

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL OPERATIONS OF
MANDERA COUNTY ASSEMBLY**

**FOR THE PERIOD
1 JULY 2014 TO 30 JUNE 2015**

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

EXECUTIVE SUMMARY

Introduction

The financial operations of Mandera County Assembly are subject to audit by the Auditor-General in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003.

Audit Scope and Terms of Reference

The audit was carried out in December, 2015 and was designed to cover but not limited to the following areas:-

- ❖ Budget Control and Performance
- ❖ Annual Operation/ Activity Plans
- ❖ Procurement of Goods, Works and Services
- ❖ Allowances including travelling and Accommodation Expenses for Local and Foreign trips
- ❖ Motor Vehicle Running Expenses- Fuel
- ❖ Consultancy Services
- ❖ Imprests and Cash Advances Management
- ❖ Cash and Bank Balances
- ❖ Human Resource Records
- ❖ IT Environment
- ❖ Non-Current Assets

Audit Scope and Terms of Reference

Audit Objective

The objective of the audit was to determine whether the systems put in place by the County Assembly facilitate effective and efficient management of public resources for the benefit of county residents.

Key Audit Findings

1.0 Budget and Budgetary Control

The County Assembly incurred an expenditure of Kshs.296,104,880 (52%) against an approved estimate of Kshs.574,760,946. Further, the Assembly collected no local revenue.

2.0 Cash Management

The Assembly had a cash book that was not adequately maintained. Payment vouchers were also not numbered and posted. Further, no board of cash survey was formed to carry out cash survey at the close of the year.

3.0 Payment of Allowances

The County Assembly paid Kshs.20,090,300 unsupported daily subsistence allowances. Further, Kshs.51,721,449 paid was irregular and doubtful mileage claims. ...

4.0 Procurement of Goods and Services

4.1 Unaccounted for Goods and Services

Goods and services worth Kshs.20,668,000 were procured without competitive bidding. Further, services worth Kshs.2,456,000 were procured without request for quotations as required. In addition training expenses of Kshs.4,017,125 were not supported.

4.2 Ward Fund Expenses

The Assembly disbursed and incurred expenditure of Kshs.24,000,000 as ward fund expenses without supporting documents. Further, no cash books were maintained at the ward offices. In addition, statutory deductions were not made from payments to ward staff.

4.3 Hire of Transport Services

The County Assembly incurred Kshs.1,195,000 for hire of transport services. However, the expenditure was not supported and there were no contracts between the County and the suppliers as required.

4.4 Human Resources Management

The Assembly had not developed a Human Resource Management scheme of service for staff as required.

4.5 Information Technology (IT)

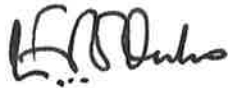
The County Assembly did not have an IT strategic plan to support the operations of the Assembly.

4.6 Fixed Assets Register

The County Assembly did not maintain a fixed assets register for its fixed assets. Thus the distribution of the County Government fixed assets between County Assembly and Executive could not be determined. Further, fixed assets from the defunct local authorities have not been incorporated.

5.0 Unresolved Prior Year Matters

The County Assembly did not respond to 2013/2014 eleven (11) audit issues as at 30 June 2015. This includes failure to carry out board of cash survey, lack of bank reconciliations, unvouched expenditure of Kshs.498,172,461, doubtful travel expenditure (local and foreign), erroneous County Assembly sitting allowance payments, unsupported expenditure, irregular recruitment of staff, IT environment and lack of fixed assets register.



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

Nairobi

22 September 2016

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

DETAILED AUDIT FINDINGS

1.0 Budget and Budgetary Control

The Assembly was operating within the Country Government of Mandera budget. The Assembly had a recurrent budget of Kshs.459,760,946.00 and development budget of Ksh.115,000,000.00 totalling Kshs.459,760,946. Further, the County Assembly received Ksh.459,760,946 and Kshs.115,000,000 for Recurrent and Development respectively from the Executive and spent Kshs.236,604,850 on recurrent and Kshs.59,500,000 on development as shown below:-

Item	Budgeted (Kshs)	Expenditure (Kshs)	Variances (Kshs)
Recurrent vote	459,760,946	236,604,850 (51.5%)	221,156,096
Development Vote	115,000,000	59,500,000 (52%)	55,500,000
Total	574,760,946	296,104,850 (52%)	276,656,096

The County Assembly had no revenue collection targets and therefore did not collect any revenue. The recurrent and development expenditure had allocation of 51% and 52% of the budget amount respectively.

