



REPUBLIC OF KENYA
TWELFTH PARLIAMENT - SIXTH SESSION

**REPORT OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC
ACCOUNTS AND INVESTMENTS ON THE CONSIDERATION OF THE AUDIT
REPORTS OF THE FOLLOWING COUNTY ASSEMBLIES FOR THE
FINANCIAL YEAR 2018/2019-**

- 1. BOMET;**
- 2. TAITA TAVETA;**
- 3. KILIFI;**
- 4. NYAMIRA; AND**
- 5. GARISSA.**

VOLUME II

**CLERK'S CHAMBERS
THE SENATE
P.O.BOX 41842-00100
NAIROBI**

JUNE, 2022

ADOPTION OF REPORT LIST

COUNTY PUBLIC ACCOUNTS AND INVESTMENTS COMMITTEE.

Adoption of the Reports on the following five (5) County Assemblies; Garissa; Bomet, Taita Taveta, Kilifi, and Nyamira for the 2018/2019 financial year by the Senate Committee on County Public Accounts and Investments.


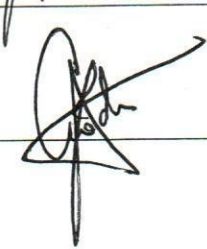


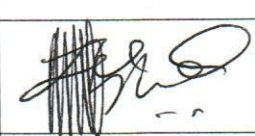
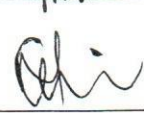
NO.	NAME	DESIGNATION	SIGNATURE
1.	Sen. (Dr.) Ochilo Ayacko, EGH, MP	Chairman	
2.	Sen. (Eng). Hargura Godana, MP	Vice- Chairperson	
3.	Sen. Adan Dullo Fatuma, CBS, MP	Member	
4.	Sen. Wamatangi Kimani, MP	Member	
5.	Sen. Njeru Ndwiga, EGH, MP	Member	
6.	Sen. Samson Cherarkey, MP	Member	
7.	Sen. (Prof.) Imana Malachy Ekal, MP	Member	
8.	Sen. Johnes Mwaruma, MP	Member	
9.	Sen. Mercy Chebeni, MP	Member	

TABLE OF CONTENTS

ACRONYMS/ABBREVIATIONS.....	4
PREFACE.....	6
EXECUTIVE SUMMARY.....	8
GENERAL OBSERVATIONS AND RECOMMENDATIONS.....	10
INTRODUCTION.....	13
Legal Framework.....	13
Sittings of the Committee.....	13
Issues for Determination.....	13
Guiding Principles.....	14
ACKNOWLEDGEMENTS.....	15
CHAPTER ONE: BOMET COUNTY ASSEMBLY REPORT FINANCIAL YEAR, 2018/2019	16
CHAPTER TWO: TAITA TAVETA COUNTY ASSEMBLY REPORT FINANCIAL YEAR, 2018/2019.....	21
CHAPTER THREE: KILIFI COUNTY ASSEMBLY REPORT FINANCIAL YEAR, 2018/2019	34
CHAPTER FOUR: NYAMIRA COUNTY ASSEMBLY REPORT FINANCIAL YEAR, 2018/2019.....	40
CHAPTER FIVE: GARISSA COUNTY ASSEMBLY REPORT FINANCIAL YEAR, 2018/2019.....	50

ACRONYMS/ABBREVIATIONS

AAK	-	Automobile Association of Kenya
AIE	-	Authority to Incur Expenditure
BQs	-	Bill of Quantities
CIDP	-	County Integrated Development Plan
COB	-	Controller of Budget
CRA	-	County Revenue Allocation
CRF	-	County Revenue Fund
DSA	-	Daily Subsistence Allowances
EGH	-	Elder of the Order of the Golden Heart
ICT	-	Information, Communication Technology
IFMIS	-	Integrated Financial Management System
IPPD	-	Integrated Payroll and Personnel Database
KRA	-	Kenya Revenue Authority
LPOs	-	Local Purchase Orders
LSOs	-	Local Supply Orders
MCAs	-	Members of County Assembly
MP	-	Member of Parliament
OAG	-	Office of the Auditor General
PAYE	-	Pay-As -You Earn
PFM	-	Public Finance Management
PSASB	-	Public Sector Accounting Standards Board
SRC	-	Salaries and Remuneration Commission

DEFINITION OF TERMS

Disclaimer

A disclaimer is when the auditor is unable to review fully an entity's documentation because there is a substantial amount of information that is missing. The absence of information makes it hard and difficult for the Auditor General to make an opinion. In other words, the auditor feels unable to determine whether the situation is qualified or adverse because the paperwork is not adequate. This is a serious lapse in compliance and should be of concern to oversight bodies. A disclaimer indicates that the record keeping is so bad to the extent that the auditor cannot give an opinion.

Adverse Opinion

An adverse opinion is issued when the Auditor General is able to review the entity's documentation supplied for audit purposes and the final audit reveals problems that are widespread and pervasive and will require considerable changes to remedy. This is equivalent to scoring a pass in an examination. Oversight institutions are concerned to recommend remedies to address such anomalies and systems.

Qualified Opinion

This is as a result of Auditor General finding some problems that are not widespread or persistent with documentation and information supplied. The auditor received all the information required for audit. However, after review the audit reveals there are some gaps in adherence and compliance to legal procedures.

Unqualified Opinion

This arises when the Auditor General is satisfied with documentation presented for review. It implies that there are no major problems with documentation and information that were presented for assessment and the funds are managed properly.

PREFACE

Mr. Speaker Sir,

Committees are a creation of the Constitution through Article 124(1) of the Constitution which empowers each House of Parliament to establish Committees and make Standing Orders for the orderly conduct of its proceedings, including the proceedings of its Committees.

The Senate Sessional Committee on County Public Accounts and Investments is established by the Senate pursuant to Standing Order No. 220 and is mandated-

- a) pursuant to Article 96(3) of the Constitution, to exercise oversight over national revenue allocated to the county governments;
- b) pursuant to Article 229(7) and (8) of the Constitution, to examine the reports of the Auditor-General on the annual accounts of the county governments;
- c) to examine special reports, if any, of the Auditor-General on county government funds;
- d) to examine the reports, if any, of the Auditor-General on the county public investments; and
- e) to exercise oversight over county public accounts and investments.

Mr. Speaker Sir,

The membership of the Committee comprises of the following Senators-

- | | |
|--|---------------------------|
| 1. Sen. (Dr.) Ochilo Ayacko, EGH, MP | - Chairperson |
| 2. Sen. (Eng). Hargura Godana, MP | - Vice-Chairperson |
| 3. Sen. Adan Dullo Fatuma, CBS, MP | - Member |
| 4. Sen. Wamatangi Kimani, MP | - Member |
| 5. Sen. Njeru Ndwiga, EGH, MP | - Member |
| 6. Sen. Johnes Mwaruma, MP | - Member |
| 7. Sen. (Prof.) Imana Malachy Ekal, MP | - Member |
| 8. Sen. Samson Cherarkey, MP | - Member |
| 9. Sen. Mercy Chebeni, MP | - Member |

Mr. Speaker Sir,

The Senate Sessional Committee on County Public Accounts and Investments is the avenue through which the Senate under the provisions of Article 96(3) of the Constitution carries out the ex-post scrutiny of County Governments Budgets.

Mr. Speaker Sir,

This report contains Five (5) reports for five (5) County Assemblies for the year 2018/2019 listed as volume 1 that were considered and adopted by the Committee.

Mr. Speaker Sir,

Being a Sessional Committee, the Committee was constituted at the commencement of the Sixth Session of the Twelfth Parliament in February, 2022 pursuant to Senate Standing Order 219 which requires **Sessional Committees** to be constituted at the commencement of every Session.

EXECUTIVE SUMMARY

The Committee examined the reports of the Auditor-General on the financial statements for Bomet, Taita Taveta, Kilifi, Nyamira, and Garissa County Assemblies for financial year 2018/2019 and identified various fiduciary risks.

During the year under review, all the five (5) County Assemblies considered under this report had challenges with the submission of documents to the auditors for verification. The non-provision of documents therefore, left the Assemblies unable to account for a substantial amount of monies.

The reports also revealed that County Assemblies were not able to apply proper accounting practices and their financial statements were characterised by lack of regular reconciliations. Subsequently, the lack of regular reconciliations resulted to variances between the IFMIS balances and the Financial Statement balances. This resulted to inadequate reporting and presented inaccurate position of the financial operations of the county assemblies. The counties experienced poor record management and book keeping errors thus casting doubts on the suitability and qualifications of staff in the county treasuries.

The reports further revealed that a number of counties had weaknesses in executing their budgets. The major cause being the delay in exchequer releases from the National Treasury thereby hampering program implementation and budget execution.

The audit reports also revealed that Assemblies made payments outside the Integrated Financial Management Information System (IFMIS) platform, contrary to the PFM Act. The practice of processing transactions outside the IFMIS platform could be an avenue to bypass financial controls and may have led to misappropriation of funds.

The reports also revealed that Assemblies abused the imprest process, from the request, approval, surrender and recovery. Imprests remained outstanding after their due dates of surrender, contrary to the provisions of Regulation 93 (5) of the Public Finance Management (County Governments) Regulation, 2015 which requires temporary imprest holders to account for or surrender imprests within seven days after returning to their duty stations. Further, Management breached Regulations 93(6) by failing to recover the outstanding imprests from the salaries of the defaulters.

