REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF NYAMIRA

FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

Table of Contents

EXECUTIVE SUMMARY 1
Background Information 1
Introduction 1
Terms of Reference 1
Methodology 2
Scope and Determination of Responsibilities 2
Audit Findings 2
1.0 Budgetary Performance Analysis 2
2.0 Travel, Subsistence and Sitting Allowances 3
2.1 Sitting Allowances 3
2.2 Transport Allowance 3
2.3 Subsistence Allowances 3
2.4 Foreign Travel 4
3.0 County Assembly Mortgage and Car Loans Fund 4
4.0 Ward Operations 4
5.0 Internal Control Environment 4
6.0 Unresolved Prior Year Matters 5
DETAILED REPORT 6
1.0 Budgetary Performance Analysis 6
2.0 Travel, Subsistence and Sitting Allowances 6
2.1 Irregular Payment of Allowances to Members of County Assembly During Recess 6
2.2 Overlapping Transport Allowance and Per diem 7
2.3 Claim of Night Outs 7
2.4 Overlapping Claims 7
2.5 Foreign Travel 8
2.5.1 Training in Mwanza - Tanzania 8
2.5.2 USA Trip 8
2.5.3 Payments Made to Non-Committee Members 8
2.5.4 Subsistence Allowance Paid for Duties within Nyamira County 9
2.5.5 UnSupported Fuel Claims 10
2.5.6 Reimbursement of Conference and Meal to Members of the County Assembly 11
3.0 County Assembly Mortgage and Car Loans Fund 11
4.0 Ward Ooperations 12
4.1 Un-supported Ward Expenses 12
4.2 Payment to Ward Employees 12
5.0 Internal Control Weaknesses 12
6.0 Unresolved Prior Year Matters 13
Appendix I: Payment of MCAs Plenary Sitting Allowances during Recess 14
Appendix II: Double Allowances for MCAs 15
Appendix III: Overlapping Claims made 16
Appendix IV: Unsupported Per diem and Transport Allowances 18
Appendix V: Overpayment of a Trip to the USA 20
Appendix VI: Payments made to Non-Committee Members 21

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

EXECUTIVE SUMMARY

Background Information

The Constitution of Kenya, 2010 under Article 176, created the County 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 County Assembly of Nyamira operates from Nyamira Town with 20 elected and 13 nominated Members all totaling 33.

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 use of public resources.

Terms of Reference

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

(i) To assess control over management of assets put under disposal of the County Assembly;

(ii) To assess compliance with Public Procurement laws in the process of purchasing goods and services;

(iii) To assess compliance with the Public Finance Management Act, 2012 in the use of Public Funds;

(iv) To ascertain the integrity and reliability of financial and other information used by management in the use of Public funds; and,

(v) 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 is achieved in all financial transactions.

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

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

Audit Findings

1.0 Budgetary Performance Analysis

The County Assembly of Nyamira had a recurrent budget of Kshs. 250,085,650 and a development budget of Kshs. 39,224,000. There were also budgeted transfers to the car loan and mortgages fund amounting to Kshs. 68,000,000. The actual recurrent expenditure was Kshs. 163,512,333, while the development expenditures amounted to Kshs.82,925,291 and the transfers to the car and mortgages fund was Kshs.65,967,100. Consequently, the County Assembly of Nyamira exceeded its development budget by Kshs. 43,701,291 with no requisite authorizations.

2.0 Travel, Subsistence and Sitting Allowances

The following observations were noted from the review of travel, subsistence and sitting allowances paid to the Members of the County Assembly and staff:

2.1 Sitting Allowances

- Sitting Allowances amounting to Kshs.7,571,200 were irregularly paid to Members of the County Assembly (MCAs) while on recess when no plenary sessions took place.

2.2 Transport Allowance

- Duplicate transport allowance paid amounting to Kshs.86,000 were paid to MCAs for meetings that took place at the same time. Further, MCAs were paid transport allowances on various trips with no supporting receipts. Consequently, it was not possible to confirm the vehicles used, fuel quantities consumed, and the beneficiaries propriety of payments.

- Further, six (6) MCAs were paid allowances amounting to Kshs.400,000 to visit Mombasa Tea Auction Centre between 29 November 2014 and 2 December 2014, but no supporting documents were attached to payments to confirm the travel.