Recommendation

The County Assembly should spend its budget allocation to deliver on its planned service delivery.

2.0 Cash Management

The Assembly maintained a separate bank account (A/C 1143310691) with Kenya Commercial Bank Limited - Mandera branch which had a balance of Ksh.0.70 (cents seventy) as at 30 June 2015. However, its cash book was not adequately prepared and was not balanced. Further, payment vouchers were not given numbers and were not posted to the cash book and was also not checked by a senior person on daily basis as required. In addition, no board of survey was formed and no cash survey was conducted at the closure of the financial year 2014/2015 contrary to Chapter 5.9.9.2 of Government Financial Regulations and Procedures.

Recommendations

- (i) The cash book should be balanced, checked and signed by senior officers on a daily basis and any variance that arises should be investigated promptly.

- (ii) A Board of Cash Survey should be formed to conduct cash survey at the end of each financial year.

3.0 Payment of Allowances

3.1 Unsupported Daily Subsistence Allowances

An expenditure totaling Kshs.20,090,300 was used as travel and subsistence allowances to members of the County Assembly and staff who travelled outside their duty station on official duties and attending seminars/workshops, training and bench marking exercise. However, the following anomalies were observed:-

- a) There was no documentary evidence to show that the committee members and staff travelled to various destinations as alleged.
- b) Invitation letters to attend the trainings, training programs were neither attached to the payment vouchers nor availed for audit.
- c) The inspection reports for the projects visited by the various Assembly Committees were not attached to the payment vouchers and not made available for audit review.

Consequently, the payment for the subsistence allowance could not be justified.

Recommendations

- (i) The County Assembly should comply with the regulations governing payment of allowances and ensure that all claims are properly supported.
- (ii) The unsupported allowances to be recovered from the relevant MCAs and officers.

3.2 Irregular and Doubtful Mileages

The County Assembly of Mandera made payments totaling to Kshs.51,721,449 to Members of the County Assembly in respect of mileage claims during the period under review. However, audit verification revealed the following anomalies:-

- a) The mileage claims were not supported with copies of the motor vehicle log books and work tickets of the vehicles used to ascertain the ownership and number of kilometers covered respectively.
- b) Expenditure for attending meetings outside the County and alleged travels were neither supported with the programs, invitation letters nor work tickets / air tickets.
- c) Some of the payment schedules requesting for the payment of the mileage allowances did not indicate the account details of some of the Assembly Members and therefore the audit could not ascertain how they were paid.

Under the circumstances, the validity of the mileage claim of Kshs.51,721,449 paid to the MCA's could not be confirmed.

Recommendations

- (i) The County Assembly should institute proper internal control systems for validating mileage claims by County Assembly Members and ensure that the rightful claims are paid
- (ii) The rate used to pay mileage allowances should conform with the authority governing the payment of mileage allowances such as Salaries and Remuneration Commission (SRC) circulars
- (iii) The County Assembly management should recover in full amounts irregularly paid as mileage allowances to the Members of the County Assembly.

4.0 Procurement of Goods and Services

4.1 Unaccounted For Goods and Services

Examination of records maintained at the Mandera County Assembly revealed that various stores totaling Ksh.20,668,000 were procured without following the laid down procedures that require competitive bidding for the supply of goods and services. However, the following observations were noted:-

- a) Except for the winning bidder, all the Bills of Quantities for the purchases amounting to Kshs.18,212,000 were neither attached to the payment vouchers nor made available for audit inspection.
- b) Request for quotations for the services worth Kshs.2,456,000 were also not attached to the payment vouchers and not made available for audit verification, an indication that there was no competitive bidding.
- c) Stores were not taken on charge in the respective stores ledgers and other related records contrary to the Government Financial Regulations and Procedures chapter 18.1 & 2.
- d) Payments were not supported with the inspection and acceptance certificate an indication that the stores were not certified by the inspection and acceptance committee that they meet the standards as per the requirement of the users.

