,300 of the lowest evaluated bidder resulting to excess cover of Kshs.3,829,133. This is contrary to Section 66 (4) of the Public Procurement and Disposal Act, 2005 which requires that the successful tender shall be the tender

with the lowest evaluated price. In addition, the insurance policy document for the medical insurance cover was not availed for audit review.

In the circumstances, it was not possible to confirm the validity and terms of medical cover between the County Assembly and the medical insurance provider.

4.2 Non-performance of the Medical Insurance Contract

Records availed for audit indicate that the medical insurance contract was terminated on 26 June 2015 due to non-performance of the contract by the brokerage firm. According to records availed for audit verifications, by the time of contract termination indicates that the County Assembly had spent a total of Kshs.38,163,850 on the brokerage firm which include total payments amounting to Kshs.27,459,322 and pending bills totaling Kshs.10,704,528 as at the close of the financial year. Amount of Kshs.38,163,850 exceeded the firm's quoted bid price of Kshs.33,245,433 by Kshs.4,918,417 being additional loss resulting from the flawed procurement process. Further, according to the expenditure records, additional Kshs.10,777,721 was paid to staff as reimbursement for medical claims on bills incurred in various medical facilities outside this cover.

In the circumstance, the propriety of the medical scheme with a total expenditure of Kshs.48,941,575 and value for money for this procurement could not be determined.

5.0 Management of Imprest

Examination of IFMIs reports on outstanding imprest revealed that the County Assembly of Mombasa had un-surrendered imprest amounting to Kshs.20,555,161 as at 30 June 2015. Included in the outstanding imprest of Kshs.20,555,161 is imprest amounting to Kshs.15,043,861 which was long overdue. In addition, the audit examination revealed that Kshs.17,274,481 was held by officers with multiple unsurrendered imprest contrary to Section 5.6.5 of the Government Financial Regulations and Procedures. The audit also revealed that there were officers holding imprest amounting to Kshs.10,871,251 for more than six months without surrendering.

Further, the audit review of surrender vouchers revealed that supporting documents amounting to Kshs.540,400 were not related to the activity for which the imprest was issued. It was not clear whether the intended activity was undertaken.

6.0 Procurement of Goods and Services

6.1 Procurement of Photocopying Papers and Kaspersky Antivirus

The County Assembly via quotation reference CAM/PRO/QTN/004/2014-15 purchased 3,000 reams of photocopying papers at a price of Kshs.600 per ream costing a total of Kshs.1,800,000. Similarly, a review another of quotation reference number CAM/ PRO/QTN/022/2015-15 revealed that the County Assembly also

purchased 10 Kaspersky antivirus at a price of Kshs.24,500 per pack costing a total of Kshs.245,000.

However, according to the 2014 price index as published on the Public Procurement Oversight Authority's website, the price of a ream of photocopying was on the average of Kshs.442. Also, a market survey on the price of Kaspersky antivirus within the Mombasa town indicated an average price of Kshs.1,500 for a single-user. In the circumstances, the County Assembly may have lost a total of Kshs.704,000 through inflated prices which include Kshs.474,000 on photocopying papers and Kshs.230,000 on Kaspersky antivirus.

The propriety and value for money of the expenditure could not be confirmed for the financial year ended 30 June 2015.

6.2 Procurement of Robes for the Speaker and Clerk

Documents availed for audit review indicated that the County Assembly procured two robes for the speaker and six robes for the Clerk at a total cost Kshs.2,600,000. A review of the procurement documents revealed that although the items were identical and requested at the same time, procurement was done separately and awarded to two different suppliers. This was in contravention of Section 30 of the Public Procurement and Disposal Act, 2005 which prohibits entities from structuring procurement as two or more procurements for the purpose of avoiding use of a procurement procedure. The splitting of this procurement enabled the procurement to be through quotations where if not split it would have necessitated use of restricted tender as per legal notice no. 106 of 2013 which requires a procurement of goods whose value is over Kshs.2million to be through restricted tender.