- Payments made to MCAs to fuel their vehicles amounting to Kshs.330,000 for a meeting at the Bomas of Kenya were not supported with receipts and proof of travel.

2.3 Subsistence Allowances

- Four MCAs and an officer were paid Kshs.342,500 on account of accommodation during the Mentorship Symposium for Women held at Mombasa Continental Resort, Mombasa between 4 and 6 December 2014. However, their accommodation had been paid for in full.

- Three MCAs received payments amounting to Kshs.122,000 to attend meetings for two committees held in Kisumu concurrently i.e. the powers and privileges and the committee on transport, roads and public works committee meetings between 20 and 26 March 2015 while, at the same time another conference on devolution took place between 21 -24 March 2015 and was equally paid.

- Payments totalling Kshs.821,000 in respect of accommodation and transport were made to non-committee members for a workshop on report writing for Implementation Committee held in Kisumu 5 to 11 September 2014 against the county Assembly standing orders.

- Subsistence allowances amounting to Kshs.329,000 were irregularly paid to MCAs and staff for various functions that were undertaken during the normal office working hours and at the stations.

- Reimbursements amounting to Kshs.368,250 were made to MCAs on account of conference and meal paid instead of direct payment to the respective service providers. In the circumstances, it is not possible to confirm the propriety of the expenditure.

2.4 Foreign Travel

- A payment of Kshs.4,090,192 catering for per diems and transport allowances was made on account of training on assembly procedures in Mwanza, Tanzania. However, only documents for two MCAs were presented, which indicated the travels and stay for only one day in Tanzania. Therefore, it was not possible to confirm whether all the MCAs and staff travelled for the trip and hence the eligibility of the expense.

- Six MCAs travelled to USA for an irrigation show and education conference that was to take place between 17 and 21 November 2014. Travel documents indicate departure dates as 19 November 2014 and return on 28 November, 2014 for a total of 9 days. However, the participants were paid a total of Kshs.3,422,561 for 16 days for the out of station payments. No justification for the extra 7 days payment of allowances was provided by management.

3.0 County Assembly Mortgage and Car Loans Fund

The County Assembly was allocated Kshs.68,000,000 to cater for the car loans and mortgages scheme. Out of this amount, Kshs.65,000,000 was disbursed to qualifying members leaving a balance of Kshs. 3,000,000 which has not been accounted for. From the records, three (3) members of the County Assembly had not been issued with car loans for not meeting the requirements. However, their allocation under the scheme reflected as disbursed. Further, the financial statements for the fund have not been prepared and submitted to the Auditor-General as required by the Public Finance Management Act, 2012.

4.0 Ward Operations

Payments amounting to Kshs.4,800,000 were made in respect of ward office operations. However, the existence of the offices could not be confirmed since there were no signed leases or supporting documents. A further Kshs.9,600,000 was paid out as salaries to ward office employees. However, there were no contracts to support their employment.

5.0 Internal Control Environment

Instances of persistence weakness in internal control systems as documented in previous reports and specifically noted included:

- Inadequacy in recording in the vote and cash books.
- There is no comprehensive fixed asset register in place.
- Procurement structures necessary to fully operationalize the function are non-existent.
- The internal audit functions also yet to be set-up.
- The Integrated Financial Management Information System was also not operational during the year under review.

6.0 Unresolved Prior Year Matters

Issues brought to the attention of management for resolution in the last audit report covering the period 1 July 2013 to 30 June 2014 have remained unresolved.

Recommendation

The Accounting Officer should endeavor to resolve all the prior audit recommendations and provide evidence of the action taken.

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

Nairobi

27 September 2016

DETAILED REPORT

1.0 Budgetary Performance Analysis

Analysis of budget performance indicated that the County Assembly of Nyamira had an approved budget of Kshs. 357,309,650 comprising of recurrent expenditure estimates of Kshs.250,085,650, development expenditure estimates of Kshs.39,224,000 and mortgage and car loan fund transfers of Kshs.68,000,000. The County Assembly underspent in its recurrent vote by Kshs.86,573,317 while in development vote it spent Kshs.82,925,291 as shown below. Therefore the County Assembly overspent the development vote by Kshs.43,701,291.

