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REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR–GENERAL

ON THE

THE FINANCIAL OPERATIONS OF BOMET COUNTY EXECUTIVE

FOR THE PERIOD

1JULY 2013 TO 30 JUNE 2014

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

EXECUTIVE SUMMARY

Introduction

The office of the Auditor General has the mandate to audit and report on the financial transactions of the National and County Governments under Article 229 (5) of the Constitution of Kenya and section 36 of the Public Audit Act 2003.

Audit Objective

The audit objective was to find out how much the County Government spent, whether the expenditure constituted a proper charge to public funds and whether there was general adherence to public controls in the operation of the County Government in delivery of services to the County residents.

Terms of Reference

The audit covered the County Government of Bomet for the period 1 July 2013 to 30 June 2014. The terms of reference set for the audit included verifications and confirmations of transactions in respect but not limited to the following areas:

- Budgetary control and performance
- Recurrent and development expenditure
- Revenue collections
- Cash and bank balances
- Procurement and procurement procedures
- Human resources

KEY AUDIT FINDING

1.0 Budget Control and Performance

1.1 Inadequate Allocation of Development Expenditure

During the year, the County Executive of Bomet spent Kshs.927,215,878 on capital/development expenditure representing 26% of the total expenditure of Kshs.3,552,909,533 which, however, fall short of the 30% recommended threshold. Failure to allocate adequate funds for development will negatively affect the County's development.

2.0 REVENUE

2.1 Unreconciled Revenue Collections

The County Executive collected revenue totaling Kshs.221,374,679.65 but only Kshs.194,065,176.80 was banked. The difference of Kshs.27,309,502.85 has not

3.4 Outstanding Imprests

Temporary imprests totaling Kshs.899,488 which ought to have been surrendered or otherwise accounted for on or before 30 June 2014 were still outstanding as at that date. In addition, some officers were issued with more than one imprest contrary to the regulations governing issuance of imprest. Failure to surrender imprests when they fall due is a pointer to weak financial control which may lead to unauthorized loans and loss of public funds.

4.0 EXPENDITURE

4.1 Processing of Transactions in IFMIS and G-Pay

Not all payments were processed through IFMIS System. Some transactions were processed and paid manually posing the risk of unauthorized payments. Consequently, the accuracy and completeness of financial data relating to expenditure could not be confirmed.

4.2 Salary Advances

The County granted salary advances totaling to Kshs.3,991,350 to several officers for various non-emergency reasons such as; offsetting individual bank loans, constructing rental houses, purchase of plots among others. In some cases, officers were issued with more than one salary advance.

4.3 Repairs of GK Vehicles

Kshs.9,429,743 was spent in respect of repair and maintenance of County motor vehicles but there were no notification of defects from respective drivers and pre and post repair inspection certificates from the mechanical department . The repairs carried out on the motor vehicles were not entered in the respective motor vehicles log books.

4.4 Unaccounted for Fuel

Expenditure of Kshs.18,842,364 in respect of purchase of bulk fuel purchased from three fuel stations in Bomet between 27 August 2013 and 28 April 2014 was not properly accounted for. The fuel was usually drawn in small quantities on diverse dates without orders in respect of fuel requisitioned. Further, the fuel registers were poorly maintained and in some cases did not indicate the amount of fuel drawn or the balances after each fuelling. In the absence of detail orders and properly maintained fuel registers, it was not possible to trace the fuel drawn and entered in the work tickets and therefore the propriety of the fuel expense of Kshs.18,842,364 could not be confirmed. This poor record keeping could lead to misappropriation of funds.

report from the Inspection and Acceptance Committee to confirm that the goods delivered complied with the specifications. In addition, the stores records were poorly kept.

6.3 Supply and Rehabilitation of Cooling System at Longisa Hospital

On 14 October 2014, the County Tender Committee awarded a contract for the rehabilitation and supply of a cooling system at Longisa Hospital to an Engineering Company at a contract sum of Kshs.3,194,640. However, the quotations sent and the tender evaluation report were not availed for audit. Further, there was no evidence that issues raised by the Biomedical Engineering Department of the Hospital regarding the malfunctioning of the cooling system had been addressed by the contractor.

Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

20 August 2015

DETAILED AUDIT FINDINGS

1.0 Budget Control and Performance

1.1 Inadequate Allocation of Development Expenditure

Section 107(2) (b) of the Public Finance Management Act, 2012, requires County Governments to allocate at least 30% of their budget to development expenditure. However, during the period under review, the County Executive spent Kshs.927,215,878 on capital/development expenditure representing 26% of the total expenditure of Kshs.3,552,909,533. Failure to allocate adequate funds for development will negatively affect the County's development.