During the year under review, the Committee noted that all the Assemblies had not properly updated assets registers despite the Inter-Governmental Technical Relations Committee (IGTRC) having handed over their report, hence exposing county assets to risk of loss, waste and misuse.

The Committee also noted that the Assemblies did not have a Policy on Risk Management, a Disaster Recovery Plan or a Business Continuity Plan to help prevent and mitigate against risks. This is contrary to Section 158(1) of the Public Finance Management (County Government) Regulation 2015 which requires the County Government entities to develop risk management strategies which include fraud prevention mechanisms and a system of risk management and internal control that builds robust business operations.

In addition to the observations outlined in this executive summary, this report also contains specific observations and recommendations for respective audit queries for each county assembly.

GENERAL OBSERVATIONS AND RECOMMENDATIONS

The Committee observed that the reports of the Auditor General contained cross cutting audit issues that kept recurring. Consequently, the Committee identified the following general observations and recommendations -

1. Failure to submit documents for Audit to the Office of Auditor General

The Committee noted that most County Assemblies did not avail the relevant supporting documents to the Auditor General during the audit exercise as required by the Public Audit Act, 2015.

The Committee recommends that the Accounting Officers in the Assemblies should take administrative action against officers who fail to provide the documents to the Auditor General within Sixty (60) days from the adoption of this report.

2. Lack of proper accounting and reconciliations

The reports also revealed that Assemblies did not apply proper accounting practices and their financial statements were characterised by lack of regular reconciliations. Similarly, there was misclassification of expenditure items in the case of some Assemblies. This practice resulted to inadequate reporting and did not present the accurate position of their financial operations.

The Committee recommends that administrative action be taken against the responsible officers in the County Assembly Treasuries for professional negligence and misconduct. The Committee further recommends that County Assembly Treasuries should strictly undertake monthly reconciliation and submit to the Auditor General as stipulated under the PFM Act, 2012.

3. Budgetary Control and Performance

The Committee noted that a number of Assemblies had weaknesses in executing their budgets. The Assemblies under-utilized appropriated funds largely contributed by the delay in exchequer releases from the National Treasury thereby hampering program implementation and budget execution.

The Committee recommends that the National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.

4. The non-compliance to relevant laws by most County Assemblies.

The Committee observed that there was Failure to observe diversity in employment as required by Section 65(1) (e) of County Government Act on ethnic inclusivity.

The Committee recommends that the Assemblies should give a road map on how to ensure compliance is achieved within sixty (60) days from the adoption of this report.

5. Outstanding Imprests

The Committee noted that the Assemblies held outstanding imprest beyond the stipulated period.

The Committee recommends that:

- (i) the Accounting Officers should recover the imprest with interest as per provisions of the PFM (County Governments) Regulation, Regulation 93 (6); and
- (ii) the accounting officer should ensure that administrative action be taken against the imprest holders and the respective Accounting Officers who failed to surrender and recover respectively.

6. Lack of an Updated Fixed Asset Register

The Committee observed that all the Assemblies had not updated assets registers exposing Assembly assets to risk of loss, waste and misuse. The Committee further noted that the National Treasury issued Circular No. 5/2020 of 25th February, 2020 on the preparation of asset registers for county governments.

The Committee recommends that the Assemblies should have updated fixed assets registers in the format prescribed by the National Treasury and submit the same to the Auditor General for audit within sixty (60) days from the adoption of this report.

7. Lack of Policy on Risk Management Framework

The Committee observed that some Assemblies lacked risk management policies.

The Committee recommends that Assemblies should have risk management policies in place and provide status report to the auditors and the Committee within 60 days upon the adoption of this report.

Other Recommendations.

The report also contains specific recommendations for respective audit queries for the 2018/2019 financial years for each county report.

INTRODUCTION

Legal Framework

Article 174 of the Constitution sets out the objects of devolution and gives power to the people for self-governance through participation of the people in the exercise of decisions affecting them and managing their own affairs and development. Key to this feature is ensuring equitable sharing of resources.

Article 201 of the Constitution outlines the principles of public finance management to be observed at both levels of government and these includes openness, accountability, public participation, prudent and responsible financial management.

Office of the Auditor-General

The Office of the Auditor-General forwards reports on the financial operations of the County Governments for specific financial years to the Senate pursuant to the provisions of Article 229(7). The reports, once tabled, stand committed to the Sessional Committee on County Public Accounts and Investments.

Sittings of the Committee

The Committee received written responses and submissions in annexures from the County Assemblies when it considered the reports of the Auditor-General. Some of the Committee sittings were held in Kisii and Kakamega Counties, this gave an opportunity for the Committee to do site visits of the projects in the Counties.

The sittings were primarily investigatory and the Committee received evidence from the Clerk of the County Assembly as the Chief Executive Officers to the County Assemblies. The members of the County Assembly Service Board and other Assembly officials accompanied the CEOs to the meetings of the Committee.

Issues for Determination

The main issues for investigation and determination were the various audit queries contained in the report of the Auditor-General on the financial operations of the various counties for the financial year 2018/2019.

This report is issued pursuant to the requirements of Articles 96 (3) and 229(8) of the Constitution of Kenya and the Senate Standing Order 213.

Guiding Principles

The Committee in arriving at particular recommendations took into account the responses given by the County management, the mitigation measures by the counties, and the fact that some issues that required immediate attention having been overtaken by events. The Committee was further guided by the mandate of the Senate pursuant to the provisions of Article 96(1) of the Constitution; particularly the need to strike a balance between protection of the counties *vis-a-vis* the oversight role of the Senate over counties in accordance with the provisions of Article 96(1) and 96(3) of the Constitution respectively.

Where any breach of law has an attendant remedy, consequence or penalty in law, recommendations of this report do not preclude any liability that may arise as a result of any legal action within the breach of the prescribed law.

ACKNOWLEDGEMENTS

The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate during the consideration of the Auditor-General's Reports. The Committee further appreciates the cooperation it received from the various CEOs of the County Governments under consideration.

Final appreciation goes to the distinguished and dedicated members of the Committee and secretariat who actively participated and facilitated the proceedings.

Mr. Speaker Sir,

I wish to confirm that the resolutions of the Committee in this report were unanimous.

Mr. Speaker,

It is therefore my pleasant duty and privilege, on behalf of the Senate Sessional Committee on County Public Accounts and Investments to table this report and commend it to the House for debate and adoption pursuant to the provisions of the Senate Standing Order 213(6).

SIGNED:

DATE:

SEN. (DR.) OCHILO AYACKO, EGH, MP CHAIRPERSON

CHAPTER ONE: BOMET COUNTY ASSEMBLY REPORT FINANCIAL YEAR, 2018/2019

The Speaker of Bomet County Assembly, **Hon. Nelson Mutai**, and the Clerk **Mr. Isaac Kitur**, appeared before the Committee on Tuesday, 19th October, 2021 to respond (under oath) to audit queries raised in the Report of the Auditor General on Financial Statements for Bomet County Assembly for the Financial Year 2018/2019.

Unqualified Opinion

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts - development and recurrent combined reflects approved receipts and expenditure budget of Kshs. 803,549,398. However, the Assembly received an amount of Kshs. 657,433,000 while actual expenditure amounted to Kshs. 657,933,558 resulting to budget underperformance by 18%. The shortfall in receipts mainly occurred due to exchequer releases where an amount of Kshs. 146,116,398 was not released. The under absorption mainly occurred under Transfers to Other Government Entities and Acquisition of Assets of Kshs. 12,351,090 and Kshs. 133,036,060 respectively totaling to Kshs. 145,387,150. Report of the Auditor-General on County Assembly of Bomet for the year ended 30 June, 2019 2 The under absorption could have negatively impacted on delivery of goods and service to the citizens of Bomet by the County Assembly. Consequently, there is need for the County Assembly to evaluate its budget making mechanism with a view of allocating resources to priority areas for higher budget utilization and impact.

Management Comments

The management concurred with the findings that the County Assembly did not received full allocation from the exchequer for the year 2018/2019 amounting to Kshs. 145,387,150. This amount was meant for the infrastructure development of the Assembly and transfer to the Mortgage Scheme Fund.

The County Treasury did not receive full allocation for the month of June, 2019. This affected the County Assembly operations for that year. However, the Assembly received Kshs. 80,000,000 in 2019/2020 being part of the late disbursement.

Committee's Observation and Recommendation

The Committee noted that the Counties experienced delay in exchequer releases from the National Treasury thereby hampering program implementation and budget execution.

The Committee recommends that the National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1.Surrender to County Revenue Fund

The comparative figure of unspent cash held at the Central Bank of Kenya as at 30 June, 2018 as reported in the statement of financial assets and liabilities reflects a balance of Kshs. 738,685. However, examination of available County Assembly's records indicates that only an amount of Kshs. 283,173 was surrendered to the County Revenue Fund (CRF) leaving a balance of Kshs. 455,512 not returned. This is contrary to Section 136 of the Public Financial Management Act, 2012 which requires, a County Government entity holding appropriated money that was withdrawn from the County Exchequer Account but has not been spent, to repay the unspent money to the County Exchequer Account and prepare a refund statement which shall be forwarded to the Controller of Budget at the end of a financial year. The County Assembly is in breach of the Law.

