

REPUBLIC OF KENYA



REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL OPERATIONS OF
COUNTY EXECUTIVE OF TANA RIVER

FOR THE PERIOD
1 JULY 2013 TO 30 JUNE 2014

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

EXECUTIVE SUMMARY

Introduction

The Office of the Auditor-General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution of Kenya and the Public Audit Act, 2003.

Audit Objective

The objective of the audit was to ascertain whether the systems formulated and applied by the County Executive were reliable for the management of the County Executive's finances in the delivery of service to the local residents.

Terms of Reference

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

- Budgetary controls and performance
- Annual operational /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 advances
- Cash and bank balances
- Human Resource Records
- IT Environment
- Non-Current assets
- Debtors
- Creditors

Key Audit Findings

1.0 Procurement of Works, Goods and Services

1.1 Procurement of Road Works

The County Executive of Tana River undertook construction of various roads within Galole District amounting to Kshs.97,286,068.80 under the development budget for the year 2013/2014. However, no development plan describing significant capital projects to be undertaken was made available for audit review contrary to the provisions of the Public Finance Management Act, 2012.

In addition, evidence of approval of the projects by the Executive Committee was not availed for audit review.

1.2 Repairs of the County Assembly

Records availed for audit indicate that the County Government undertook repairs and refurbishment of the County Assembly debating chambers on behalf of the County Assembly at a cost of Kshs.6,883,150. The project which the County Executive used sourcing and selection of the contractor for this refurbishment had the following anomalies.

- i. The tender was awarded through a restricted tendering process in June 2013 without the participation of the County Assembly Management.
- ii. The use of restricted tendering process had no prior approval from the County Tender Committee.

Further evaluation of the works was done without participation of the user department contrary to section 9 (b) of the Public Procurement and Disposal Regulations, 2006 and the engineers estimate of Kshs.6,824,280 was not supported by detailed costing for each item.

1.3 Construction of Perimeter Wall Around the County Government Offices

Documents availed for audit review indicated that construction of a wall around the County Government offices was awarded at a cost of Kshs.16,323,288. However, records availed indicated that the contractor was paid a total of Kshs.19,201,417 resulting to unexplained or unsupported excess expenditure of Kshs.2,878,129. The County Executive under unclear circumstances used restricted tendering for the procurement of construction works for the wall contrary to the Public Procurement and Disposal Regulations, 2006 and 2013 and the evaluation of the works was done without participation of the user department. Although the building is in use, no handing over report was made available to confirm whether the client had taken charge of the building.

1.4 Emergency Purchase of Relief Food

Documents made available indicated that a supplier company was awarded a contract of Kshs.88,000,600 for supply of relief food whose quantities were not disclosed. However, the tender to supply the relief food which had been advertised failed to specify the quantity or items to be supplied and the bill of quantities in support of the tender documents contained alterations. It was not clear how the quantities supplied and price charged were determined. No documentary evidence was availed to confirm deliveries and subsequently utilization of relief food.

1.5 Hire of Motor Vehicle

Records availed for audit reflected that Kshs.9,634,000 was spent on hiring of vehicles to transport officers within the County during public participation forums and outside the County attending workshops and meetings. However, there was no evidence of how the suppliers were identified.

1.6 Procurement through Imprest

Records availed for audit indicate that the County Government procured goods using imprest without involvement of the procurement department. The users were observed to raise requests for items from which an imprest was issued to travel to Malindi or Mombasa to procure the items. A total of Kshs.3,769,583 from a sample verified was found to have been procured through imprest.

1.7 Procurement of Laptops, Ipads, Xray, Ultra Sound Machine and Public Address Systems

Records availed for audit indicate that the County Government procured goods without developing specific requirements. Items such as laptops, Ipads, Xray, ultra sound machine and public address systems and other various items amounting to Kshs.45,811,614.

1.8 Procurement of Conference Facilities Services

The County spent a total of Kshs.12,612,474 on acquisition of conference facilities, accommodation, catering, communication, board and committee expenses. However, there was no evidence of how the suppliers were identified as no prequalification list of suppliers was availed for audit verification and the relevance of the services could not be confirmed.