7.0 Sitting Allowances

7.1 Sitting Allowances paid to MCAs Attending Jumuia ya County za Pwani Consultative Forum

Audit examination of the expenditure records revealed that Kshs.1,594,200 was paid to Members of the County Assembly and some members of staff to attend Jumuia ya County za Pwani Consultative forum. However, according to the invitation letter, persons invited were the County Secretary and County Executive Committee members. Further, the allowance was paid for two days although the invitation was for a single day. It was also noted that there were some discrepancies on signatures as per the attendance list and payment list supporting the payment voucher.

7.2 Excess Sitting Allowance

Audit examination of the Integrated Payroll and Personnel Database (IPPD) revealed that MCAs' sitting allowance for the months of May 2014 and August 2014 was paid in the month of September 2014. However, a review of the payroll for the month of September 2014 revealed MCAs were paid excess sitting allowance amounting to Kshs.3,310,000 over and above the 32 sittings per month stipulated by the Salaries

and Remuneration Commission. Therefore, the validity and regularity of the excess sitting allowance could not be determined.

8.0 Mileage Allowance

Audit examination of the payroll for the year under review indicated that all the forty three (43) both elected and nominated MCAs were paid the maximum mileage allowance of Kshs.39,528 per month amounting a total of Kshs.20,396,448 paid in the year. The mileage allowance was paid regardless of the distance covered from their homes to the County Assembly which is contrary to Salaries and Remunerations Commission Circular reference No. SRC/TS/CGOVT/3/16. Further, the management did not avail bio-data on the exact home of the MCAs in order to determine the actual entitlement of the mileage allowances to each MCA.

9.0 Foreign Travel

9.1 Foreign Travel Allowance to Zanzibar

According to records availed for audit, the County Assembly paid Kshs.5,000,140 to members and staff of the County Assembly to travel to South Africa for 10 days to attend the Gauteng Provincial Legislature for benchmarking. The trip did not take place due to delays in processing travel Visa. However, the money for trip was not refunded to the County Assembly instead the team took a trip to Zanzibar for 13 days with additional cost of Kshs.1,400,000 incurred on transport to Zanzibar. There was no indication that the Accounting Officer had sanctioned the change.

10. Mortgage and Car Loans to MCAs

A review of car loan repayment schedule to Chase Bank revealed that thirty three (3) MCAs were in repayment default amounting to Kshs.7,405,043. It was not clear how the County Assembly would repay the loan in case the MCAs' current term lapses before clearing the loan.

11.0 Fixed Assets Register

A review of the asset register availed for verification indicated that the register maintained by the County Assembly was incomplete with no details on; date of purchase, location, custodian and unique identification marks. In addition, five motor vehicles, three electronic equipment valued at Kshs.500,000, furniture and equipment valued at Kshs.10,736,900 procured during the financial year were not updated on the register. It was not possible to determine how the County Assembly keeps track of its assets.

12.0 Education Sponsorship to MCAs

Audit examination of payment vouchers revealed that County Assembly sponsored some MCAs to various universities to pursue various courses. It was not clear the criteria used in selecting and awarding of the sponsorship as the County Assembly

had no training policy in place. In addition, there was no evidence of a need assessment carried out to determine staff capacity needs.

Therefore, value for money from the expenditure on tuition fees to MCAs could not be determined.

13.0 Accounting Records

The County Assembly of Mombasa has a full-fledged finance department headed by a finance officer. Among the duties tasked with the department is maintaining accounting records of the County Assembly including the cash book and ledgers and registers which are necessary for the production of accounts for County Assembly. However, information availed for audit indicate that the County Assembly of Mombasa does not maintain its own accounting records and relies on financial records of the County Executive. Further, the financial statements were not prepared and submitted to the Auditor-General for audit in line with section 100 (4) of the Public Finance Management Act, 2012.