Management Comments

Management were in agreement with Auditor General on the reported figure of Kshs 738,685 as the closing balance at the end of the financial year ended 30th June 2018. The Assembly refunded Kshs. 238,173 and the difference was already booked in the IFMIS system. The following transactions were made totaling Kshs. 455,512 for the financial year 2018/2019.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

2. Acquisition of Assets

As disclosed under Note 10 to the financial statements, the statement of receipts and payments reflects payments on acquisition of assets of Kshs. 51,723,280. From the review of the expenditure, the County Assembly was in breach of law in the following instances-

2.1. Non-Deduction of Contract Retention Money

Included in this amount are payments for the construction of buildings amounting to Kshs. 31,172,845 out of which an amount Kshs. 25,504,154 was paid to three (3) contractors without withholding the applicable retention amount at the rate of 10% amounting to Kshs. 2,550,415.40. This amount was to compensate the client against any loss resulting from poor workmanship during the defect liability period as stipulated for in the contract documents. Report of the Auditor-General on County Assembly of Bomet for the year ended 30 June, 2019.

Management Comments

The management concurs with the auditor General observation on the retention since the Assembly had not opened an Account with the Central Bank of Kenya. However, the Account was opened on 20 December 2019 after approval by the County Treasury as per the PFM ACT 2012.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

2.2. Delayed Completion of Mini Chamber Boundary Wall

Further, the payments on acquisition of assets of Kshs. 51,723,280 includes Kshs. 5,560,093 paid in respect of construction of buildings for the construction of a boundary wall at a contract price of Kshs. 31,955,378 which was signed on 18 October, 2016. No specific commencement and completion dates were disclosed making it open ended. A perusal of the project file revealed that on 18 March, 2019, the Clerk to the Assembly wrote a termination letter to the contractor to terminate the contract due to unsatisfactory progress in the execution of works. On 25 March, 2019, the contractor responded to the termination letter for the contract stating the reasons for the delayed completion; as mobilization challenges, delayed payments, and lack of coordinated approval of work progress by the project management team based in Nairobi. Subsequently, on 5 April, 2019, the contractor requested for an extension of time of one hundred and twenty (120) working days with effect from the date of the letter. Upon receipt, the Evaluation Committee and with the approval of the Clerk of the County Assembly on 10 April, 2019 granted an extension of

sixty (60) days. Audit inspection carried out on the boundary wall in September, 2019 revealed that the wall was incomplete with some sections having pillars while others were at slab level. There were also no on-going works and the contractor was not on site. In the circumstance therefore, the construction of the boundary wall is behind schedule and the likelihood of cost escalation is high. In addition, the benefits envisaged from its construction have not been realized.

Management Comments

The agreement was made on 18th October, 2016 and it was not executed immediately due to interference of the work by the County Executive which took the matter to court. The matter was settled on 30th March, 2017 and the contractor proceeded with the contract up to 3rd November, 2020.

The management terminated the contract when the contractor had been paid Kshs. 14,094,274 and the work had reached 44.3 %. The contractor was terminated due to non-performance on dated 3rd November, 2020.

In order to improve inefficiency in the management of the infrastructure projects of the County Assembly, the management has engaged National Housing Corporation to provide consultancy service.

The management is currently waiting for final Bill Quantities from National Housing Corporation and way forward.

All the relevant supporting documents have been provided for audit review.

Committee's Observations and Recommendations

The Committee noted that the county Assembly terminated the contract before it was completed. The Committee also noted that the management has engaged National Housing Corporation to provide consultancy service.

The Committee recommends that-

- i. The County assembly takes immediate action to finish the incomplete project and provide information on the project status, and plans to complete them, within 60 days from the adoption of this report;**
- ii. The Auditor General should audit the project to ascertain the completion and utilization of the said projects in line with this recommendation.**

- iii. **That the County Assembly should set up a framework for monitoring and reporting on the performance of projects in accordance with Regulation 129 of the Public Finance Management (County Government) Regulations.**

2.3. Delayed Completion of Construction of Mini Chamber

Also included in the payment is Kshs. 14,777,153 for construction of a mini chamber during the year. The contract for the construction works was awarded on 28 September, 2016 at a contract price of Kshs. 65,693,531 and the contract agreement signed on 19 October, 2016. Review of the project revealed that the contract commencement and completion dates have not been expressly stated in the contract, consequently, it was not possible to determine the contract duration. Further, information available indicated that the site was handed over to the contractor on 17 November, 2017 more than one year later after the contract was signed. At the time of the audit visit at the site, on 17 September, 2019 no works was on-going and the contractor was not on site. In the circumstances, the cost of constructing the mini chamber is likely to escalate with the continued delays and the benefits envisaged from its construction may not be realized.

Management Comments

The commencement date was on 17 November ,2017, the delay in commencement was occasioned by the proceedings in court thus affecting the timelines of the project. The County Executive through County Secretary vide letter dated 26th January 2017 stopping the contractor from commencing the construction of the Mini Chamber.

The project has since been completed and the chamber is currently in use.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

CHAPTER TWO: TAITA TAVETA COUNTY ASSEMBLY REPORT FINANCIAL YEAR, 2018/2019

The Speaker of Taita Taveta County Assembly, **Hon. Jimmy Kahindi**, and the Clerk **Mr. Michael Ngala**, appeared before the Committee on Wednesday 6th October, 2021 to respond (under oath) to audit queries raised in the Report of the Auditor General on Financial Statements for Taita Taveta County Assembly for the Financial Year 2018/2019.

Qualified Opinion

1. Variance between Financial Statements and IFMIS Ledger balances

The statement of receipts and payments for the year ended 30th June 2019 reflects aggregate payment totaling Kshs. 689,649,707 which sum includes payments totaling to Kshs. 607,750,595 incurred on acquisition of assets, compensation of employees and use of goods and services. The latter balance however, does not tally with data extracted from the Integrated Financial Management System (IFMIS) which reflects payments totaling to Kshs. 541,024,312 made on the three items. The composition of the unexplained difference of Kshs. 66,726,283 between the two sets of records is highlighted in the table below:

Expenditure Item	Expenditure as Per Financial Statements (Kshs.)	Expenditure as Per IFMIS	Variance (Kshs.)
Acquisition of assets	38,497,067	7,283,801	31,213,266
Compensation of employees	247,703,175	230,003,737	17,699,438
Use of goods and services	321,550,353	303,736,774	17,813,579
Total	607,750,595	541,024,312	66,726,283

In view of the variances, the accuracy of the payments made in relation to acquisition of assets, compensation of employees and use of goods and services, and which

aggregate to Kshs. 607,750,595 equivalent to 88% of the Kshs. 689,649,707 total payments made by the County Assembly during the year under review, could not be confirmed. As a result, the accuracy of the statement of receipts and payments for the year ended 30th June, 2019 has not been confirmed.

Management Response

The Financial Statement figures of Kshs. 607,750,595 are the true expenditure for the F/Y 2018-2019.

The variance is as a result of payments made by the Executive on behalf of the Assembly for development as the Assembly had no development account during the financial year under review.

Another trigger for the variance was as a result of transactions processed through IFMIS whereby those transactions transmitted to IB platform are treated as payments in IFMIS while in the real sense they are not actual payments done.

Committee's Observations and Recommendations

The Committee noted that there were variances between IFMIS data and financial statements indicating that no reconciliations were done.

The Committee therefore recommends that-

- i. the County Assembly should avoid processing transactions outside IFMIS;
- ii. reconciliations should be done on monthly basis using IFMIS auto-reconciliation module and the same be submitted to the Auditor General by 10th of the subsequent month;
- iii. the County Assembly should ensure that the IFMIS reports produced are accurate; and
- iv. the County Assembly should take advantage of the National Treasury training and support programmes on IFMIS.

2. Unreconciled Exchequer Releases

The statement of receipts and payments for the year ended 30th June, 2019 reflects exchequer releases totaling Kshs. 661,875,359 remitted to the County Assembly by the County Executive during the year. On the other hand, the County Treasury report indicates that Exchequer releases to the County Assembly during the year amounted to Kshs. 701,070,794. The variance of Kshs. 39,195,435 between the two sets of

records have not been explained.

As a result, the accuracy and completeness of the exchequer releases totaling to Kshs. 661,875,359 reflected in the statement of receipts and payments for the year ended 30th June, 2019 has not been confirmed.

Management Response

The correct figure stands as Kshs. 661,875,359 as reported in assembly Financial Statements.

Committee's Observation and Recommendations

The Committee observed the failure by the County Assembly to provide the relevant documents to the Auditor General during the audit exercise.

The Committee therefore recommends that the accounting officer should undertake administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156(1) of the Public Finance Management Act, 2012 and provides a status report to the Committee within sixty (60) days from the adoption of this report.

3. Unsupported Compensation of Employees Expenditure

3.1. Basic Salaries

The statement of receipts and payments for the year ended 30th June, 2019 reflects compensation of employee's expenditure totaling Kshs. 247,703,175. However, the expenditure includes Kshs. 125,543,285 incurred on basic salaries for permanent employees which, however, was not supported with data and reports generated from the Integrated Payroll and Personnel Database (IPPD) system.

In the absence of IPPD confirmation for the compensation of employee's expenditures totaling Kshs. 125,543,285, the accuracy and completeness of the accounts aggregate balance amounting to Kshs. 247,703,175 reflected in the statement of receipts and payments for the year ended 30th June, 2019 has not been confirmed.

Management Response

At the time of Audit review the IPPD had challenges in producing reports as County Assembly lacked capacity.

The County Assembly payroll was being supported by County Executive but we have since developed capacity and the IPPD data for FY2018-2019 has been extracted and provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

3.2. Personal Allowances

Included in the compensation of employee's balance totaling Kshs. 247,703,175 reflected in the statement of receipts and payments for the year ended 30th June, 2019 is Kshs. 6,190,900 incurred on personal allowances paid to some members of staff as part of salary and training expenses, as well as domestic travel and subsistence allowances. However, support documents such as training attendance schedules and signed registers and the rates of the allowances earned by the payees were not presented for audit. As a result, the completeness and validity of the expenditure has not been confirmed.

