

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL OPERATIONS OF
UASIN GISHU COUNTY EXECUTIVE**

**FOR THE PERIOD
1 JULY 2013 TO 30 JUNE 2014**

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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF UASIN GISHU COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

Introduction

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 the Public Audit Act, 2003. Further, the Constitution and Section 107 of the Public Finance Management Act, 2012 requires the County Treasury to adhere to the principles of public finance.

Audit Objectives

The objective of the audit was to ensure existence of internal controls for proper accountability of public resources, confirm that procurement of goods, works and services was done in accordance with the Public Procurement and Disposal Act, 2005 and related regulations and that public funds have been utilized effectively and in accordance with the law.

1.0 Key Audit Findings

1.1 Unspent Funds

A review of revenue and expenditure records maintained by the County Executive revealed that revenue received during the financial year 2013/2014 was Kshs.4,196,777,388 while actual expenditure in the same period amounted to Kshs.2,677,462,279 resulting to unspent balance of Kshs.1,519,315,109 representing 36% of the actual revenue collected which was returned to the County Treasury on 22 July 2014.

The unspent funds indicate slow absorption of budgeted funds which may affect service delivery to local residents and implementation of programmes. No satisfactory explanation was given as to why the funds remained unspent at the close of the financial year.

1.2 Revenue Collection and Banking

Audit review of revenue collection and banking for 2013/2014 period revealed that revenue amounting to Kshs.17,341,054 collected in the months of February 2014 to 30 June 2014 was not banked intact, but instead used to pay expenses incurred during the same period. The management action contravened Government Financial Regulations and Procedures requiring that all public money collected should be paid in gross into bank account and shall not be used by any public office in any manner between the time of their receipt and payment into bank except as provided by law.

1.3 Outstanding Imprest

A review of records of imprests maintained by the County Executive indicated that imprests totalling Kshs.36,689,004 which ought to have been surrendered by 30 June 2014 were still outstanding. Some of the imprests dated back to 13 March 2013. Further, several officers were issued with additional imprests before having accounted for imprests previously issued contrary to Section 5.6.6 of the Government Financial Regulations and Procedures prohibiting issuance of second imprest to an officer before the first imprest is surrendered or recovered in full. In addition, included in the amount outstanding of Kshs.36,689,004 is a balance of Kshs.1,543,040 owed by three (3) former employees of the defunct Local Authority who were not on payroll of the County Government.

The management has not provided explanation for the delay in accounting for the imprests issued.

1.4 Non-supported Payments

Examination of expenditure records for the period under review indicated that payment vouchers totaling to Kshs.3,671,658 were not supported with appropriate documents like invoices, cash sale receipts, and expenditure certificates in contravention of Section 13 of the Public Finance Management Regulations 2013 which states that all payments of public money shall be properly supported by pre-numbered payment vouchers and all payment vouchers supported by appropriate documents. The propriety of the expenditure therefore could not be confirmed.

1.5 Donations Expenditure

During the year under review, the County Executive made donations totalling Kshs.11,105,185 to various needy persons and institutions who requested for assistance to pay for school fees, medical bills, construction of classrooms and donation to a hospital for management of severe spinal injuries. It was however noted that there was no donation policy and documented criteria of identifying the needy and amount given for accountability and transparent management of the voted funds contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that resources of the County should be used in a way that is lawful, authorized, effective, efficient, economical and transparent. As a result, the expenditure incurred of Kshs.11,105,185 could not be confirmed as at 30 June 2014.

1.6 Procurement of Goods and Services

1.6.1 Doubtful Expenditure on Roads

A review of expenditure records maintained by the County Executive revealed that road a construction machinery was hired from National Youth Service (NYS) and Mechanical Transport Fund (MTF) for grading and dumping of murram and an advance amount of Kshs.20,000,000 per contractor totalling Kshs.40,000,000 was paid on 25 February 2014.

An audit inspection carried out during the audit review on five (5) sampled roads out of a total of seventeen (17) roads in Turbo and Kapseret maintained by the two entities established differences on distance of road charged and actual distance on the ground resulting to overlap on works carried out on the same road or charging for work not done. As a result, an estimated payment on hire of machinery totalling Kshs.1,877,452 could not be verified and may have been lost.

Further, an inspection and acceptance report together with engineer's report on the total of sixty nine(69) roads maintained by the two entities were not provided for audit review. Under the circumstances, the propriety of the expenditure of Kshs.40,000,000 could not be confirmed.