	Department	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)
1.	Recurrent	250,085,650	163,512,333	86,573,317
2	Development	39,224,000	82,925,291	(43,701,291)
3	Fund	68,000,000	65,967,100	2,032,900
	Total	**357,309,650**	**312,404,724**	**44,904,926**

Recommendation

The County Assembly should endeavor to operate within the approved budget and seek approvals per the Public Finance Management Act, 2012 for variations.

2.0 Travel, Subsistence and Sitting Allowances

2.1 Irregular Payment of Allowances to Members of County Assembly During Recess

The Salaries and Remuneration Commission (SRC) limits the number of plenary and committee sessions to 16 meetings per month at the County Assembly. During the months of August, 2014, December 2014 and January 2015, members of the County Assembly were paid Kshs.15,142,400 as sitting allowance. However, the amount was in excess of authorized number of penalty sessions by Kshs.7,571,200 as detailed in **Appendix I**. Further, the County Assembly calendar for the year 2014/2015 provided for recess of 99 days split into 32 days (1 August to 1 September 2014) and 67 days (5 December 2014 to 18 February 2015).

Consequently, the Kshs.7,571,200 paid to the members in respect to plenary sittings in excess of the authorized number is irregular.

Recommendations

The County Assembly should in future adhere to SRC limits on payment of allowances to MCAs and recover excessive payments made.

2.2 Overlapping Transport Allowance and Per diem

Examination of payment vouchers revealed that two Members of the County Assembly were paid duplicate transport allowances and per diem for attending two separate meetings. The meetings were: Public Sector Governance Workshop in Mombasa 25 and 27 February 2015 and Liaison Committee Workshop in Kisumu held between 27 to 2 March 2015. The 27 February 2015 entitlement of Kshs.86,000 is overlapping and was only claimable once. Further, the transport claim was not properly supported by receipts to indicate the quantity of fuel consumed and the vehicle registration numbers. Instead only names of individual MCAs were indicated.

Further, six (6) MCAs were paid per diem and transport allowances amounting to Kshs.400,000 to visit Mombasa Tea Auction Centre between 29 November 2014 to 2 December 2014 as detailed in **Appendix II**. There were no documents to support the claim and to confirm that the MCAs travelled to Mombasa. The value derived from this visit could also not be established as there was no trip report.

Recommendation

Management should adhere to the due process in awarding allowances on travel, subsistence and effect recovery of funds paid out irregularly.

2.3 Claim of Night Outs

Four MCAs and an officer were paid Kshs.342,500 on account of accommodation during the mentorship symposium for women held at Mombasa Continental Resort, Mombasa between 4 and 6 December 2014. However, their accommodation had been paid for in full to Synergy Development Systems Ltd. This amounted to duplicate payments.

Recommendation

Management to effect recovery of the irregular allowances paid to the MCAs amounting to Kshs 342,500.

2.4 Overlapping Claims

Three MCAs received payments amounting to Kshs.122,000 to attend meetings for two committees held in Kisumu concurrently between 20 and 26 March 2015. The committees were, the powers and privileges and the Committee on Transport, Roads and Public Works

committee. At the same time another conference on devolution took place between 21 and 24 March 2015 and was equally paid. This is detailed in **Appendix III**.

Recommendation

Irregular claims paid should be surcharged and recovered from the affected MCAs.

2.5 Foreign Travel

2.5.1 Training in Mwanza - Tanzania

A payment of Kshs.4,090,192 in respect of per diem and transport allowances was made on account of training on County Assembly procedures in Mwanza Tanzania as detailed in **Appendix IV**. However, only documents for two MCAs were presented, which indicated the travels and stay for one day in Tanzania. Therefore, it was not possible to confirm whether all the MCAs and staff travelled for the trip and hence the eligibility of the expense.

Recommendation

Management should institute recovery of the unsupported travel allowance from the individual beneficiaries amounting to Kshs.4,045,822.

2.5.2 USA Trip

Six MCAs travelled to USA for an irrigation show and education conference that was to take place between 17 and 21 November 2014. Travel documents indicated departure dates as 19 November 2014 and return on 28 November, 2014 a total of 9 days. However, the participants were paid a total of Kshs.2,801,649 for 16 days for the out of station payments as detailed in **Appendix V**. No justification for the extra 7 days payment of allowances was provided by management.