In the absence of relevant and reliable evidence for these expenditures, the validity of the aggregate compensation of employees' expenditure totaling ksh. 247,703,175 reflected in the statement of receipts and payments for the year under review has not been confirmed.

Management Response

Payment vouchers amounting to Kshs. 6,190,900 are hereby attached with supporting documentation for your verification.

Committee's Observation and Recommendations

The Committee observed the failure by the County Assembly to provide the relevant documents to the Auditor General during the audit exercise.

The Committee therefore recommends that the accounting officer should undertake administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156(1) of the Public Finance

Management Act, 2012 and provides a status report to the Committee within sixty (60) days from the adoption of this report.

4. Unsupported Goods and Services Expenditures

The statement of receipts and payments reflects expenditures totaling Kshs. 321,550,353 incurred by the County Assembly to purchase goods and services during the year under review.

The balance includes payments totaling Kshs. 1,457,000 that were not supported with relevant records such as payment vouchers and procurement records. In the absence of relevant evidence, the occurrence and measurement of the expenditure could not be confirmed.

As a result of the omission, the accuracy and completeness of the purchase of goods and services balance totaling Kshs. 321,550,353 reflected in the statement of receipts and payments for the year under review has not been confirmed.

Management Response

Payment voucher totalling to Kshs. 1,457,000 are available and have been presented for review as provided.

	Amount (Kshs.)	Description	Query
Training expenses	875,900	Facilitation for administration committee sensitization workshop on the development of county level, and parliamentary studies training for civic education at Sarova While Sands Mombasa	Evidence of attendance and Work tickets were not availed for audit review
Communication, Supplies and Services	127,000	Payment for installation of internet link at the County Assembly	The payment voucher for this transaction not availed for audit review

Hi-Techz Investments	453,500	Payment for repair of motor vehicles	Evidence of competitive bidding for the repair as well as pre and post inspection report by mechanical engineer, to ascertain the damage and subsequent repair were not availed for audit review. It is not clear how the vendor was identified hence no proof of competitive tendering.
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Committee's Observations and Recommendations

The Committee observed that the Management did not adhere to procurement laws and procedures.

The Committee recommends that the procurement department should strictly adhere to the Public Procurement and Asset Disposal Act, 2015 in procuring goods and services.

5. Incorrect Presentation of the Financial Statements

The statement of financial assets and liabilities as at 30th June, 2019 reflects a nil balance in respect to accounts receivables – outstanding imprests referenced to Note 14 to the financial statements. However, the Note is not among those in the financial statements since these are numbered from 1 to 13 followed by 16 to 17.

In addition, Note 16 to the financial statements reflects fund balances brought forward to the year 2016/2017 and 2017/2018 instead of 2017/2018 and 2018/2019 respectively.

Further, note 17 to the financial statements cites a credit adjustment amounting to Ksh. 5,296,191 made on Accounts Receivables in the previous (2017/18) financial year. However, contrary to the requirements of International Public Sector Accounting Standard 1– Presentation of Financial Statements – the amount of the reported adjustment has not been disclosed, and as a result, it is not possible to confirm the occurrence and validity of the adjustment.

In view of these discrepancies, the accuracy of the Accounts Receivables balance reflected as nil as at 30th June, 2019 has not been confirmed.

Management Response

The errors were noted and the following year they were not repeated.

Provided is a copy of financial statement for 2019/2020 as submitted to the Auditor general free of the discrepancies. The prior year adjustment was for imprest which had been surrendered.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Irregular Recruitment of Employees

During the financial year under review, the County Assembly Service Board recruited twenty-seven (27) employees on permanent and pensionable terms. However, of the staff employed, twenty-two (22) or 82% were from one ethnic community which is dominant in the County. This was contrary to Section 65 (e) of the County Governments Act, 2012 which requires at least thirty per cent (30%) of vacant posts at entry level be filled by candidates who are not from the dominant community in a County.

Therefore, Management carried out the recruitment contrary to the Law.

Management Response

The management has noted the concerns raised by the Office of the Auditor General. However, Taita Taveta is composed of other tribes which are deemed to be from the minority group for instance Sagalla and Taveta. If this is taken into consideration, the 30% threshold of the minority is achieved.

Committee's Observation and Recommendations

The Committee noted that the Assembly made irregular recruitment of its employees.

The Committee recommends that the management should ensure compliance during their future recruitments. The Committee further recommends that the auditor should continue monitoring on the matter to ensure it does not recur.

2. Irregular Retention of Staff

Examination of personnel records indicated that the County Assembly appointed a Senior Procurement Officer II on permanent and pensionable terms at the age of (59) years. However, on attaining the mandatory retirement age of sixty (60) years a year later, the County Assembly Service Board revised his terms of service to a five-year contract from February, 2015 to February, 2020 and thereafter promoted him to Senior Procurement Officer 1.

Similarly, the County Assembly Service Board extended a driver's employment for two years to October, 2019 after he attained the mandatory retirement age of sixty (60) years in October, 2017.

Management Response

The management noted the anomaly. However, one of the officer was a partisan driver to the Speaker, hence his contract renewal. The Driver's contract ended on 30th September, 2019.

The other Procurement officer contract lapsed on 18th February, 2020. They are thus no longer County Assembly's employees.

These actions contravened Section D (21) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires all officers to retire from the Service on attaining the mandatory retirement age of 60 years for persons with disabilities.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

3. Irregular Procurement of Foreign Travel Tickets

Section 91(1,2) of the Public Procurement and Asset Disposal Act, 2015, provides that Open Tendering shall be the preferred procurement method of goods, works and services. Additionally, the Section provides that a procuring entity may use an alternative procurement procedure only if that procedure is allowed and satisfies the legal conditions for use of that method.

During the year, under review, Management paid Kshs. 3,600,000 to a travel firm to provide air-tickets to Members of the County Assembly for a visit to Israel. However, it was not possible to confirm that the firm was chosen competitively as required by the Public Procurement and Asset Disposal Act, 2015 as there were no records to show how the firm was awarded the contract.

Date	Payee	Description of Payment	Voucher No.	Amount
11/02/2019	Zeiruq Agencies	Cost of air tickets for MCAs going to	549	1,600,000
11/02/2019	Zeiruq Agencies	Cost of air tickets for MCAs going to Israel	550	2,000,000
	Total			3,600,000

Management Response

Zeiruq Agency was in the list of Pre-qualified suppliers for the provision of air ticketing services for FY 2018/2019.

Committee's Observation and Recommendation

The Committee noted the failure of the County Government's entity to submit documents on time to the Auditor General.

The Committee recommends that the CEO should ensure administrative action is taken against officers who failed to provide the documents to the Auditor General within Sixty (60) days from the adoption of this report.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT SYSTEMS AND GOVERNANCE

1. Fixed Assets Not Tagged

Section 149 (2) (o) of the Public Finance Management Act, 2012 requires every County Government Accounting Officer to ensure that adequate systems and processes are in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the relevant County Treasury. In addition, a functional internal control system calls for accuracy and clarity in accounting for the assets of the entity.

However, sampled verification of the County Assembly's assets valued at Kshs. 95,126,463 as at 30th June, 2019 reflected in Annex 4 to the financial statements for the year under review, indicated that the Assembly does not tag its furniture and equipment.

In the absence of tags on assets referenced back to an asset register, the County Assembly lacks adequate control and security over its assets.

Management Response

The management has noted the anomaly and plans are under way to tag their assets in the next Financial Year. The County Assembly has already identified a list of pre-qualified suppliers to do the Asset tagging of all the assets in FY 2021/2022.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

The Committee further recommends that the auditors should review the performance of the matter in the subsequent Financial year to ascertain that it does not recur.

2. Failure to Establish Public Finance Management Committee

Regulations 18(1) of the Public Finance Management (County Governments) Regulations 2015, provides that there be established in every County Government entity a Public Finance Management Standing Committee to provide strategic guidance on public finance management matters. However, the County Assembly of Taita Taveta did not have a Public Finance Management Committee during the year under review.

In view of the omission, oversight on public finances appropriated to the County Assembly was not properly established.

Management Response

At the time of audit review the Management had not established Public Finance Management Standing Committee however, the management has since established the Public Finance Management Standing Committee under Section 18(1) comprising of 5 members- The Clerk, the Director Finance, the Internal Audit, Fiscal Analyst and Procurement Officer, on 7th July, 2019.

The Committee now is in operation. Appointment letter and Minutes have been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

3. Failure to Develop Risk Management Strategy

Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 requires the Accounting Officer to ensure that each County Government entity develops risk management strategies, which would include fraud prevention mechanisms, internal control and other measures that ensures robust

business operations. However, the County Assembly of Taita Taveta did not have a documented risk management strategy in the year under review.

In view of the omission, the County Assembly failed to adhere to the law and further, missed the opportunity to improve its operations by managing its risks in an objective way.

Management Response

The management is in the process of drafting Risk Management Framework and Risk Management Policy which will set guidelines on the strategy the County Assembly will employ to mitigate risks.

Find a draft copy which was forwarded to the County Assembly Service Board. Evidence of forwarding to the Board, Draft Risk Management Strategy, and Risk Management Policy have been provided for audit review.

Committee's Observations and Recommendations

The Committee noted that the Policy on Risk Management and Framework were not in place.