1.9 Motor Vehicle Repairs

The County spent a total of Kshs.7,252,800 on purchase of tyres and maintenance of motor vehicles amounting to Kshs.4,622,700 and 2,630,100 respectively. However, there was no evidence of how the suppliers were identified as no prequalification list was availed for audit verification. No records were availed indicating the registration numbers of vehicles fitted with the tyres and recording of defects in the work tickets before repairs could be undertaken.

1.10 Procurement Motor Vehicles

Tana River County Executive paid Kshs.38,800,000 for the supply and delivery of eight (8) Ford Everest station wagon motor vehicles. It was observed that no procurement process was initiated from the users of these motor vehicles and it appears that direct procurement was made for which no explanation has been made. Though the vehicles were delivered, there was non-compliance to Public Procurement and Disposal Act, 2005 and no registration certificates were available to confirm ownership.

2.0 Domestic Travel Costs

Records made available revealed that the County Executive had utilized Kshs.11,372,316 for domestic travel. These payments were not supported with adequate relevant documentation. Documentations presented lacked authorization for journeys made, work tickets and bus tickets as proof of travel.

3.0 Salary Payment and Refund of Medical Expenses

The County Executive of Tana River paid an amount of Kshs.894,385.95 as basic salaries for Ministry of Health employees in the County. However, no supporting documentation in form of payroll for the officers of the Ministry was availed for audit review.

In addition, during the period under review an amount of Kshs.336,000 was advanced to the County Executive Member responsible for Health as a refund for paying medical fee for a County Government employee from his own sources who was involved in an accident. However no accident report was availed to support the claim to confirm that at the time of accident the said employee was in line of duty. No policy is in existence to enable refund of such claims whenever they occur.

4.0 Store Records for Drugs

During the period under review an amount of Kshs.14,500,546 was paid to Kenya Medical Supplies Agency for supply and delivery of drugs to hospitals in the County. Included in the Kshs.14,500,546 are drugs amounting Kshs.2,641,732 supplied and delivered to Hola District Hospital. Perusal of records revealed that the drugs have not been recorded in the stores records such as S3. Verification in the form of physical counts or confirmation of the stock levels was therefore not possible.

5.0 Travel and Accommodation

5.1 Travel and Accommodation Claims

Records availed for audit review indicated that the County Government paid a total of Kshs.10,489,756.25 on travelling and accommodation expenses for the officers. However, the expenditure was not supported with documentary evidence like signed schedules, work tickets, detailed work programme or records of meetings attended and mode of travel outside their duty stations. It was also not made clear how some of the payments were made without authority by authorizing officials.

5.2 Air Travel Expenses

Information availed for audit review indicated that the County Government paid Kshs.2,682,590 on air travel for officers. However, the payments were not supported by local service orders. Also the payments were done without disclosing how the two suppliers were engaged to offer air travel services to the County Executive. Similarly the County Executive did not avail documentary evidence on their air travel policy to determine officers entitled to use air transport.

In addition, the county executive was invoiced and paid Kshs.7,089,415 for air tickets during the period under review. Evidence of actual travel in form of boarding passes were not availed for verification and the purpose of travelling was not disclosed.

5.3 Accommodation and Subsistence Allowance

Subsistence allowance and accommodation expenditure on domestic and foreign travel amounting Kshs.14,523,704 had no supporting document. Documentation to support travel details were not availed for audit verification and the recipients of the subsistence allowance amounting to Kshs.14,115,844 did not sign for the cash.

6.0 Outstanding Imprest

Imprest records availed for audit review indicated an outstanding amounts totaling Kshs.8,253,992 where officers were issued with multiple imprests without having surrendered the previous ones contrary to regulations governing imprests. No explanation has been made as to why the imprests were not surrendered as required or recoveries made from the defaulting persons.

7.0 Fuel Expenditure

The County Executive spent Kshs.5,484,903 on purchase of fuel during the period under review. However, no records have been made available to confirm drawing and recording of fuel in the work tickets as required. The fuel was drawn from suppliers who are not pre-qualified.

8.0 Revenue

8.1 Unconfirmed Revenue

During the period under review, records made available indicated that the County Executive realized revenue amounting Kshs.26,979,968.40 as reflected in the bank pay in slips made available. However, relevant surrender records such as F.O. 17, cash control sheet and official receipts to account for this revenue were not availed for audit review.

Examination of the counterfoil receipt book register revealed that a total of 77 revenue books were outstanding and were long overdue and had not been surrendered as 31 March

2014 and officers were being issued with new collection receipt books without accounting for previous ones.