In the absence of the statement of receipts and payments and statement of assets, it is not possible to determine financial performance and independently review the financial position of the County Assembly of Mombasa as at 30 June 2015.

14.0 Non-closure of Bank Accounts in Co-operative Bank

The County Assembly operates a bank account in Co-operative bank. As at the time of audit the bank account had not been closed and neither a bank reconciliation submitted to the Office of the Auditor-General. This was contrary to paragraph 22 of the National Treasury Circular No. 14 which required Accounting Officers of the County Government entities including County Assemblies to open and operate bank accounts only in Central Bank of Kenya except imprest bank account, revenue bank account and County public fund bank accounts.

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

Nairobi

30 August 2016

DETAILED FINDINGS

1.0 Budget Performance Analysis

The County Assembly had a total budget of Kshs. 436,380,990 voted for the financial year 2014/2015 comprising of Kshs.31,350,000 for development and Kshs.405,030,990 for recurrent expenditure. This was an increase of 47% compared to 2013/2014 financial year budget of Kshs. 268.5 million.

The budget absorption was as follows:

Item	Budgeted Allocation 2014/2015	Actual 2014/2015	Under Absorption	Absorption in %	As % of Total Expenditure
Recurrent	405,030,990	290,570,967	114,460,023	72	97
Development	31,350,000	9,049,900	22,300,100	29	3
Total	436,380,990	299,620,867	136,760,123		100

1.1 Development Vote

Kshs.31,350,000 under development vote was for the purchase of photocopier, computers, printers, air conditioners, generator among others. However as at the end of the financial year only Kshs.9,049,900 had been spent. Among items not acquired include a cash box and communication equipment.

1.2 Recurrent Vote

A breakdown of the recurrent expenditure budget revealed the following budget lines/votes were not spent at all:

Vote	Amount Kshs
Hire of Equipment, Plant and Machinery	1,000,000
Production and Printing of Training Materials	1,000,000
Hire of Training Facilities and Equipment	500,000
Field Training Attachments	500,000
Book Allowance	500,000
Project Allowance	500,000
Research Allowance	1,000,000
Trainee Allowance	2,500,000
Human Resource Reforms	1,000,000
National Celebrations	2,000,000
Plant, Equipment and Machinery Insurance	1,500,000
Motor Vehicle Insurance	4,000,000
Education and Library Supplies	5,000,000
Purchase/Production of Photographic and Audio-Visual Materials	5,000,000
Total	**26,000,000**

It was not clear how the basis of providing for the votes if no expenditure was anticipated. The public funds remained idle at the expense of other deserving votes.The County Assembly spent Kshs.52.71 million on sitting allowances to the 43 MCAs, representing an absorption rate of 98 per cent of the annual MCA sitting allowance budget, an increase from Kshs.14.4 million spent in financial year 2013/14. It was also noted that Kshs.45,548,196 being 16% of the total recurrent budget was spent on repayment of various debts. This also represents 403% more of the amount spent on development vote. The County Assembly may be spending more on debts at the expense of development.

Recommendations

The County Assembly should allocate more resources on development in order to enhance service delivery to the people of Mombasa County.The management should only allocate funds on votes that are expected to have economic activities during the financial. Idle votes should be procedurally re-allocated to more deserving votes.

2.0 Delay in Passing of the Finance Bill 2014

According to the County Assembly's Bill tracker, the Finance Bill 2014 was passed on 19 November 2014, fifty (50) days after the deadline of 30 September 2015 set by the law. This is contrary to Section 133 of Public Finance Management Act, 2012 which require that not later than ninety days after passing the Appropriation Bill, the County Assembly shall consider and approve the Finance Bill with or without amendments. It was not clear how the revenue targets could be achieved when the Bill enactment was delayed for over 50 days.

Recommendations

The County Assembly should adhere to Section 133 of Public Finance Management Act, 2012 in relation to passing of Finance Bill to ensure the legislative framework is ready to assist the county to collect the expected revenue in the implementation of the County Government's budget.