Consequently, it has not been possible to confirm whether or not the goods were received, recorded or properly accounted for.

Recommendations

- (i) The County Assembly should adopt practices that promote fair competition, economy and efficiency when procuring goods and services.

- (ii) The management should ensure that all the stores procured are received in the stores ledgers cards/registers and properly issued out using counter requisition and issue vouchers duly authorized.
- (iii) The Assembly should recover all unaccounted for expenditure from the responsible officers.

4.2 Unsupported Training Expenses

An amount of Kshs.4,017,125 was used for training expenses during the period under review. However, the payments were not supported by invitation letters, training programs, list of participants who were trained and mode of transport used were not indicated contrary to the Government Financial Regulations and Procedures and the Public Finance Management Act, 2012.

In the absence of the documents and other records, it has not been possible to confirm whether the amount spent constituted a proper charge to public funds.

Recommendations

The County Assembly should recover Kshs.4,017,125 from the authorizing officers.

4.3 Ward Fund Expenses

Examination of payment vouchers and other records maintained at Mandera County Assembly revealed that Kshs.24,000,000 was paid to MCAs ward fund expenses for various months.

However, ward offices did not maintain cash books, cheque books and muster rolls to confirm the daily attendance of the staff. Further, there was no evidence to show that statutory deductions made from the worker's salaries were remitted to the Commissioner of Income Tax.

Recommendation

The expenditure of Kshs.24,000,000 should be recovered from the responsible officers by the County Assembly management.

4.4 Hire of Transport Services

The County Assembly spent a total of Kshs.1,195,000 for hiring vehicles for their use. However, the following anomalies were observed;

- a) Procurement procedures were not adhered to as most of the vehicles were hired through single sourcing contrary to Chapter 17.3.1 of the Government Financial Procedures that states that all procurement of goods and services, including construction works, must be made through open competitive tenders or

quotations which are subject to approval by the appropriate tender board before orders are placed.

- b) Temporary work tickets indicating the vehicle's registration number, driver's name, time out and time in and the mileage covered were not recorded.
- c) Further, no documentary evidence of the existence of contracts between County assembly of Mandera and owners of vehicles for the services rendered.

In view of the foregoing, it has not been possible to confirm the propriety of expenditure amounting to Kshs.1,195,000 as at 30 June, 2015.

Recommendations

- (i) The County Assembly should adhere to procurement regulations in all its procurement to ensure payments are made for services rendered and Work tickets should be maintained for hired vehicles.
- (ii) The County Assembly management should recover the amount of Kshs.1,195,000 from the authorizing officers.

4.5 Human Resource (HR) Manual and Scheme of Service

A review of Mandera County Assembly human resource department reflected that there was no human resource manual approved by the County Public Service Board for use in the administration of the staff.

The manual is important as a guide for the board on human resource issues such as performance management, job description and staff discipline.

Recommendation

The County Assembly should develop and implement a human resource manual for use in the human resource management.

4.6 Information Technology (IT) Environment

Audit review of IT Environment of Mandera County Assembly reflects that the County does not have IT strategic plan that supports the operation requirements of the Assembly and there was no formally documented and approved process to manage, upgrade changes made to all information systems.

Recommendation

The County Assembly management should develop and implement an appropriate IT strategic plan.

4.7 Fixed Assets Register

During the financial year under review, the County Government had fixed assets worth Kshs.561,403,656.00 as at 30 June, 2015. The total assets include all the assets of the County Assembly of Mandera. However, no fixed assets register was maintained by the Assembly and therefore it was not possible to verify the completeness, ownership and valuation of the assets held by the County Assembly.

Recommendations

- i) The County Assembly should develop and update the fixed asset register for the County Assembly.
- ii) All assets procured or inherited from the Defunct Local Authority for the County Assembly should be incorporated in the fixed asset register.