During audit review, it was observed that the County Executive was paying a 15% commission on collected revenue to agents. The commission paid amounted to Kshs.839,219.50. However, no contract was availed to confirm how these agents were selected, appointed and the terms of reference determined.

8.2 Under Performance in Collection on Local Generated Revenue

The County collected Kshs.28,192,397 against budgeted target of Kshs.87,290,000 from local revenue sources. This represented a collection of 32.3% of budgeted local revenue indicating low levels of revenue collection. No explanation has been made to remedy the low collection.

8.3 Variance between Revenue Recorded in Cashbook and Cash Banking

The cashbook availed for review reflected revenue collected totalling Kshs.28,967,325.40 in the period from 1 July 2013 to 30 June 2014, while the County revenue collection bank account statements showed a total of Kshs.35,172,475.35 as having been banked resulting to a variance of Kshs.4,458,449.95. No reconciliation on this account has been done to confirm the sources of direct banking of excess revenue banked.

9.0 Cash and Bank Balance

9.1 Bank Reconciliation Statement

Records availed for audit review indicated that the County Government maintained three (3) accounts at Central Bank and three (3) accounts at Kenya Commercial bank for development, planning and revenue. However no bank reconciliation were availed for audit review for the six bank accounts despite the fact that the bank statements balance seen reflected a significant balance amounting to Kshs.1,283,894,952 as at 30 June 2014.

10.0 Human Resource Records

10.1 Employee Expenses

Records availed for audit review indicated that the County Executive made payments totaling to Kshs.202,106,903.50 as refund of salaries to National Treasury and Ministry of Health by Tana River County Government for devolved ministries for the period July to November 2013. However, the payments were not supported by details of the beneficiaries and station of work.

10.2 Casual Expenses

Records made available for audit review revealed that an amount totaling Kshs.5,530,125 was paid as casual expenses. However, no signed payrolls and muster rolls for casuals paid for were maintained and could therefore not be made available to confirm attendance and duties allocated.

11.0 IT Network Equipment

Records made available revealed that the Tana River County executive installed IT networking equipment in its offices at a cost of Kshs.7,679,321.49. The inspection and acceptance committee report was not signed as required by all the three (3) signatories as required as the chair did not sign.

12.0 Budgetary Control

The annual budget for Tana River County Government as at 30 June 2014 was Kshs.2,026,642,022 for recurrent expenditure and Kshs.1,179,455,101 for development expenditure. Expenditure incurred on development during the year amounted Kshs.94,278,329. Analysis indicates an absorption rate of 7.99%. The absorption rate of 7.99% for development expenditure indicates that few development projects were undertaken during the period under review. No explanation has been made confirming the under absorption of funds.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 May 2015

DETAILED AUDIT REPORT ON THE FINANCIAL OPERATIONS OF TANA RIVER COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

Detailed Audit Findings

1.0 Procurement of Works, Goods and Services

1.1 Procurement of Road Works

The County Executive of Tana River undertook construction of various roads within Galole District amounting to Kshs.97,286,068.80 under the development budget for the year 2013/2014. However, no development plan describing significant capital projects to be undertaken was made available for audit review contrary to the provisions of the Public Finance Management Act, 2012. In addition, evidence of approval of the projects by the Executive Committee was not availed for audit verification. Further procurement initiation records as required by Section 9 of the Procurement Regulations, 2006 were not also available for audit review. Also no documentary support to enable confirmation as to whether the relevant procurement committees were duly appointed as per the Public Procurement and Disposal Regulations, 2006 and also there was no preliminary evaluation report as required by Section 47 of this Regulation that was available. The contract agreements for the road works that were availed, did not specify the contract period as required and there was no evidence of award of the tender by a validly constituted Tender Committee contrary to the Public Procurement and Disposal 2005.

In the circumstances, it has not been possible to confirm that the procurement of road works amounting to Kshs.97,286,068.80 was done in line with the Public Procurement and Disposal Act, 2005 and the related Public Procurement and Disposal Regulations 2006 and 2013.

Recommendation

The Management should ensure that provisions of Public Procurement and Disposal Act, 2005 and its regulations are always adhered to. Further the Accounting Officer should ensure that all related procurement documents in support of the development expenditure totalling Kshs.97,786,068.80 are availed for audit review failure to which the responsible officers are surcharge for the expenditure not supported with documentary evidence.