3.0 Ward Office Expenditure - Unaccounted Disbursements to Ward Offices

A review of disbursements to ward offices made during the year revealed that disbursements amounting to Kshs.4,200,000 as detailed in ***Appendix I*** to various ward offices were not accounted for as the expenditure returns for the disbursed funds were not made available for audit verifications. It was further revealed that additional funds were released to the wards that had failed to submit returns for the previous disbursements contrary to the County Assembly Service Board directive on management of ward offices. In addition, out of Kshs.600,000 disbursed to two ward offices as detailed in ***Appendix II***, only Kshs.391,975 was accounted for leaving a balance of Kshs.208,025 as unaccounted for. In the circumstance, the propriety and accuracy of disbursements to ward offices of Kshs.4,200,000 could not be determined.

Recommendations

The management should adhere to Section 5.6 of the Government Financial Regulations and Procedures in relation to standing imprest and directives set by the County Assembly Service Board on the management of county ward offices. No additional funds should be disbursed to ward offices before the previous disbursement has been accounted for. Returns for the unaccounted for disbursements should be availed for audit verifications failure to which the amount is recovered from the respective officer.

4.0 Staff Medical Insurance Cover

4.1 Tendering for Medical Insurance Cover

A review of documents availed by the management indicated that the County Assembly through tender no. CAM/PRO/T/01/2014-2016 awarded an insurance brokerage firm a contract to offer medical insurance cover at a premium of Kshs.33,245,433. However, the firm's quote of Kshs.33,245,433 was the highest compared to Kshs.29,416,300 of the lowest evaluated bidder resulting to excess cover of Kshs.3,829,133. This is contrary to Section 66 (4) of the Public Procurement and Disposal Act, 2005 which requires that the successful tender shall be the tender with the lowest evaluated price. In addition, the insurance policy document for the medical insurance cover was not availed for audit review. In the circumstances, it was not possible to confirm the validity and terms of medical cover between the County Assembly and the medical insurance provider.

Recommendations

Procurements should be in line with Section 66 (4) of the Public Procurement and Disposal Act, 2005 which requires that the lowest bidders is awarded the contract. As a result, the officer responsible for this flawed procurement process should be surcharged for the loss of Kshs.3,829,133. Further, the insurance policy document should be made available for audit review failure to which the responsible officer is held liable.

4.2 Non-performance of the Medical Insurance Contract

Records availed for audit indicate that the medical insurance contract was terminated on 26 June 2015 due to non-performance of the contract by the brokerage firm. According to records availed for audit verifications, by the time of contract termination indicates County Assembly had spent a total of Kshs.38,163,850 on the brokerage firm which include total payments amounting to Kshs.27,459,322 and pending bills totaling Kshs.10,704,528 as at the close of the financial year. Amount of Kshs. 38,163,850 exceeded the firm's quoted bid price of Kshs.33,245,433 by Kshs.4,918,417 being additional loss resulting from the flawed procurement process. Further, according to the expenditure records, additional Kshs.10,777,721 was paid

to staff as reimbursement for medical claims on bills incurred in various medical facilities outside this cover.

In the circumstance, the propriety of the medical scheme with a total expenditure of Kshs.48,941,575 and value for money for this procurement could not be determined.

Recommendations

The Accounting Officer and the tender committee should be held to account for the financial loss of Kshs.4,918,417 paid in excess of the contract price, and for Kshs.10,777,721 which was paid in addition to the contract amount. The management should always carry a due diligence on the bidding firms before award of contract to avoid the risk of non-performance.