1.6.2 Purchase Order and Invoicing

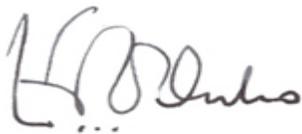
Examination of procurement records for the period under review reflected that several Local Purchase Orders (LPOs) and Local Service Orders (LSOs) were issued on a date after the invoice had been received an indication that normal procurement of goods and service of requisitioning, ordering, invoicing, inspection and payment was not followed. As a result, Local Purchase Order and Service Orders worth Kshs.8,414,231 raised by the County Executive were un-procedural and could not be confirmed as at 30 June 2014.

1.6.3 Purchase of Goods

During the year under review, the County Executive procured computers, furniture, stationery and printed revenue receipt books on various dates. It was however noted that details of the goods received were not recorded in stores ledger cards and as a result, items valued at Kshs.12,235,065 could not be confirmed as received and taken on charge.

1.7 Debtors' Management

A review of County Executive debtors' records revealed that property rates, house and stall rent totalling to Kshs.1,209,492,508 was outstanding as at 30 June 2014. The balance represents about 19% of the budgeted revenue for the year of Kshs.6,242,338,690. No satisfactory explanation was provided on failure to collect the debt and no effort appear to have been made to ensure the rate payers comply with the law.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi, 19 May 2015

DETAILED REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF UASIN GISHU COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

Detailed Audit Findings

1. Unspent Funds

A review of revenue and expenditure records maintained by the County Executive revealed that revenue received during the financial year 2013/2014 was Kshs.4,196,777,388 while actual expenditure in the same period amounted to Kshs.2,677,462,279 resulting to unspent balance of Kshs.1,519,315,109 representing 36% of the actual revenue collected which was returned to the County Treasury on 22 July 2014.

The unspent funds indicate slow absorption of budgeted funds which may affect service delivery to local residents and implementation of programmes. No satisfactory reason was given as to why the funds remained unspent at the close of the financial year.

Recommendation

The management should put in place strategies on budget implementation to ensure that planned programmes are implemented within the stipulated time to avoid returning huge sums of money to the County Treasury.

2. Revenue Collection and Banking

Audit review of revenue collection and banking for 2013/2014 period revealed that revenue amounting Kshs.17,341,054 collected in the months of February 2014 to 30 June 2014 was not banked intact, but instead used to pay expenses incurred during the same period. The management action contravened Government Financial Regulation and Procedures requiring that all public money collected should be paid in gross into bank account and shall not be used by any public office in any manner between the time of their receipt and payment into bank except as provided by law. Analysis of the revenue collected and banking is given below:

Month	Total Collections recorded in cashbook - Kshs.	Bankings- Kshs.	Difference- Kshs.
February 2014	88,241,045	86,488,830	1,752,215
March 2014	126,732,087	123,287,097	3,444,990
April 2014	56,383,123	53,678,619	2,704,504

May 2014	50,164,617	45,497,698	4,666,919
June 2014	84,708,534	79,936,108	4,772,426
TOTAL	665,374,165	648,033,111	17,341,054

Recommendation

Appropriate measures should be put in place to ensure that revenue collected is banked promptly in accordance with the law and regular checking and reconciliations of receipt is carried out by a senior officer.

3. Outstanding Imprest

A review of records of imprests maintained by the County Executive indicated that imprests totalling Kshs.36,689,004 which ought to have been surrendered by 30 June 2014 were still outstanding. Further, several officers were issued with additional imprests before having accounted for imprests previously issued contrary to Section 5.6.6 of the Government Financial Regulations and Procedures prohibiting issuance of second imprest to an officer before the first imprest is surrendered or recovered in full. In addition, included in the amount outstanding of Kshs.36,689,004 is a balance of Kshs.1,543,040 owed by three (3) former employees of the County who were not on payroll of the County Government.

The management has not provided explanation for the delay in accounting for the imprests issued.

Recommendation

The management should put in place checks and controls to ensure that imprest is accounted for or recovered from the respective officers as provided for in the Government Financial Regulations and Procedures.

4. Non-supported Payments

Examination of expenditure records for the period under review indicated that payment vouchers totalling Kshs.3,671,658 were not supported with appropriate documents like invoices, cash sale receipts, and expenditure certificates in contravention of Section 13 of the Public Finance Management Regulations which states that all payments of public money shall be properly supported by pre-numbered payment vouchers and all payment vouchers supported by appropriate documents.