1.2 Repairs of the County Assembly

Records availed for audit indicate that the County Government undertook repairs and refurbishment of the County Assembly debating chambers on behalf of the County Assembly at a cost of Kshs.6,883,150. The project which the County Executive used sourcing and selection of the contractor for this refurbishment had the following anomalies.

- i. The tender was awarded through a restricted tendering process in June 2013 without the participation of the County Assembly Management.
- ii. The use of restricted tendering process had no prior approval from the county tender committee.
- iii. The tender was awarded through a restricted tendering process in June 2013 without the participation of the County Assembly Management.
- iv. The use of restricted tendering process had no prior approval from the County tender committee.
- v. The tender committee approved the use of restricted tendering four months after the tender had closed and the bids were already opened (Tender closed and opened on 14 June 2013, approval or use of restricted tender granted on 8 October 2013). The contract was awarded at a cost of Kshs.6,883,150 and a mobilization payment through the first certificate amounting to Kshs.5,604,134 represents 81.5% paid before works commencement.
- vi. Although the works indicated supply of hansard equipment for the chambers, no evidence was availed for audit to show that the equipment met the detailed specifications.

Recommendation

The management should ensure adherence to the provisions of the Public Procurement and Disposal Act, 2005 and the subsequent regulations. The Accounting Officer should ensure that all related procurement documents in support of the development expenditure of Kshs.6,883,150 are availed for audit review, failure to which the responsible officers are surcharged for the expenditure not supported with documentary evidence.

1.3 Construction of Perimeter Wall Around the County Government Offices

Documents availed for audit review indicated that on 26 September 2013 a contractor was awarded a contract to construct a perimeter wall around the County Government offices at a cost of Kshs.16,323,288. However, records availed for audit review indicated that the contractor was paid a total of Kshs.19,201,417 resulting to unexplained or unsupported excess expenditure of Kshs.2,878,129. Further, records availed for audit review indicated that the County Executive under unclear circumstances used restricted tendering for the procurement of construction works for the wall contrary to the Public Procurement and Disposal Regulations, 2006 and 2013. Also the evaluation of the works was done without an indication of participation of the user department contrary to Section 9 (b) of the Public Procurement and Disposal Regulations, 2006 and the engineers' estimates. In the circumstances, it was not possible to ascertain that the County Assembly obtained value for money in the construction of the perimeter wall.

Recommendation

The County Executive should in future adhere to the Public Procurement and Disposal Act, 2005 and the Public Procurement Regulations, 2006 and 2013. Further, management should avail for audit review the respective procurement and payments documents in support of construction of the excess payment of Kshs.2,878,129, failure to which the respective officer is surcharged for the excess expenditure.

1.4 Purchase of Emergency Relief Food

Records availed for audit indicate that the County Government procured relief food amounting to Kshs.88,000,600. However, the procurement process had the following anomalies.

- i. The advertisement for supply of the relief food did not indicate the items to be supplied and the quantities for each item.
- ii. Bids were received, evaluated and awarded even though there were no clear basis of evaluation.

In addition, although the County Government had a budget for the procurement of relief foods amounting Kshs.22,937,500, an additional amount of Kshs.22,937,500 was reallocated from subsidies to Finance Institution Women Empowerment Vote. No approvals for the reallocation was availed for audit verification. Further, although part of payment of Kshs.45,875,000 was made in respect of the supply, no evidence to show that the supplies were received at the county and distributed to the beneficiaries was availed for audit review.

In the circumstances, it has not been possible to ascertain whether or not the procurement process was competitively carried out in accordance with Public Procurement and Disposal Act, 2005 and respective regulations and the County executive obtained value for money in the purchase of emergency relief food.

Recommendation

The Accounting Officer should ensure that all related procurement, receipt and utilization records are availed for audit review, failure to which the responsible officers are surcharged for the amount of expenditure not supported with documentary evidence.

1.5 Hire of Motor Vehicle

Records availed for audit reflected that Kshs.9,634,000 was spent on hiring of vehicles to transport officers within the County during public participation forums and outside the County attending workshops and meetings. However, there was no evidence of how the suppliers were identified as no pre-qualification list was availed for audit verification.