5.0 Management of Imprest

Examination of IFMIs reports on outstanding imprest revealed that the County Assembly of Mombasa had not surrendered imprest amounting to Kshs.20,555,161 as detailed in ***Appendix III*** which was outstanding as at 30 June 2015. Included in the outstanding imprest of Kshs.20,555,161 as at 30 June 2015 is imprest amounting to Kshs.15,043,861 as detailed in ***Appendix IV*** which was long overdue contrary to Section 5.6.5 of the Government Financial Regulations and Procedures which require that an officer issued with imprest to account for the same within 48 hours of conclusion of the assignment. In addition, the audit examination revealed that Kshs.17,274,481 as detailed in ***Appendix V*** was held by officers with multiple unsurrendered imprest contrary to Section 5.6.6 of the Government Financial Regulations and Procedures which prohibits issuing of a second imprest before the first imprest is surrendered. The audit also revealed that there were officers holding imprest amounting to Kshs.10,871,251 as detailed in ***Appendix VI*** for more than six months without surrendering.

Further, the audit review of surrender vouchers revealed that supporting documents amounting to Kshs.540,400 as detailed in ***Appendix VII*** were not related to the activity for which the imprest was issued. It was not clear whether the intended activity was undertaken.

Recommendations

The management of imprest should be in line with Section 5.6.5 of the Government Financial Regulations and Procedures which requires imprest to be accounted for within the stipulated time of 48 hours from date of arriving from the field. All overdue imprest should be recovered from the affected officers' payroll without any further delays. The Accounting Officer should be held accountable for approving additional imprest to officers with outstanding imprests. Further, officers who failed to provide proper supporting documents should be surcharged to recover the difference of Kshs.540,400.

6.0 Procurement of Goods and Services

6.1 Procurement of Photocopying Papers and Kaspersky Antivirus

The County Assembly via quotation number CAM/PRO/QTN/004/2014-15 awarded an order for supply of 3,000 reams of photocopying papers at a prices of Kshs.600 per ream costing a total of Kshs.1,800,000. Similarly, a review of quotation reference number CAM/ PRO/QTN/022/2015-15 dated 30/08/2014 revealed that the County Assembly ordered for the supply of 10 Kaspersky antivirus at a price of Kshs.24,500 per pack costing a total of Kshs.245,000. However, according to the 2014 price index as published on the Public Procurement Oversight Authority's website, the price of a ream of photocopying paper was on the average of Kshs. 442. Additionally, a market survey for price for Kaspersky antivirus within the Mombasa town indicates an average price of Kshs.1,500 for a single-user. Therefore, the County Assembly may have lost a total of Kshs.704,000 through inflated prices which include Kshs.474,000 on photocopying papers and Kshs.230,000 on Kaspersky antivirus.

The propriety and value for money of the expenditure could not be confirmed for the year ended 30 June 2015.

Recommendations

Price of goods and services procured should be as per Section 10 (3) of the Procurement and Disposal Act 2005 which requires standard goods, services and works with known market prices shall be procured at the prevailing market prices.
The Accounting officer and officer in charge of procurement should be surcharged to recover the loss of Kshs.704,000 incurred due to inflated prices.

6.2 Procurement of Robes for the Speaker and the Clerk

Documents availed for audit review indicated that the County Assembly procured two robes for the speaker and six robes for the Clerk at a total cost Kshs.2,600,000. A review of the procurement documents revealed that although the items were identical and requested at the same time, procurement was done separately and awarded to two different suppliers. This was in contravention of Section 30 of the Public Procurement and Disposal Act, 2005 which prohibits entities from structuring procurement as two or more procurements for the purpose of avoiding use of a procurement procedure.

The splitting of this procurement enabled the procurement to be through quotations whereas if not split up, it would have necessitated use of restricted tender as per Legal notice no. 106 of 2013 which requires a procurement of goods whose value is over Kshs. 2million to be through restricted tender.

Recommendations

The management should ensure that procurement of goods and services is done in line with Section 30 of the Public Procurement and Disposal Act, 2005 which states

that no procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure.