The Committee recommends that the management should put in place the Risk Management Strategy within sixty (60) days from the adoption of this report.

4. Failure to Establish an Audit Committee

Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 requires Management of each County Government entity to establish an Audit Committee to oversee expenditures incurred by the entity. However, in the year under review, the County Assembly of Taita Taveta did not have an operational Audit Committee.

In the circumstances, the financial affairs of the County Assembly were not managed in accordance with the law. Further, the internal control systems were incomplete and the risk of ineffective use of resources was high.

Management Response

At the time of audit review the management had not established Audit Committee however; the management was in the process of recruiting for the audit committee. The

Audit Committee was established on 3rd December, 2020 comprising of four members as per the PFM (County Governments) Regulations, 2015.

The Committee has since been operational. Recruitment process for audit committee members from advertisement, and Appointment letter and signed minutes has been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

CHAPTER THREE: KILIFI COUNTY ASSEMBLY REPORT FINANCIAL YEAR, 2018/2019

The Speaker of Kilifi County Assembly, **Hon. Jimmy Kahindi**, and the Clerk **Mr. Michael Ngala**, appeared before the Committee on Tuesday 5th October, 2021 to respond (under oath) to audit queries raised in the Report of the Auditor General on Financial Statements for Kilifi County Assembly for the Financial Year 2018/2019.

Qualified Opinion

1. Basic Salaries of Temporary Employees

The statement of receipts and payments reflects compensation of employees of Kshs.405,684,496 out of which an amount of Kshs.39,116,636 was paid as basic wages for temporary employees. However, included in this figure is Kshs.33,913,478 in respect of compensation of employees paid outside the Integrated Personnel Payroll Database (IPPD), which was not supported with contracts of employment between the employees and the County Assembly, academic and professional certificates of employees during their recruitment.

Consequently, the validity of Kshs.39,116,636 paid as basic wages for temporary employees for the year ended 30 June, 2019 could not be confirmed.

Management Response

The Kshs 33,913,478 used to pay basic salaries for temporary employees who were paid outside the IPPD system was because they were employed on contract, therefore to support the validity of the payment we have provided **letters (monthly) to the COB** as a request for the funds which is a requirement. Copies of **Monthly payrolls** for all the temporary staff, **their contracts** and **academic and professional certificates** have been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

2. Unsupported Expenditure

As disclosed under Note 3 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.431,637,445 under use of goods and services.

However, a review of the various components revealed that under domestic travel and subsistence, the County Assembly spent Kshs.217,833,446, out of which Kshs.152,466,746 was not supported with documents such as requisitions from heads of departments, imprest warrants, work tickets, boarding passes, bus tickets, taxi tickets and imprest surrender vouchers.

Similarly, under the hospitality supplies and services expenditure of Kshs.29,344,791. However, evidence of how the venues and hotels were identified, the attendance registered and payment vouchers were not availed for audit review.

In the absence of such fundamental records, the accuracy and completeness of use of goods and services balance of Kshs.431,637,445 for the year ended 30 June, 2019 could not be confirmed.

Management Response

Domestic travel and Subsistence Kshs. 152,466,740

The assembly has availed all the payment vouchers which are fully supported to the auditors for verification.

Hospitality - Kshs. 29,344,791

On the identification of the hotels, the Assembly's procurement officer would enquire from 3 or more hotels from the prequalified list for their prices and pick the lowest. The County Assembly has availed to the auditor the required documents for verification.

Committee's Observation and Recommendations

The Committee noted that had the information been availed in time for audit review, this issue could not have arisen.

The Committee recommends that the Accounting Officer undertakes administrative action against the responsible officers in accordance with the Section 156(1) of the PFM Act, 2012. The Committee also recommends that the County should provide information and explanations within the stipulated time as set out in the Public Audit Act, 2015. The Committee, further, recommends that the management should undertake a training on imprest to understand how it works and the consequences that follow when the law is breached.

Other Matter

1. Budgetary Control and Performance

The County Assembly had an approved total budget of Kshs.1,214,680,971 voted for the financial year 2018/2019, while actual receipts and expenditure amounted to Kshs.1,031,413,979 and Kshs.1,036,560,911 respectively, resulting to overall under-collection and under - absorption of Kshs.183,266,992 and Kshs.178,120,060 which translates to 15% budget under performance.

In particular, the County Assembly of Kilifi spent Kshs.431,637,445 against an approved budget of Kshs.341,646,604 resulting to an over expenditure by Kshs.89,990,841 or 26% under use of goods and services budget, contrary to Section 154 of the Public Finance Management Act, 2012 which limits the power of an Accounting Officer to reallocate appropriated funds.

The funds could have been allocated to other deserving areas that would improve delivery of goods and services to the residents of Kilifi County. This may also be an indication of improper planning and the management may need to improve on its budget making process with a view to focusing on more priority areas.

Management Response

During the financial year 2018/2019, the County Assembly had an approved budget of Kshs.1, 214,680,971 which comprises of Kshs. 903,514,171 and Kshs. 311,166,800 being recurrent and development budget respectively. The County Assembly received Kshs. 903,513,979 and Kshs.127, 900,000 for recurrent and development respectively. The Assembly did not receive all budgeted amount on development due to a circular by the Ministry of Transport and Public Works. This circular set ceiling on construction of speaker's residence and the Assembly complex. In adherence to the circular, the Assembly had to stop the ongoing works in order to reduce the costs of the two projects to conformity. It was not easy due to the fact that the circular came after the projects had already started. This process took 5months thereby making it impossible to request, receive and utilize the funds as budgeted, hence the underutilization of funds.

On over utilization of the fund, a request was made to the CEC-Member of Finance for Vote Reallocation which he approved via ref CG/KLF/CECM/FIN/BGT 2019-20/ (5) of 03/06/2019 that has been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that had the information been availed in time for audit review, this issue could not have arisen.

The Committee recommends that the accounting officer undertakes administrative action against the responsible officers in accordance with the Section 156(1) of the PFM Act, 2012. The Committee, further, recommends that the County should provide information and explanations within the stipulated time as set out in the Public Audit Act, 2015.

2. Pending Bills

2.2. Pending Accounts Payable

Other Disclosures under Note 4.9.1 to the financial statements for the year ended 30 June, 2019 reflects pending accounts payables balance of Kshs.43,921,940. Further,

Note 4.9.2 - Other Disclosures, to the financial statements for the year ended 30 June, 2019, reflects pending staff payables balance of Kshs.19,745,757. However, the supporting pending accounts registers were not availed for audit review.

In the absence of supporting records, the accuracy and completeness of the pending accounts payable balance of Kshs.63,667,697 as at 30 June, 2019 could not be confirmed.

Management Response

The pending staff payable came as a result of the MCAs and Staff claims which had not been paid when they were on official duties. There was no register for all the pending payables instead an analysis of the payables was done from the pending files. Going forward the assembly is maintaining all the required registers.

Committee's Observation and Recommendations

The Committee observed that a total of pending staff payables of Kshs.19,745,757 without any supporting pending accounts registers.

The Committee recommends that the County Assembly should maintain all the required registers. The Committee further recommends that the Office of the Auditor-General should continue monitoring the status of the county pending bills.

3. Outstanding Imprests

As disclosed under Note 10 to the financial statements, the statement of assets and liabilities as at 30 June, 2019 reflects accounts receivables - outstanding imprests balance

of Kshs.6,538,159. However, no analysis in terms of name of imprest holders, dates of issue, dates due, amounts surrendered and balance as at 30 June, 2019 was provided for in these financial statements.

Consequently, it has not been possible to confirm the accuracy, authenticity and validity of the outstanding imprests of Kshs.6,538,159 as at 30 June, 2019.

Management Response

The analysis of the Imprest Outstanding had been prepared to include the dates of issue, amount due and the amount surrendered as per the recommendations of the Auditors as opposed to the previous submission which indicated the name of the imprest holder and amount.

Committee's Observation and Recommendation

The Committee noted with concern the failure of the County Government entity to submit documents on time to the Auditor General.

The Committee recommends that the accounting officer undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156(1) of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1.0 Acquisition of Assets

As reported previously, Note 6 to the financial statements reflects Kshs.112,355,828 in respect to construction of buildings (Assembly's Office Complex). The project was started in the year 2016/2017 at a contract sum of Kshs.508,549,884. However, due to poor performance of the contractor, the contract was terminated and the Management engaged another contractor at a contract sum of Kshs.622,233,278, resulting to excess commitment of Kshs.113,683,394.

Audit inspection of the project in the month of November, 2019 revealed that the work was in progress. Progress report availed for audit indicated that the work was 40% done, while the estimated project completion date was 15 September, 2019. Consequently, delayed completion and additional costs of the project may deny the residents of Kilifi value for money.

Management Response

The excess commitment resulted from the increase in prices of both materials and labour as shown in the new BQ that was used as a basis to award the new contract. The first Contract was entered in 12th. February 2016 and the new (existing) contract on 12th March 2018.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Failure to Constitute Audit Committee

As reported in the previous year, the County Assembly of Kilifi had not constituted an Audit Committee, contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which requires each public entity to establish an Audit Committee. It was not clear who carries the financial oversight role for the County Assembly.

Management Response

At the time of audit, the assembly had appointed the audit committee; however, they had not started the work as they were still going for induction courses. The committee established has since started working and has helped in the financial oversight of the assembly. Appointment letters for the successful candidates has been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the County Assembly have put in place an audit committee.