Recommendation

Verifiable documentation should be made available to confirm procurement of this service, failure to which the respective officer is held liable and accountable in case of any resultant loss in this procurement process.

1.6 Procurement through Imprest

Records availed for audit indicate that the County Government procured goods using imprest without involvement of the procurement department. The users were observed to raise requests for items from which an imprest was issued to travel to Malindi or Mombasa to procure the items. A total of Kshs.3,769,583 from a sample verified was found to have been procured through imprest and items procured included laptops, iPads, carpets and television sets.

Recommendation

The County Government should adhere to procurement laws to ensure a competitive and fair procurement process for the County Government to obtain value for money. Further purchase of goods and services through imprest should be stopped immediately and the procurement department be strengthened and competent staff recruited to manage the procurement function effectively.

1.7 Procurement of Laptops, Ipads, Xray, Ultra Sound Machine and Public Address Systems

Records availed for audit indicate that the County Government procured goods without developing specific requirements. Items such as laptops, Ipads, Xray, ultra sound machine and public address systems and other various items amounting to Kshs.45,811,614 were procured without specifications being developed as only general descriptions were made in the name of laptop, Ipads and Xray. Users of specialized machines such as Xray and Ultra sound were not involved in providing the specifications. Also the absence of an annual procurement plan, it was not possible to confirm that the items procured were required and that sufficient funds had been budgeted for the items. Further, there were no evidence or inspection or acceptance report in support of the items procured notwithstanding that various items had been directly procured without the necessary approvals as per the Law.

Recommendation

The management should ensure that procurement is done as per the law governing public procurement and that specialized machines be procured after specifications have been developed by the user department. Any officer who violates the procurement law should be liable and held accountable for any resultant loss.

1.8 Procurement of Conference Facilities Services

Records availed for audit indicate that the County spent a total of Kshs.12,612,474 on acquisition of conference facilities, accommodation, catering, communication, board and committee expenses. However, there was no evidence of how the suppliers were identified as no prequalification list of suppliers was availed for audit verification. In some cases, the procurement was done through cash payment, in contravention of Section 29 and part VI of the Public Procurement and Disposal Act, 2005 and its regulations. The relevance of the services to the county executive could also not be confirmed.

Recommendation

The Accounting Officer should ensure that at all times the County Executive adheres to the Public Procurement and Disposal Act, 2005 and the related Public Procurement and Disposal Regulations, 2006 and 2013.

1.9 Motor Vehicle Repairs

Information availed for audit show that the county spent a total of Kshs.7,252,800 on purchase of tyres and maintenance of motor vehicles amounting to Kshs.4,622,700 and 2,630,100 respectively. However, there was no evidence of how the suppliers were identified as no prequalification list was availed for audit verification. No records were availed indicating the registration numbers of vehicles fitted with the tyres and recording of defects in the work tickets before repairs could be undertaken. The basis of these repairs is therefore not clear as no inspection and mechanical works reports availed for audit verification.

Recommendations

The management should avail the documentary evidence in support of the expenditure, failure to which responsible officer is surcharged for expenditure amount not supported.

1.10 Procurement of Motor Vehicles – Ford Everest

The County Executive through payment voucher number 010 dated 6 December 2013 paid Kshs.38,800,000 for the supply and delivery of eight (8) Ford Everest station wagon motor vehicles. It was observed that no procurement process was initiated from the users of these motor vehicles and it appears that direct procurement was made in this purchase contrary to section 74 of the Public Procurement and Disposal Act, 2005 on the requirement for direct procurement. Although the vehicles were delivered, no registration certificates for the same were availed to confirm ownership for the vehicles.

Records availed for audit indicate that the county government procured twelve (12) motor vehicles at a cost of Kshs.62,839,792. However, there were no documentation availed for audit examination in support of the method used in identification, selection and awarding of the supply.

In addition, out of the twelve (12) motor vehicles expenditure in respect of four (4) motor vehicles amounting to Kshs.24,039,792 had no documents availed for audit verification to support the procurement

Recommendation

The management should ensure that all goods are procured in line with the procurement Law and that all goods received are inspected for quality and quantity. Any officer who fails to adhere to the procurement law should be held personally liable and accountable to any resultant loss as a result of the procurement process.