5.0 Unresolved Prior Year Matters

The management of County Assembly of Mandera has not acted on the issues raised in financial operations audit for financial year 2013/2014 time issues include:-

5.1 Failure to carry out Board of Survey

The management of County Assembly of Mandera did not conduct board of survey contrary to chapter 5.9.9.2 of the Government Financial Regulations and Procedures.

5.2 Bank Reconciliation Statement

The County Assembly had not prepared bank reconciliation for the County Assembly account and no proper explanation was given as to why the department did not prepare the reconciliation statements as required by the regulations.

5.3 Unvouched Expenditure

Expenditure amounting to Kshs.498,172,461 was spent by the Executive on behalf of the Assembly. However, the County Treasury did not maintain vote book and there were no payment vouchers and other records availed for audit to support the expenditure.

5.4 Doubtful Travel and Accommodation Allowances (Foreign Trips)

An amount of Kshs.16,259,383 was used for foreign travel and subsistence allowances by Members of the County Assembly who travelled for official trips to Malaysia and Singapore. However, the expenditure was not properly supported.

5.5 Doubtful Travel and Accommodation Allowances (Local Trips)

An amount of Kshs.6,888,070 paid to MCAs and other staff who were attending workshops and other official duties at Nairobi, Mombasa and Naivasha was not

supported. Further, records show that some MCAs were attending workshops or performing other duties outside Mandera town. However, the same MCAs were either attending plenary sessions or select committee meetings at Mandera and were signing attendance registers at the same time.

5.6 Erroneous Payment of Committee Sitting Allowance

A total of Kshs.608,400 was paid to MCAs in form of sitting allowances. The MCAs who are members of various committees were performing official duties in the Sub-Counties. However, the MCAs were paid subsistence allowances during the same period.

5.7 Doubtful /Unsupported Expenditure

An amount of Kshs.6,114,824.00 was incurred on procurement of various items. However, the payments were made without adherence to Government Financial Regulations and Procedures.

5.8 Procurement of Goods and Services

The Mandera County Assembly procured goods and services totaling to Kshs.1,026,000.00 from various suppliers of goods and services. However, the county assembly did not prepare annual procurement plan for the year under review to confirm expenditure incurred was budgeted for. Further, goods and services were directly procured without raising quotations and payments were not authorized by the AIE holders.

5.9 Human Resource Management

5.9.1 Lack of Policy Documents

The County Assembly did not maintain an approved scheme of service, recruitment policy as well as a human resource manual approved by the County Assembly Service Board.

5.9.2 Personal Files

The personnel files lacked vital documents/ information such as birth certificates, copies of National Identity Cards, Medical Certificates, Oath of secrecy and next of kin. It was further noted that the certificates and other testimonials of the staff recruited were not certified.

5.9.3 Posts Not Advertised for Staff Recruitment

Mandera County Assembly recruited eleven (11) staff some of them in senior positions without placing advertisements. The positions were not competitively filled, hence it was not possible to ascertain whether the County Assembly recruited staff with the right qualifications and competency required.

5.9.4 Recruitment of Staff below the Minimum Requirement

A review of the personal files and the advertisement revealed that some staff were recruited who did not meet the minimum qualifications as required by the advertisement.

5.10 IT Environment

The financial operations of the Mandera County Assembly were being undertaken on manual vote books and cash book since Integrated Financial Management Information System (IFMIS) and G-PAY system had not been rolled out. It was not clear why IFMIS and G-Pay was not used as required by the Public Finance Management Act, 2012.

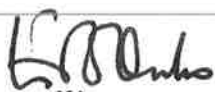
5.11 Non-Current Assets Register

The County Assembly did not maintain permanent and expendable register to record the assets of permanent nature.

Recommendation

The management of the County Assembly should resolve all the prior year audit issues so as to enhance service delivery to the County residents.

County Assembly of Mandera still had challenges during the year ended 30 June 2015 which can however be overcome by adhering to the requirements of the Constitution, the Public Finance Management Act, 2012, the Public Procurement and Disposal Act, 2005 and Regulations, 2006 and all other relevant legislations on management of public finances.



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22 September 2016