The Committee recommends that-

- i. the Assembly should ensure that the audit committee is functional as per the law; and**
- ii. the Office of the Auditor-General should continue monitoring the status of the operationalization of the audit committee.**

CHAPTER FOUR: NYAMIRA COUNTY ASSEMBLY REPORT FINANCIAL YEAR, 2018/2019

The Speaker of Nyamira County Assembly, **Hon. Moffat Teya**, and the Clerk **Mr. Duke Onyari**, appeared before the Committee on Wednesday, 29th September, 2021 to respond (under oath) to audit queries raised in the Report of the Auditor General on Financial Statements for Nyamira County Assembly for the Financial Year 2018/2019.

Qualified opinion

1. Unsupported Compensation of Employees

As disclosed under Note 2 to the Financial Statements, the statement of receipts and payments reflects compensation of employees' balance of Kshs. 307,739,088. However, the balance includes salaries to ward staff amounting to Kshs. 2,518,00 which was paid outside the Integrated Personal and Payroll Database (IPPD) payroll. Management did not avail supporting documents for audit review for the recruitment of ward staff such as advertisements, interview process, shortlisting schedule and subsequent evidence of their admission in the staff establishment. It was also noted that each of the twenty (20) wards had four (4) members of staff contrary to the ceiling of three (3) members set by Commission on Revenue Allocation Circular.

Consequently, the validity of compensation of employees of Kshs. 2,518,000 included under compensation of employees in the statement of receipts and payments for the year ended 30th June, 2019 could not be confirmed.

Management Response

Ward Staff salaries were paid outside the IPPD Payroll as they awaited processing of Personal Numbers during the year under review. However, in the year 2019/2020 and henceforth, all staff are paid in the IPPD system.

The ward staff are contractual employees meant to serve the Members of County Assembly for a period of two years with an option of renewal.

The County Assembly Service Board ratified employment of four ward staffs for the positions of Personal Assistant, Secretary, Security Officer and Driver. At least four Ward staff were found to be minimum number to work with.

The List of Staff paid outside IPPD in FY 2018/19, the IPPD Printout showing absorption of Staff into the IPPD Payroll and Sample Pay slips have been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

2. Unsupported Expenditure – Use of Goods and Services

As disclosed under note 3 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.238,868,417 in respect of use of goods and services. The balance includes an amount of Kshs.2,570,200 paid to various hotels for the provision of hospitality services under hospitality, supplies and services. However, examination of records reveals that the expenditure was committed in the 2017/2018 financial year but was not disclosed in that year's list of pending bills.

Consequently, the completeness, accuracy and validity of use of goods and services of Kshs.238,868,417 reflected in the statement of receipts and payments for the year ended 30th June,2019 could not be confirmed.

Management Response

The sum of Kshs. 2,570,200 relates to the Financial Year ending 30th June 2018 and was not disclosed. However, the amounts are expenditure incurred by the County Assembly and paid in the Financial Year ending 30th June 2019.

The General Ledger-Hospitality of Kshs. 2,570,200 and Payment Vouchers amounting to Kshs. 2,570,200 have been provided for Audit review.

Committee's Observations and Recommendations

The Committee noted that had the information been availed in time for audit review, this issue could not have arisen.

The Committee recommends that the accounting officer undertakes administrative action against the responsible officers in accordance with the Section 156(1) of the PFM Act, 2012. The Committee, further, recommends that the County should provide information and explanations within the stipulated time as set out in the Public Audit Act, 2015.

3. Variances Between Integrated Financial Information System (IFMIS) reports and Financial Statements

A comparison of balances reflected in the financial statements and the Integrated Financial Management Information System (IFMIS) reports revealed some unreconciled variances as shown below:

Transaction details	Amount as per financial statements	Amount as per IFMIS Reports Kshs.	Variance Kshs.
Receipts	653,321,800	597,529,167	55,792,633
Cash and Bank	2,864,891	877,016,348	(874,151,457)
Payables	0	1,516,358,775	(1,516,358,775)

In the circumstances, the accuracy and completeness of the balances reflected in the financial statements for the year ended 30th June, 2019 could not be ascertained.

Management Response

The variance of Kshs.55,792,633 under Receipts has since been reconciled.

The variances under Cash & Bank balances and Payables is due to inability of IFMIS to auto-reconcile. However, we are in communication with the National Treasury in a bid to resolve this challenge.

A Reconciled Report of Receipts as at 30th June, 2019, and Letter to the IFMIS Division of the National Treasury seeking assistance on clearance of outstanding balances have been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the variances between Integrated Financial Information System (IFMIS) reports and Financial Statements had not been fully addressed.

The Committee recommends that the management should complete the reconciliation to the satisfaction of the auditor within sixty (60) days after the adoption of this report.

Other matter

1. Pending Bills

As disclosed in note 4.10 to the Financial Statements, the County Assembly had pending bills amounting to Kshs.12,263,985 which were not settled during the year under review but were carried forward to 2019/2020 financial year.

Failure to settle bills during the year they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

Management Response

The amounts of Kshs.12,263,985 constitutes Kshs.11,535,088 being payments due to contractors. As at the end of the Financial Year, the contractors had not been paid since their certificates were received after 15th of June after the IFMIS system had been closed to any new commitments as per National Treasury's Year end procedures. However, pending bills owed to contractors have since been paid.

Kshs.660,247 was due to suppliers who had not submitted their invoices for payment as at 30th June 2019. While Kshs.68,650 was for Imprests issued to the Staff but had not been surrendered as at 30th of June 2019.

The amounts of Kshs.12,263,985 were disclosed as pending bills for the year ended 30th June 2019.

An Analysis of Pending Bills for the FY: 2018/19, Payment Vouchers for Kshs. 11,535,088, Payment Vouchers for Kshs. 660,247, and Payment Vouchers for Kshs. 68,650 have been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

2. Prior Year Matters

In the Audit Report of the previous year, several issues were raised under the report on financial statements. Although the management has indicated that the issues have been responded to, the matters remain unresolved as the Senate had not deliberated on them.

Management Response

The County Assembly of Nyamira appeared before the Senate Committee on County Public Accounts and Investments on 25th November 2020 where Audit Queries covering the Financial Years 2013 to 30th June 2018 were deliberated upon.

Committee's Observation and Recommendations

The Committee observed that its report on the Auditor General's for the Financial Year 2017/18 for the County Assembly of Nyamira was awaiting tabling in the senate.

The Committee recommends that the matter be marked as un-resolved.

The Committee, further, recommends that the County Assembly should continuously engage the Auditor General and other relevant offices to resolve the outstanding matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Delay in construction of projects

1.1. Construction of office block

During the year under review, the Management awarded a multi-year project contract for the construction of a six-floor office block at a contract sum of Kshs. 367,000,000. The contract was to run for a period of one hundred and fifty six (156) weeks commencing 13 June, 2018 to 13 June, 2021. The budgetary allocations for the year under review was Kshs.117,174,315 as per the County Integrated Development Plan (CIDP).

However, physical verification on progress of the project carried out in the month of October, 2019 revealed that a total of Kshs.44,091,179 had been paid, however the building was behind schedule by six months.

Management Response

The Budgeted amounts during the financial year 2018/19 were Kshs.117,174,315. However, Kshs.44,091,179 was paid during the year in line with the certificates raised for work done.

There has been delayed implementation of the project due to approvals from the Ministry of Public Works in line with the recommendations of CRA as approved by the Senate on ceilings for the Counties in relation to construction of office blocks and County Headquarters. Correspondences on approvals from the Ministry of Public Works on designs and ceilings were done long after the project had commenced. This therefore caused delays on the implementation and release of funds for the project. Currently, the Construction process of the Office Block has been slowed down due to the unfortunate

event of collapse of the porch slab of the building during casting of the fourth floor that happened on 27th May 2021. The County Assembly has since received a Preliminary Report from the National Building Inspectorate - Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. We are waiting for the report by the National Construction Authority on the Structural integrity of the building before the construction work resumes. The contractor has since sought for extension to enable completion of the works.

Relevant supporting documents have been provided for audit review.

Committee's Observations and Recommendations

The Committee noted that there was a delay in completion of this project. The Committee further noted that the delay was attributed to the late approval of the projects by Ministry of Public Works.

The Committee recommends that the county Assembly should: -

- (i) provide a status report of the projects to the Auditor General within sixty (60) days from the adoption of this report; and
- (ii) set up monitoring and evaluation teams.

The Committee, further, recommends that the Auditor General should review the matter in the subsequent audit cycle.

1.2. Construction of Car Park, Perimeter Fence, Access Road, Gate and Gate House

A contract for the construction of Car park, perimeter fence, access road, gate and gate House was awarded to a contractor at a contract sum of Kshs. 27,625,516. The contract agreement was signed on 24 June, 2016 for a period of one hundred and eighty days (180) days to run until 24 December, 2016.

However, physical verification carried out on the project during the month of October, 2019 revealed the following anomalies in relation to construction of the perimeter fence.

Description of work	Bill of quantity value Kshs.	Work done (%)
Sub-structure	4,629,550	35%
Superstructure	998,950	39%

Finishes	1,244,750	40%
Chain Link Fence	322,000	0%
Electrical Works	3,600,000	5%
Project Managers Expenses	250,000	80%
Contingencies	1,000,000	0%
Mechanical Works	600,000	0%
Total	12,645,250	

It was noted that substantial works on the perimeter fence was yet to be completed long after the lapse of the contract period. The project completion was therefore behind schedule. Management has not given any satisfactory explanations for the delays.

Consequently, it is not possible to confirm if the residents will realize value for their money due to the delay.