2.0 Domestic Travel Costs

Records made available revealed that the County Executive had utilized Kshs.11,372,316 for domestic travel as at 31 March 2014. All payments totalling Kshs.11,372,316 were not supported with adequate relevant documentation. Documentations presented lacked authorization for journeys made, work tickets and bus tickets as proof of travel.

Recommendation

Payments should be made based on authorized vouchers which are duly supported. The management should make available the supporting documentation for the payments made totalling Kshs.11,372,316 failure to which the respective officers are held accountable and surcharged for the amount of unsupported expenditure.

3.0 Salary Payment and Refund of Medical Expenses

Information availed for audit indicate that the County Executive paid an amount of Kshs.894,385.95 as basic salaries for Ministry of Health employees in the County through payment voucher numbers 3366 and 3386 of Kshs.792,286.55 and 102,099.40 to Kenya Commercial Bank and Co-operative Bank respectively. However, no supporting documentation in form of payroll for the officers of the Ministry was availed for audit review. Additionally, during the period under review, an amount of Kshs.336,000 was advanced to the County Executive Member responsible for Health as a refund for paying medical fee for a County Government employee from his own sources who was involved in an accident. However no accident report was availed to support the claim to confirm that at the time of accident the said employee was in line of duty. No policy is in existence to enable refund of such claims whenever they occur.

Recommendation

All payments of salaries and other benefits should be supported with a documentary evidence, failure to which the responsible officer is held liable for the unsupported amounts.

4.0 Store Records for Drugs

During the period under review an amount of Kshs.14,500,546 was paid to Kenya Medical Supplies Agency for supply and delivery of drugs to hospitals in the County through payment voucher No. 5502 for invoice Nos. 70160 and 70190 of Kshs.14, 310,281 and

Kshs.190,265 respectively. Included in the Kshs.14,500,546 are drugs amounting Kshs.2,641,732 supplied and delivered to Hola District Hospital. The drugs were delivered through delivery note number EMB-2-095695-2013/2014 on 25 March 2014 to the hospital. Perusal of records revealed that the drugs have not been recorded in the stores records such as S3. Verification in the form of physical counts or confirmation of the stock levels was therefore not possible. In the circumstances, it was not possible to ascertain how the drugs were recorded and issued making it not possible to confirm the physical drugs as at 30 June 2014.

Recommendation

The drugs should be recorded in the stores records and supporting documentation made available for audit review. Further, physical stock take should be done regularly to confirm the records balance with physical balance and any variance reconciled promptly, failure to which the responsible officer is surcharged for the loss on drugs.

5.0 Travel and Subsistence Allowance

5.1 Travel and Accommodation Claims

Records availed for audit review indicated that the County Government paid a total of Kshs.10,489,756.25 on travelling and accommodation expenses for the officers. However, the expenditure was not supported with documentary evidence like signed schedules, work tickets, detailed work programme or records of meetings attended and mode of travel outside their duty stations. Some of the seminars indicated as attended by the officers were not supported by invitation letters or details of the seminar attended. On two occasions, payments were not supported by schedules of the beneficiaries of the allowances.

It was also not made clear how some of the payments were made without authorized signatures of key officials. Payments for monitoring and evaluation were not supported by work programme and reports of the exercises.

Recommendation

The management should avail for audit review documentary evidence in support of the expenditure of Kshs.10,489,756.25 failure to which the officers responsible are surcharged for the unsupported amounts.

5.2 Air Travel Expenses

Information availed for audit review indicated that the County Government paid Kshs.2,682,590 on air travel for various officers. However, the payments were not supported by local service orders. Also the payment were done without disclosing how the two suppliers were identified and engaged to offer air travel services to the County Executive and it was not certain whether these expenses were official as no documentary evidence was availed to confirm the purpose of the trip. Similarly the County Executive did not avail documentary evidence on their air travel policy to determine officers entitled to use

air transport as some payments were made without authorized signatures of key officials as required on the payment vouchers.

In addition, the county executive was invoiced and paid Kshs.7,089,415 for air tickets during the period under review. The supporting evidence availed was invoices from the travel agencies with details of ticket number and name of officer the ticket was issued. Evidence of actual travel in form of boarding passes were not availed for verification and the purpose of travelling was not disclosed.

Recommendation

The Accounting Officer should avail for audit review documentary evidence in support of the travel expenses, failure to which the respective officers are surcharged for the unsupported amounts.