Recommendation

The management should ensure that expenditure vouchers are adequately supported by appropriate certificates and/or duly certified invoices, receipt, bills, LPOs and have proof of acknowledgement of receipt of goods and services before any payment is made.

5. Donations Expenditure

During the year under review, the County Executive made donations totalling to Kshs.11,105,185 to various needy persons and institutions who requested for assistance to pay for school fees, medical bills, construction of classrooms and donation to a hospital for management of severe spinal injuries. It was however noted that there was no donation policy and documented criteria of identifying the needy and amount given for accountability and transparent management of the voted funds contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that resources of the County should be used in a way that is lawful, authorized, effective, efficient, economical and transparent. In the absence of an approved donation policy it was not possible to confirm that the law was adhered to in utilizing the donation vote.

Recommendation

The management should put in place measures for identifying beneficiaries and develop a policy to guide on administering and accounting for the funds.

6. Procurement of Goods and Services

6.1 Doubtful Expenditure on Roads

A review of expenditure records maintained by the County Executive revealed that road a construction machinery was hired from National Youth Service (NYS) and Mechanical Transport Fund (MTF) for grading and dumping of murram and an advance amount of Kshs.20,000,000 per contractor totalling to Kshs.40,000,000 was paid on 25 February 2014.

An audit inspection carried out during the audit review on five (5) sampled roads out of a total of seventeen (17) roads in Turbo and Kapseret maintained by the two entities established that there were differences on distance of road charged and actual distance on the ground resulting to overlap on works carried out on the same road or charging for work not done. An estimated expenditure on hire of machine amounting Kshs.1,877,452 (**Appendix iv**) may have been lost.

Further, an inspection and acceptance report together with engineer's report on the total of sixty nine(69) roads maintained by the two entities were not provided

for audit review. Under the circumstances, the propriety of the expenditure of Kshs.40,000,000 could not be confirmed.

Recommendation

The management should ensure that before payments are made, Inspection and Acceptance committee carries out inspection and verification on works done to avoid irregular payments. The two national entities should also be compelled to complete the works paid for.

6.2 Purchase Order and Invoicing

Examination of procurement records for the period under review reflected that several Local Purchase Orders (LPOs) and Local Service Orders (LSOs) were issued on a date after the invoice had been received an indication that normal procurement of goods and service of requisitioning, ordering, invoicing, inspection and payment was not followed. As a result, Local Purchase Order and Service Orders worth Kshs.8,414,231 listed in **Appendix V** raised by the County Executive during the period under review were un-procedural.

Recommendation

The accounting officer should ensure that procurement of goods and services is properly documented and the laid down procedures as stipulated in the Public Procurement and Disposal Regulations 2006, and 2013 are adhered to.

6.3 Purchase of Goods

During the year under review, the County Executive procured computers, furniture, stationery and printed revenue receipt books on various dates. It was however noted that details of the goods received including item serial numbers, supplier name, or LPO number were not recorded in stores ledger cards. It was therefore not possible to confirm that the payments in **Appendix VI** totalling Kshs.12,235,065 was for goods ordered, received and issued to the intended users.

Recommendation

- The management should ensure that relevant details of goods and assets procured are posted in stores ledgers before payment is made.
- The above mentioned items should be verified to ensure that they were actually received and used for the intended purpose.

6.4 Fixed Assets Register

During the year under review, the County Executive did not maintain Fixed Assets Register to record Non-current Assets. It was therefore not possible to confirm assets owned and acquired during the period under review.

Recommendation

A Fixed Assets Register should be opened and regularly updated.

6.5 Debtors' Management

A review of County Executive debtors' records revealed that property rates, house and stall rent totalling Kshs.1,209,492,508 was outstanding as at 30 June 2014. The balance represents about 19% of the budgeted revenue for the year of Kshs.6,242,338,690. The accumulation of debt continue to deny the County Government the much needed revenue for service delivery to the local residents. No satisfactory explanation was provided on failure to collect the debt and no effort appear to have been made to ensure the rate payers comply with the law.

Recommendation

Strategies on revenue collection should be put in place to ensure that revenue due is promptly collected for good service delivery in the County.

Conclusion

The Uasin Gishu County Executive should address the anomalies noted in order to ensure effective delivery of services to the people of Uasin Gishu County. Laid down Government procedures and processes should be adhered to ensure public resources are only utilized for purposes for which they were intended.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi.

19 May 2015