Management Response

The project had delayed on its implementation but it has since been completed.

The Completion Certificate and Pictorials have been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

2. Payment of Penalties and Interests to Kenya Revenue Authority

During the year under review, the Management paid Kshs. 701,094 to the Kenya Revenue Authority (KRA) as penalties and interest as a result of LAPFUND not remitting PAYE arising from gratuity which was paid to the Speaker of the County Assembly and MCAs during the period between June, 2012 to June, 2016 that had resulted from unpaid taxes of Kshs. 2,124,529. The penalties and interests were not budgeted for because the same ought to have been paid by the LAPFUND and not the County Assembly of Nyamira. Management has not taken any action to determine the Officer (s) who may have occasioned the loss of public resources.

Consequently, the irregularity of the expenditure of Kshs.701,094 constituted a waste of public resources.

Management Response

Kshs.31,801,764 had been sent to Lapfund Scheme vide the Contract dated 9th July 2014. Out of the amounts Kshs.24,720,000 was Exempted from taxation while Kshs.7,081,764 was taxable. However, Lapfund being the Manager of the funds did not compute, deduct and/or remit the tax hence resulting into the Demand Notice from KRA of Kshs.2,124,529. Furthermore, in the Bilateral Agreement between Lapfund and the County Assembly, **Section 4.8**, it was clearly stated that the responsibility to deduct statutory deductions and remittance of the same to relevant authorities was squarely Lapfund's. The County Assembly was therefore wrongly penalized by KRA.

The Gratuity Management Agreement and the Demand Letter to Lapfund of Kshs.2,824,623 has been provided for audit review.

Committee's Observations and Recommendations

The Committee noted that the County Assembly was penalized by KRA on penalties and interest as a result of LAPFUND not remitting PAYE arising from gratuity. The Committee recommends that the Assembly should engage the LAPFUND and KRA with a view to resolving the matter within sixty (60) days from the adoption of this report.

3. Over commitment of salary budget

Review of the payroll records revealed that there existed several employees who were earning less than a third of their basic pay during the year under review contrary to the provisions of Section 19 (3) of the Employment Act, 2007.

Consequently, the Management was in Breach of the law.

Management Response

The eight Members have committed their slips with Additional voluntary contributions to Pension Schemes. The officers affected have been instructed to reduce the commitments done to the Pension Schemes.

However, according to SRC Circular (annexed), the Basic Pay for MCAs is computed at 60% (Kshs.80,438) of the set monthly remuneration package (Kshs.134,063) applicable at that time. The one third limit that would apply therefore is Kshs.26,786.

The SRC Circular Ref. No. SRC/TS/CGOVT/3/16 Dated 27th November, 2013 has been provided for audit review.

Committee's Observation and Recommendations

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Weak internal audit function

The County Assembly has an Internal Audit Unit which was not adequately staffed. In particular, the Principal Internal Auditor's position had not been filled. The unit had only two (2) officers serving in the level of Senior Internal Auditor and Internal Auditor. Further, Management did not avail supporting documents as evidence that the unit had an Internal Audit Charter to guide it on carrying out audit assignments.

Further, there was no evidence that the Audit Committee met quarterly during the year under review.

Management Response

The Internal Audit Function has since been adequately staffed with the Head at the level of Director. Similarly, the County Assembly has developed an Internal Audit Charter.

County Assembly Internal Audit Charter, County Assembly staff establishment, County Assembly Organogram and Copy of appointment letter for the filled position have been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the Management had availed supporting documents on establishing Internal Audit Unit. The Committee recommends that the matter be marked as resolved.

2. Lack of Risk Management Policy

Management did not avail supporting documents as evidence that the County Assembly had developed a comprehensive Risk Management Policy. Further, there was no documentary evidence to confirm that the Assembly conducted a risk assessment and

compiled a report identifying the potential risks, the likelihood of their occurrence and mitigating strategies in the year 2018/2019.

Management Response

The County Assembly has since developed a Risk Management Policy to mitigate potential risks.

Approved County Assembly of Nyamira Risk Management Policy & Framework has been provided for audit review.

Committee's Observation and Recommendation

The Committee noted that the Assembly had since developed a Risk Management Policy to mitigate potential risks. The Committee recommends that the matter be marked as resolved.

CHAPTER FIVE: GARISSA COUNTY ASSEMBLY REPORT FINANCIAL YEAR, 2018/2019

The Speaker of Garissa County Assembly, **Hon. Ahmed Abass**, and the Clerk **Mr. Mohamud Santur**, appeared before the Committee on Tuesday, 16th November, 2021 to respond (under oath) to audit queries raised in the Report of the Auditor General on Financial Statements for Garissa County Assembly for the Financial Year 2018/2019.

Qualified Opinion

1. Unsupported Expenditure - Use of Goods and Services

As disclosed under Note 5 to the financial statements, the statement of receipts and expenditure reflects an expenditure of Kshs. 280,063,577 in respect of use of goods and services. Examination of records revealed the following unsatisfactory matters:

1.1 Unaccounted for Mileage Allowance

Included in the above balance is an amount of Kshs.182,489,331 in respect of domestic travel and subsistence which in turn includes Kshs.28,693,877 paid to the Members of County Assembly (MCAs) for mileage allowance. However, a review of the documents availed revealed that there was no approved public works chart of kilometers between the Assembly offices and the areas of representation to support expenditure and to confirm whether the paid mileage allowances met the criteria set by SRC Circular No. SRC/TS/CGOVT/3/16 of 27 November, 2013. Further, MCAs who claimed for distances above the 90 kilometers, did not avail vehicle logbooks to confirm capacity as the Automobile Association of Kenya (AAK) rates used are based on vehicle capacity.

Management Response

Mileage allowance was paid as per the SRC circular whereby the members filled claim forms to request payment of mileage.

The distances covered are authenticated by the ministry of public works whom we requested to calculate the distance from Garissa County Headquarters to the various wards as per the documents provided for audit review.

The copies of logbooks for the members' vehicles were filed separately, but was misplaced when the accounts office was restructured and a record management section was formed

for proper record keeping. It was in this transferring of the accountable document to the newly created section for storage and archiving that the documents were misplaced.

However, the file was later traced in the archive but the audit process had already been completed. Nonetheless, the said documents are available for audit review.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

1.2 Unsupported Travelling and Accommodation Allowances

Further, the balance includes an amount of Kshs.182,489,331 in respect of domestic travel and subsistence. A review of the supporting documents revealed that an amount of Kshs.4,098,000 was paid to Members of County Assembly (MCAs) and other staff for attending official duties outside their work station. However, it was noted that the expenditure was not supported by either vehicles work tickets or bus tickets hence it was not possible to ascertain whether the officers travelled to the indicated destinations.

Management Response

The County Assembly has insufficient vehicles; hence it regularly borrows vehicles from the Executive wing of the county Government. This being the case, the work tickets are kept in those respective county departments and we had difficulty in obtaining them from the county executive, since some of the vehicles used had been grounded at the time of audit.

The officers had surrendered the imprest using incomplete copies of the work tickets that were queried by the Auditor.

Management have however been able to trace the work tickets and are now available for audit review.

All the vouchers with other missing documentation have now been properly supported and available for audit review as enumerated below.

s.no	p.v no & date	item description	payee	amount	observation	response
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1	241 Of 13/12/18	DSA	Mohamed Abdi Ahmed	1,421,600	Mode of transport not indicated. Payment schedule not signed	Bus tickets now attached. Payment schedule duly signed
2	238 of 13/12/18	DSA	Saadia Abdi Salah	828,000	List of Payee not signed	Payment Schedule fully signed
3	624 of 20/5/19	DSA	Abdullahi Omar Aden	826,000	Mode of transport not indicated	The Assembly borrowed vehicles from the County Executive. Hence the delay to provide the work tickets .Now available for audit review.
4	236 of 13/12/18	DSA	Yussuf Omar Aden	453,600	Mode of transport not indicated	The Assembly borrowed vehicles from the County Executive. Hence the delay to provide the

						work tickets .Now available for audit review.
5	141 of 9/10/18	DSA	Khadija Mohamed Yussuf	352,800	Mode of transport not indicated	The Assembly borrowed vehicles from the County Executive. Hence the delay to provide the work tickets .Now available for audit review.
6	500 of 16/4/19	DSA	Abdi Siyad Keinan	216,000	List of Payees not Attached	Payment Schedule now Attached

Committee's Observation and Recommendations

The Committee noted that the matter has since been addressed.

The committee recommends that the matter be marked as resolved. The committee further recommends that the Assembly should build the capacity of the MCAs to take accountability issues seriously.

1.3 Routine maintenance- Vehicles and other Transport Equipment

In addition, the balance includes an amount of Kshs.2,035,890 incurred on routine maintenance - vehicles and other transport equipment. However, examination of the expenditure and other records availed for audit review revealed that an amount of Kshs.1,747,746 for the repair of motor vehicles was not supported by post inspection reports from mechanical department to confirm that the repairs were carried out as required.

Management Response

The post inspections certificates had not been picked from the works department at the time of audit. However, the transport officer was on annual leave at the time of Audit availed the same.

The certificated are now available for Audit Review.

Committee's Observations and Recommendations

The Committee observed the delay in the submission of documents by the County Assembly to the Auditor General on time. However, the Committee noted that the matter has since been addressed as the required documentations were submitted to the Auditor General.

The Committee recommends that the matter be marked as resolved.