5.3 Accommodation and Subsistence Allowance

Records availed for audit review indicated that subsistence allowance and accommodation expenditure on domestic and foreign travel amounting Kshs.14,523,704 had no supporting documentation. The travel details were not availed for audit review and the recipients of the subsistence allowance amounting to Kshs.14,115,844 did not sign acknowledging receipt of cash. Further payment schedules for allowances collected by one officer on behalf of the others were not signed by the other officers acknowledging receipts of their travel allowances. Allowances issued to several officers in same trip were indicated as paid to County Secretary of Tana River County Government (TRCG) instead of the officers who were travelling. The payment schedules were also not attached to the payment vouchers for verification.

Recommendation

The management should ensure that expenditure charged to public funds is lawful and in accordance with the Public Finance Management Act, 2012. Relevant supporting documents in form of work ticket, bus ticket, air ticket or documents supporting hire of transport should also be availed for audit review, failure to which the respective officers are surcharged for the unsupported amounts.

6.0 Outstanding Imprest

Imprest records availed for audit review also indicated outstanding amounts totalling Kshs.8,253,992. As indicated in the schedule attached some of the officers were issued with multiple imprests without having surrendered the previous ones contrary to regulations governing imprests. No satisfactory explanation had been provided as to this state of affairs.

Recommendation

The imprests guidelines should be adhered to at all times and proper systems put in place to ensure that outstanding imprest is surrendered or accounted for within the stipulated time in line with the Government Financial Regulations and Procedures or be recovered from the salary of the respective officers.

7.0 Fuel Expenditure

The County Executive spent Kshs.5,484,903 on purchase of fuel during the period under review. However, no records have been made available to confirm drawing and recording of fuel in the work tickets as required. Similarly, no reconciliation has been done on fuel delivered, paid for and balance remaining. Further fuel was drawn from suppliers who are not pre-qualified

Recommendation

The management should ensure that procurement of goods, works and services are in accordance with the Public Procurement and Disposal Act, 2005 and the related procurement regulations. In addition, management should ensure that proper records are maintained and that fuel is only issued for official use.

8.0 Revenue

8.1 Unconfirmed Revenue

During the period under review, records made available indicate that the County Executive realized revenue amounting Kshs.26,979,968.40 as reflected in the bank pay in slips made available. However relevant surrender records such as F.O. 17, cash control sheet and official receipts to account for this revenue were not availed for audit review. Further, the details of the officers designated for collecting, receiving and accounting for such county government revenue in line with the provisions of Section 157 of the Public Finance Management Act, 2012 were not availed for audit review. In addition, the quarterly statements to the County Treasury and Commission on Revenue Allocation in accordance with section 158 (3) of the same Act were also not availed for audit verification. Also examination of the counterfoil receipt book register revealed that a total of 77 revenue books were outstanding and were long overdue and had not been surrendered as 30 June 2014 and officers were being issued with new collection receipt books without accounting for previous ones. It was also observed that the County Executive was paying a 15% commission on collected revenue to agents whereby a total of Kshs.839,219.50 was paid as commission. However, no contract was availed to confirm how the agents were selected, appointed and the terms of reference determined. In addition no supporting documents were

availed to show that there was authority to appoint an agent to collect revenue on behalf of the government.

In the circumstances, in the absence of the respective surrender records it was not possible to confirm the validity and accuracy of the revenue of Kshs.26,979,968.40. Further and in the absence of a contract agreement, it was not possible to ascertain the actual revenue realized through the contractual arrangement.

Recommendation

All the supporting revenue collection documents should be availed for audit review and the quarterly statements should be provided to the relevant parties. Further, the collection agent should be appointed in line with the Public Procurement and Disposal Act, 2005.

8.2 Under Performance in Collection on Local Generated Revenue

The County collected Kshs.28,192,397 against budgeted target of Kshs.87,290,000 from local revenue sources. This represented a collection of 32.3% of budgeted local revenue indicating low levels of revenue collection. No explanation has been made to remedy the low collection.

8.3 Variance between Revenue Recorded in Cash Books

The revenue cashbook showed a total of Kshs.28,967,325.40 was collected in the period from 1 July 2013 to 30 June 2014, while the County revenue collection bank account statements showed a total of Kshs.35,172,475.35 as having been banked resulting in unexplained and unreconciled variance of Kshs.4,458,449.95. No reconciliation on this account has been done to confirm the sources the excess banking.