Recommendation

The amount overpaid for the seven (7) extra days should be recovered from the beneficiaries.

2.5.3 Payments Made to Non-Committee Members for a Workshop on Report Writing for Implementation Committee in Kisumu

A workshop for report writing by the Implementation Committee was held in Kisumu from 5 to 11 September 2014. It was, however, noted that Members of the County Assembly who did not belong to the Implementation Committee were paid Kshs.821,000 while attending the workshop as detailed in **Appendix VI**. It was not clear what was their role in the workshop. Further a signed attendance register was not attached to the payment voucher.

Recommendation

The County Assembly management should account for the funds accordingly and recover payments made to non-committee members.

2.5.4 Subsistence Allowance Paid for Duties within Nyamira County

Subsistence allowances amounting to Kshs.329,000 were irregularly paid to MCAs and staff for various functions that they were undertaking during the normal office working hours and at their stations. The details of the recipients are as shown below:

County Assembly Staff Irregularly paid

Name	Rate (Kshs)	No. of days	Total (Kshs)	Transport (Kshs)	Total (Kshs)
Erastus Machoka	5,000	3	15,000	2,000	17,000
Leonard Nyamasege	5,000	3	15,000	2,000	17,000
EnockNyakundi	5,000	3	15,000	2,000	17,000
Edna Otengo	5,000	3	15,000	2,000	17,000
Evans Nyakoe	4,000	3	12,000	2,000	14,000
LinetMokaya	5,000	3	15,000	2,000	17,000
Valarie Ogachi	4,000	3	12,000	2,000	14,000
Orangi Erick	4,000	3	12,000	2,000	14,000
OndukoGilbret	4,000	3	12,000	2,000	14,000
Dorcas Mosagwe	4,000	3	12,000	2,000	14,000
Bernard Nyanchieka	5,000	3	15,000	2,000	17,000
JeliaNyarchari	5,000	3	15,000	2,000	17,000
Erick Makuyo	5,000	3	15,000	2,000	17,000
TOTAL					**206,000**

Roads, transport, public works and physical planning committee irregular allowances drawn are as detailed out in the table below:

MCA's irregularly paid

S/No.	Name	No. of Days	Amount Paid
1	Hon. Andrew Magangi	2	9,000
2	Hon. Benson Sironga	2	9,000
3	Hon. Theresa Nyaanga	2	9,000
4	Hon. Fred Nyachae	2	9,000
5	Hon. Rebeca Matara	2	9,000
6	Hon. Julius Marita	2	9,000

7	Hon. Margaret Ongeri	2	9,000
8	Hon. Jackson Mogusu	2	9,000
9	Hon. Daniel Masira	2	9,000
10	Hon. James Sabwengi	2	9,000
11	Hon. Thaddeus Nyabaro	2	9,000
12	Ms. Valarie Ogachi	2	8,000
13	Erick Ayuka	2	8,000
14	Arnold Ageta	2	8,000
	Total		**123,000**

Recommendation

Management should effect recovery of the irregular allowances from the recipients through the payroll.

2.5.5 UnSupported Fuel Claims

Fuel worth Kshs. 330,000 was paid to thirty three (33) Members of County Assembly at the rate of Kshs. 10,000 each. This payment was in respect of County Assembly Forum (CAF) cluster meeting at Bomas of Kenya. The support documents including fuel receipts were not availed for review. It was therefore not possible to confirm the propriety of the expenditures whose details are as tabulated below:-

S/No.	Name	Amount Kshs
1.	Hon. Andrew Magangi	10,000
2.	Hon. Benson Sironga	10,000
3.	Hon. Theresa Nyaanga	10,000
4.	Hon. Fred Nyachae	10,000
5.	Hon. Rebeca Matara	10,000
6.	Hon. Julius Marita	10,000
7.	Hon. Margaret Ongeri	10,000
8.	Hon. Jackson Mogusu	10,000
9.	Hon. Daniel Masira	10,000
10.	Hon. Robinson Mocheche	10,000
11.	Hon. James Sabwengi	10,000
12.	Hon. Kenneth Nyameino	10,000
13.	Hon. Samuel Nyanchama	10,000
14.	Hon. Jane Nyamache	10,000
15.	Hon. Ezra Mochiemo	10,000
16.	Hon. Alfayo Ngeresa	10,000
17.	Hon. Callen Atuya	10,000
18.	Hon. Robert Ongwano	10,000