7.0 Sitting Allowances

7.1 Sitting Allowances Paid to MCAs Attending Jumuia ya County za Pwani Consultative Forum

Audit examination of the expenditure records revealed that a total of Kshs.1,594,200 as detailed in ***Appendix XII*** was paid to Members of the County Assembly as per diem and fuel to forty three (43) Members of the County Assembly, the speaker and twenty one (21) staff to attend Jumuia ya County za Pwani Consultative forum from 6th February 2015 to 8th February 2015. However, according to the invitation letter, those invited were County Secretary and County Executive Committee members. Further, it was noted that the rates used to compute the per diem was for Mombasa instead of using the rates for Taita Taveta leading to a total overpayment of Kshs. 615,400.

Recommendations

The management should ensure that payment of public funds follow the rules and procedures prescribed in the Government Financial Regulations and Procedures and the officers who were not in the invitation letter should be surcharged to recover Kshs.1,594,200 allowances irregularly paid for a meeting they were not invited to attend.

7.2 Excess Sitting Allowance

Examination of the Integrated Payroll and Personnel Database (IPPD) revealed that MCAs' sitting allowance for the months of May 2014 and August 2014 was paid in the month of September 2014. However, a review of the payroll for the month of September 2014 revealed MCAs were paid excess sitting allowance amounting to Kshs.3,310,000 as detailed in ***Appendix VIII*** over and above the 32 sittings per month stipulated by the Salaries and Remuneration Commission. Therefore, the validity and regularity of the excess sitting allowance could not be determined.

Recommendations

The management should ensure that sitting allowance is paid as per Salaries and Remuneration Commission guidelines which provide a maximum of 32 sittings per MCA per month. Allowances totaling Kshs.3,310,000 paid un-procedurally should be recovered from the respective MCAs.

8.0 Mileage Allowance

Audit examination of the payroll for the year under review indicated that all the forty three (43), both elected and nominated, MCAs were paid the maximum mileage allowance of Kshs.39,528 per month amounting to a total of Kshs.20,396,448 paid in

the year as sampled in **Appendix IX.** The mileage allowance was paid regardless of the distance covered from their homes to the County Assembly which is contrary to Salaries and Remunerations Commission Circular reference No. SRC/TS/CGOVT/3/16 which states that MCAs are entitled to mileage allowance at a standard rate of 109.80 per kilometer for upto a maximum of 45 kilometers return journey to their respective areas of representation. The management did not avail bio-data on the exact home of the MCAs in order to determine the actual entitlement of the mileage allowances to each MCA. In addition, there are a number of MCAs who come from nearby wards including MCAs representing a ward in Mombasa Island who may not have qualified for maximum allowances.

Recommendations

The management should ensure mileage allowance is paid as per Salaries and Remuneration Commission guidelines which provide that mileage should be based on actual distance covered from the County Assembly to the MCA's home. Further, the management should institute recovery measures from the members who have been overpaid or irregularly paid.

9.0 Foreign Travel

9.1 Foreign Travel Allowance to Zanzibar

According to records availed for audit, the County Assembly paid Kshs.5,007,140 to members and staff of the County Assembly as detailed in **Appendix XIII** to travel to South Africa for 10 days to attend the Gauteng Provincial Legislature for benchmarking. The trip did not take place due to delays in processing travel Visa. However, the money for trip was not refunded to the County Assembly instead the team took a trip to Zanzibar for 13 days with additional cost of Kshs.1,400,000 incurred on transport to Zanzibar. There was no indication that the Accounting Officer had sanctioned the change.

Recommendations

The management should ensure that travel allowances are paid in line with the Government Financial Regulations and Procedures in respect of travel. The management should ensure that the approval documents for change of the trip from South African to Zanzibar is availed for audit review failure to which the allowance is recovered from the respective beneficiaries.

10.0 Mortgage and Car Loans to MCAs

A review of car loan repayment schedule to Chase Bank revealed that thirty three (33) MCAs were in repayment default amounting to Kshs.7,405,043 as shown in ***Appendix X***. It was not clear how the County Assembly would repay the loan in case the MCAs' current term lapses before clearing the loan.