Recommendation

Appropriate measures should be put in place to ensure that revenue collected is promptly banked in accordance with the Law and regular checking and reconciliations of receipts is carried out by a senior officer. Further, the respective officers should full account for the money collected, failure to which the officers are surcharged for the unaccounted amount of revenue.

9.0 Cash and Bank Balance

9.1 Bank Reconciliation Statement

Records availed for audit review indicated that the County Government maintained three (3) accounts at Central Bank and three (3) accounts at Kenya Commercial bank for development, planning and revenue. However no bank reconciliation were availed for audit review for the six bank accounts despite the fact that the bank statements balance seen reflected a significant balance amounting to Kshs.1,283,894,952 as at 30 June 2014. It is not clear and the management has not explained why the bank reconciliation statements were not prepared. In the circumstances it has not been possible to confirm the validity and

accuracy of the bank statements balance totalling Kshs.1,283,894,952 as at 30 June 2014 for the six bank accounts.

Recommendation

The management should ensure that all bank accounts are supported with the respective cash books in line with the Government Financial Procedures and Regulations. Further the cash books should be updated frequently and bank reconciliations prepared on a monthly basis and verified by a senior officer. The management should also ensure that the bank reconciliation statements for the year 30 June 2014 are prepared and verified by a senior officer. Also the officer responsible should be held liable and accountable for failure to prepare the bank reconciliation statements and surcharged for any cash found missing as per the bank reconciliation statements if any.

10.0 Human Resource Records

10.1 Employee Expenses

Records availed for audit review indicated that the County Executive made payments totalling to Kshs.202,106,903.50 as refund of salaries to National Treasury and Ministry of Health by Tana River County Government for devolved ministries for the period July to November 2013. However, the payments were not supported by details of the beneficiaries and station of work.

Recommendation

The management should ensure that payment for salaries is processed through the payroll in line with Government Financial Regulations and that the payrolls for salaries paid to beneficiaries amounting to Kshs.202,106,903.50, should be availed for audit review failure to which the responsible officer is held accountable.

10.2 Casual Expenses

Records made available for audit review revealed that an amount totalling Kshs.5,530,125 was paid as casual expenses. However, no signed payrolls and muster rolls for casuals paid for were made available for audit review. In the circumstances, the propriety of the expenditure amount of Kshs.5,530,125 could not be ascertained.

Recommendations

The County Executive should open and operate muster rolls and daily attendance sheets for casuals engaged to confirm their existence, nature of duty and duty station. These records should be made available for audit verification, failure to which the officer responsible is held liable for the expense to the extent of the unsupported expenditure.

11.0 IT Network Equipment

Records made available revealed that the Tana River County executive installed IT networking equipment in its offices at a cost of Kshs.7,679,321.49. It was observed that a payment made through interim payment certificate number one (1) of Kshs.3,346,365.49 through voucher number 670 of 22 August 2013 had no retention money deducted. The inspection and acceptance committee report was not signed as required by all the three (3) signatories as required as the chair did not sign.

Recommendation

All payments should be clearly authorized and all supporting documents attached to the voucher at any given time. Retention money should be provided in line with the terms of the contract.

12.0 Budgetary Control

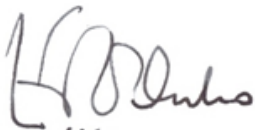
The annual budget for Tana River County Government as at 30 June 2014 was Kshs.2,026,642,022 for recurrent expenditure and Kshs.1,179,455,101 for development expenditure. Expenditure incurred on development during the year amounted to Kshs.94,278,329. Analysis of budget against expenditure indicates an absorption rate of 7.99%. The absorption rate of 7.99% for development expenditure indicates that few development projects were undertaken during the period under review. No satisfactory explanation has been provided as to the cause of the low absorption rate of development funds.

Recommendation

The management should ensure that budgets are applied as appropriate to ensure that the citizens of the County have achieved their development agenda as envisaged in the devolved Government system in the Constitution. Those officers who are responsible for non-implementation of the budget should be held liable for lack of implementation of development projects in the County.

Conclusion

The Tana River County Executive should address the anomalies noted in order to ensure effective delivery of services to the people of Tana River. 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

27 May 2015