1.4 Unsupported Hospitality Supplies and Services

The balance also includes an amount of Kshs.10,036,580 under hospitality supplies and services. However, a review of the expenditure revealed that an amount of Kshs.1,333,500 was not supported by minutes or reports of the meetings held while the services were single sourced from a local hotel.

In the circumstances, it was not possible to confirm the accuracy, validity and completeness of the expenditure amounting to Kshs.280,063,577 under use of goods and services reflected in the statement of receipts and payments for the year ended 30 June, 2019.

Management Response

The meeting in question is County Assembly Service board meeting, where by the minutes of the board were kept under lock and key they for confidentiality.

On the single sourcing issue of Almond hotel this was for speaker's accommodation as a stop gap measure before the assembly procured an appropriate house for leasing.

Almond hotel was Directly procured for security reasons since it was the only establishment within Garissa which met the security features the assembly was looking for to house the speaker as per his status.

The direct procurement was approved by the board and the accounting officer as the preferred method of procurement, as supported by board minutes and the Clerk approval.

The above mentioned documents are available for audit review.

Committee's Observation and Recommendations

The Committee noted with concern the failure of the County Government entity to submit documents on time to the Auditor General.

The Committee, recommends that the accounting officer undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156(1) of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.

2. Inaccurate Personal Allowances Paid as Part of Salary

The County Assembly allocated Kshs.249,938,060 for personal allowances paid as part of salary for the year ended 30 June, 2019. However, examination of payment vouchers and other supporting documents availed for audit review, indicated that an amount of Kshs.28,813,473 spent on personal allowances and paid as part of salary by the County Assembly includes an amount of Kshs.21,953,473 deducted for Pay As You Earn (PAYE) was paid after the statutory date therefore resulting to payment of penalties by the County Assembly.

Further, an amount of Kshs.6,860,000 for domestic and subsistence allowance expense was charged under personal allowance paid as part of salary which is erroneously charged.

Under the circumstances, the accuracy of the expenditure of Kshs.28,813,473 could not be ascertained.

Management Response

The late payment of PAYE was as a result of late disbursement of funds by the National treasury and was beyond the control of the county assembly. In this regard, the assembly notified KRA and requested them not to charge any penalty on late payment, which was honored.

The Amount of Ksh 6,860,000/= was wrongly inserted in personal allowances schedules in the final accounts, the same was later noted and rectified accordingly.

Committee's Observations and Recommendation

The Committee noted that the matter arose due to late exchequer releases.

The Committee also noted that the Assembly requested waiver on penalties from KRA on the statutory date, therefore, the matter has since been addressed. The committee recommends that the matter be marked as resolved.

3 Inaccurate Statement of Cash Flows

The statement of cash flows reflects a nil opening balance for the year under review, however, the closing balance for the year ended 30th June 2018, reflects a balance of ksh 21,081,664. Further the bank balances of ksh 434,147 reflected under note 13A to the financials are not supported by all bank reconciliation statements.

Consequently, the accuracy and validity of the cash and cash equivalents balance of ksh 437,417 reflected in the statement of cash flows for the year ended 30th June 2019 could not be confirmed.

Management Response

The amount of Kshs 434,147 under note 13A to the financial statements has now being supported by bank reconciliation statements.

On the Closing balance of Kshs 21,084,664 for the year ending June 2018 and the nil opening balance of the following year, this was occasioned by the fact that funds were returned to the revenue fund account in the CBK after the closer of the financial year. This can be witnessed by the refund statement to the Controller of Budget.

Committee's Observations and Recommendations

The committee noted that the County Assembly were not doing bank reconciliation statements as required by law.

The Committee recommends that the County Assembly Clerk should ensure reconciliations are done on 10th of every month as per the PFM Act.

OTHER MATTER

1 Budgetary Control and Performance

During the year under review, the approved budget of the assembly totaled ksh 797,191,067 out of which a sum of Kshs. 747,191,067 representing 93.7 was allocated to recurrent budget while Kshs. 50,000,000 representing 6.3% was allocated to development expenditure. However, it was noted that Kshs. 746,904,203 (99.96%) of recurrent expenditure was utilized leaving a balance of kshs. 286,864 (0.4%) while Kshs. 7,161,650 (14.32%) of development was utilized leaving a balance of Kshs. 42,838,350 (86%) unspent.

The under absorption of the development budget was mainly attributed to the County Executive not releasing funds to the County Assembly during the year under review.

The underfunding affected service delivery to the public.

Management Response

The County executive is not releasing funds to the County Assembly on a timely manner resulting to under absorption of funds.

Assembly request to the Senate PAIC to liaise with the other relevant bodies to empower the County assemblies so as they can access funds directly from the Central bank without going through the County Treasury, to avoid such delays in disbursements.

Committee's Observations and Recommendations

The Committee noted that the County executive is not releasing funds to the County Assembly on a timely manner resulting to under absorption of funds.

The Committee recommends that the County executive should release the monies to the assembly on time as provided for in the law.

2. Unresolved prior Year matters

In the audit report of the previous year, several paragraphs were raised under the report on financial statements. However, management has not resolved the issues or disclosed all

the prior year matters as provided by the public sector accounting standards board templates and the national treasury's circular ref PSASB/1/12vol.1(44) of June 2019.

Management Response

The county assembly is waiting the Senate PAIC resolutions on the way forward.

Committee's Observations and Recommendations

The Committee observed that the its report of Auditor General for the Financial Year 2017/18 for the County Assembly of Garissa was awaiting tabling in the House.

The Committee further recommends that the County Assembly should continuously engage the Auditor General and other relevant offices to resolve the outstanding matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Non Adherence to Public Finance Management (County Governments) Regulations 2015

The compensation of employee's total cost of Kshs. 455,843,226 is approximately 60.41% of the total revenue of Kshs. 754,500,000 and thus exceeded the recommended ratio of 35% stipulated in section 25(1) of the public finance management (County Governments) regulations, 2015. The raising wage bill may not be sustainable unless adequate measures are put in place to contain it.

Consequently, the management is in breach of the law.

Management Response

The County assembly has taken que from the Commission on revenue allocation (CRA) which has set personnel expenditure of the County assemblies at 70% of the total budget and Operations and maintenance at 30% of the total budget.

This is occasioned by the nature of the assembly being a service department thus the rule of 35% is not applicable.

Committee's Observations and Recommendations

The Committee noted with concern the failure of the County Government entity to submit documents on time to the Auditor General.

The Committee recommends that the accounting officer undertakes administrative actions against the officers who failed to provide the documents to the auditors in accordance with section 156(1) of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Inaccurate Fixed Assets Register

The financial statements under annex 2 on summary of fixed assets register reflects an amount of Kshs. 256,121,495 as at 30th June, 2019 being the Assembly's non-current assets. However, although an assets register was availed for audit review, the information disclosed on annex 2 of the summary of fixed assets register and the data captured differed. Further, valuation for the assets reported was not done and the register lacked identification or serial numbers, acquisition dates, description of assets, location, class and cost of acquisition, hence the assets register presented for audit review was not prepared in a format prescribed for a fixed assets register as per IPSAS 17.

Consequently, the management has not instituted adequate structures to ensure proper safeguards and custody of its assets.

Management Response

The fixed assets register is now updated and available for audit review.

Committee's Observation and Recommendation

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

2. ICT Environment and Data Security

Review of the County ICT environment revealed that there was an ICT Policy in place. However, DATA security policy and disaster recovery plans were not in place. Further, formally documented and approved processes to manage upgrades made to all financial information systems were not provided for audit review. Therefore, failure to put in place adequate measures to safeguard County Assembly data may negatively impact the entity's operations in case of a disaster.

In the circumstances, I am unable to confirm existence of measures to safeguard the ICT environment.

Management Response

The Data Security policy and disaster recovery plans are now in place.

Committee's Observations and Recommendations

The Committee noted that the Management had did not have a risk management policy at the time of Audit.

The Committee recommends that the County should ensure that a Policy on Risk Management is in place and copies submitted to the Auditor General within sixty (60) days after adoption of this report.

3. Lack of Approved Internal Audit Charter

Review of operations of the internal Audit Department revealed that the County assembly has an established internal audit unit to oversee governance mechanisms and promote transparency and accountability in management of resources. However, there is no approved internal audit charter detailing the scope, responsibilities and purpose of the internal audit function. This is contrary to the provisions of section 155(2) of the public finance management (County Governments) regulations, 2015 which stipulates that an Accounting officer shall ensure broad internal coverage, and adequate considerations of audit reports.

In the circumstances, the County assembly's internal audit function may not function as required to ensure broad internal audit coverage and adequate consideration of audit reports.

Management Response

The internal audit charter is in place awaiting County Assembly Service board approval.

Committee's Observations and Recommendations

The Committee noted that the Management had did not have an Internal Audit Charter at the time of Audit.

The Committee recommends that the County should ensure that an Internal Audit Charter is in place and copies submitted to the Auditor General within sixty (60) days after adoption of this report.

4. Weak Internal Controls

Scrutiny of payments vouchers revealed that some payments were done without proper examination, authorization and vote book control certificate completion. Consequently, the authenticity and regularity of the expenditure incurred could lead to loss of public funds.

In the circumstances, the internal control structures are inadequate in safeguarding public resources.

Management Response

All payments are subjected to payment procedures of examination, authorization and vote book certification, this is done both through the IFMIS system where a payment is taken through a series of examination and verification steps by various users on various approval levels before the payment is done. Additionally, manual preparation of vouchers is done and the same is subjected to examination and authorization before the AIE holder approval for payment.

Committee's Observation and Recommendations

The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.