S/No.	Name	Amount Kshs
19.	Hon. James Matinga	10,000
20.	Hon. William Abuya	10,000
21.	Hon. Zipporah Osoro	10,000
22.	Hon. Naomi Ondieki	10,000
23.	Hon. Richard Bosire	10,000
24.	Hon. James Maroro	10,000
25.	Hon. Beauttah Omanga	10,000
26.	Hon. Julius Nyangana	10,000
27.	Hon. Lucy Osusu	10,000
28.	Hon. Rachel Asumari	10,000
29.	Hon. Wilkister Onsando	10,000
30.	Hon. Fred Menge	10,000
31.	Hon. Thaddeus Nyabaro	10,000
32.	Hon. Boniface Ombori	10,000
33.	Hon. Naomi Bosibori	10,000
	Total	**330,000**

Recommendation

The Management should account for the amounts advanced for fuel in full otherwise, immediately effect recoveries.

2.5.6 Reimbursement of Conference and Meal to Members of the County Assembly

Examination of payment vouchers revealed that reimbursements were made to some MCAs for conference and meal costs incurred in Nairobi and Kisumu instead of direct payment to the respective service providers. Total reimbursements amounted to Kshs.368,250 In the circumstances, it was not possible to confirm propriety of the expenditure.

Recommendation

Payments for conferences and meals should be directly made to the service providers.

3.0 County Assembly Mortgage and Car Loans Fund

The County Assembly was allocated Kshs.68, 000,000 to cater for the car loans and mortgages scheme. Out of this amount, Kshs.65,000,000 was disbursed to qualifying members leaving a balance of Kshs. 3,000,000 which has not been accounted for. From the records, three (3) members of the County Assembly had not been issued with car loans for not meeting the requirements. However, their allocation under the scheme reflected as disbursed. Further, the financial statements for the fund have not been prepared and submitted to the Auditor-General as required by the Public Finance Management Act, 2012.

Recommendation

The County Assembly should adhere to the PFM Act, 2012 by preparing financial statements for the fund and submitting them to the Auditor-General for auditing. management should ensure proper books of accounts and other books and records are maintained.

4.0 Ward Operations

4.1 Un-supported Ward Expenses

Examination of payment vouchers revealed that the County Assembly incurred expenditure totaling Kshs. 4,800,000 in respect of ward office rent and office operating expenses for the year under review. However, there were no signed lease agreements as evidence of existence of offices. Site visits during the visits confirmed the offices as non-existent.

Consequently the propriety of the ward expenditure could not be confirmed.

Recommendation

The accounting officer should be made to refund the irregular payments made on account of ward expenses.

4.2 Payment to Ward Employees

During the year under review, the County Assembly paid 60 officers Kshs.9,600,000 for ward operations with each ward having three employees. However, no employee contracts were availed for audit review. The validity of the payments of Kshs. 9,600,000 on account of salaries could not be established.

Recommendation

Management should issue employment contracts to all persons engaged by the County Assembly for the duration their services are required.

5.0 Internal Control Weaknesses

Instances of persistence weakness in internal control systems as documented in previous reports and specifically noted included:

- inadequacy in recording in the vote and cash books. There is no comprehensive fixed asset register in place.
- Procurement structures necessary to fully operationalize the function are non-existent.
- The internal audit functions yet to be set-up.
- The Integrated Financial Management Information System was also not operational during the year under review.

Recommendation

Management should urgently address the areas of weakness in the internal control to safeguard the assets of the County.

Management should also process all procurement related transactions through the Integrated Financial Management Information System (IFMIS).

6.0 Unresolved Prior Year Matters

Issues brought to the attention of management for resolution in the last audit report covering the period 1 July 2013 to 30 June 2014 have remained unresolved.

Recommendation

The accounting officer should endeavor to solve all the prior year audit recommendations and provide evidence of the actions taken.

Conclusion

Government procedures and regulations should be followed to ensure public resources are only used for purposes for which they are intended. The County Assembly should address the anomalies noted in this report to ensure effective delivery of services to the people of Nyamira County.

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

Nairobi

27 September 2016