Recommendations

The management should ensure that all loans to MCAs are fully recovered within the remaining term of office for MCAs. Further, the Accounting Officer should be held liable for any loan not recovered at the end of the MCA's term for failure to recover it from the MCAs' payroll.

11.0 Fixed Assets Register

A review of the asset register availed for audit verification indicated that the asset register maintained by the County Assembly was incomplete with no details on; date of purchase, location, custodian and unique identification marks. It was further noted that five motor vehicles; KBU985T, KBU984T, KBU982T, KBU983T, KBU 986T were missing on the asset register. In addition, the following assets procured during the financial year were not updated on the asset register:

Payment Date	Asset	Amount (Kshs)
03/12/2014	Office Furniture and Fittings	1,910,000
09/01/2015	Office Furniture and Fittings	1,379,500
09/01/2015	Purchase of air conditioning, Fans and heating appliances	1,010,000
23/02/2015	Purchase of Computers, printers and other IT Equipment	1,902,400
09/04/2015	Purchase of generators	4,535,000
	Total	**10,736,900**

It was not clear how the management keeps track of its assets.

Recommendations

The management should adhere to Section 147 of the Public Finance Management Act, 2012, which require the Accounting Officer to monitor, evaluate and oversee the entity's assets. The management should come up with a proper asset register with all the relevant details on the assets for ease of tracking the assets. The asset register should be promptly updated with asset acquisition, disposals and depreciation. The responsible officer should also be held liable and accountable for the lack of proper management of the County Assembly's assets.

12.0 Education Sponsorship to MCAs

Audit examination of payment vouchers revealed that County Assembly sponsored some MCAs to various universities to pursue various courses. It was not clear the criteria used in selecting and awarding of the sponsorship as the County Assembly had no training policy in place. In addition, there was no evidence of a need assessment carried out to determine staff capacity needs. Further, review of the pending bills revealed that as at the 30 June 2015, a balance of Kshs.2,314,675 as detailed in ***Appendix XI*** was owing to universities in relation to MCAs' fees.

Therefore, value for money from the expenditure on tuition fees to MCAs could not be determined.

Recommendation

The management should ensure that public funds are prudently applied for the benefit of public. The management should also avail for audit review the approved training plan and policy which indicates that MCAs may be sponsored for University education failure to which the fees is recovered from each respective member of the County Assembly.

13.0 Accounting Records

The County Assembly of Mombasa has a full-fledged finance department headed by a finance officer. Among the duties tasked with the department is maintaining accounting records of the County Assembly including the cash book and ledgers and registers which are necessary for the production of accounts for County Assembly. However, information availed for audit indicate that the County Assembly of Mombasa has not maintain its own accounting records and relies on financial records of the County Executive. This is contrary to Section 100 of the Public Finance Management Act 2012 regulations which requires the Accounting Officer to maintain ledgers and registers which are necessary for the production of accounts.

Consequently, in the absence of the independent financial records, it is not possible to determine financial performance and independently review the financial position of the County Assembly of Mombasa as at 30 June 2015.

Recommendations

The management should ensure that the finance officer maintains the Assembly's accounting records.

14.0 Non-closure of Bank Accounts in Co-operative Bank

The County Assembly operates a bank account in Co-operative bank. As at the time of audit the bank account had not been closed and neither a bank reconciliation submitted to the Office of the Auditor – General. This was contrary to paragraph 22 of the National Treasury Circular No. 14 which required Accounting Officers of the County Government entities including County Assemblies to open and operate bank accounts only in Central Bank of Kenya except imprest bank account, revenue bank account and County public fund bank accounts for audit review.

Recommendation

The County Assembly Clerk should close the bank account operated in Co-operative bank and open and transfer the balances to a new bank account in Central Bank of Kenya in compliance with National Treasury Circular No. 14 of 09 September 2015.

Bank reconciliation of the closed bank account should also be submitted to the Office of the Auditor-General for audit review.

Conclusion

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

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

Nairobi

30 August 2016