Recommendation

The County Government should increase the budgetary provisions for development expenditure in order to adhere to provisions of Section 107(2) (b) of the Public Finance Management Act, 2012 and enhance development in the County.

2.0 REVENUE

2.1 Unreconciled Revenue Collections

Section 109 (2) of the Public Finance Management Act requires that all revenue raised is banked in the County Revenue Fund. In addition, Chapter 6.8.3 of the Government Financial Regulations and Procedures requires collectors of revenue to remit, record and bank all monies received intact and prompt latest by the end of the following business day. However, during the period under review, the County Executive collected revenue totaling Kshs.221,374,679.65 but only Kshs.194,065,176.80 was banked. The difference of Kshs.27,309,502.85 has not been reconciled, explained or accounted for as detailed in **Appendix 7**.

2.2 Revenue Collection Accounts

The County Executive maintained two revenue collection accounts; Kenya Commercial Bank account No.1143078756 and Cooperative Bank account No. 01141356751900. The account at Cooperative Bank was closed on 4 March 2014 and the balance in the account of Kshs.37,989.85 transferred to the Central Bank of Kenya Account No. 1000171545. However, no reconciliation was prepared as at day the account was closed to confirm the balance at Cooperative Bank before the transfer of funds.

Recommendations

The County Government should ensure that the agent complies with the terms of the Agreement.

3.0 CASH AND BANK BALANCES

3.1 Receipts in bank not recorded in the cash books

A review of the cash books maintained at the County Treasury and bank statements revealed that by the time of the audit, daily revenue receipts totaling Kshs.30,414,779 collected during the year under review were banked directly to County bank accounts but were not recorded in the cash books or captured in the revenue records. No explanation has been provided for failure to record the receipts in the cash book.

Recommendations

The County Executive should ensure that all revenue collected and banked is recorded in the cash book and reflected in the revenue statements in order to improve accountability and control of revenue collection.

3.2 Failure to prepare Bank Reconciliation Statements

A review of cash control and cashbook maintenance revealed that, the County Executive had not prepared bank reconciliation statements for various bank accounts for the period March 2013 to June 30 June 2014. Consequently and in the absence of the reconciliation statements, it was not possible to ascertain the accuracy of the bank and cash balances as at 30 June 2014. No reason was given for failure to prepare the bank reconciliation statements. There is a possibility of cash pilferage without the knowledge of management.

Recommendations

The County Executive should ensure that bank reconciliation statements are prepared monthly.

3.3 Inward Cheques Register

Chapter 6.10 of the Government Financial Regulations and Procedures require that details of all remittances received must be entered in the inward cheques register. However, the County Executive did not maintain an inward cheques register for the period July 2013 to February 2014. It was, therefore, not possible to track inward cheque details including dates the cheques were received, nature of remittance, amount of remittance and date the cheques where banked. Failure to maintain an inward cheque register could lead to misappropriation of funds or loss of cheques.

Recommendations

Salary advance should only be granted on exceptional cases.

4.3 Repairs of GK Vehicles

The Bomet County Executive paid a total of Kshs.9,429,743 in respect of repair and maintenance of County motor vehicles to various companies as detailed in **Appendix 6**. However, notification of motor vehicles defects from respective drivers and inspection certificates for the repairs from the mechanical department were not availed for audit verification. Further, the services and repairs carried out on the motor vehicles were not entered in the respective motor vehicles log books thus making it difficult to confirm whether the work was done.

Recommendations

The County Government should ensure that motor vehicles undergo mechanical inspections before any major repairs are carried out. Further, all repairs should be entered into the vehicle log book as an indicator of work done.

4.4 Unaccounted for Fuel

The County Executive paid Kshs.18,842,364 to three fuel service stations in Bomet County in respect of the supply of 147,977 litres of diesel and 7,527.57 litres of petrol as indicated in **Appendix 3**. The fuel was supplied between 27 August 2013 and 28 April 2014 to the Executive. According to Local Service Orders raised in favor of the fuel service stations, the fuel was usually drawn in small quantities on diverse days. However, no detail orders in respect of fuel requisitioned in small quantities from the fuel stations were availed for audit purposes. Further, the fuel registers availed for audit were poorly maintained and in some cases did not indicate the amount of fuel drawn or the balances after each fuelling. In the absence of detailed fuel orders and properly maintained fuel registers, it was not possible to trace the fuel drawn and entered in the work tickets. This poor record keeping could lead to misappropriation of funds.

Recommendations

- The County Executive should use detailed orders when requisitioning for fuel and the orders should be signed by a senior officer to enhance accountability.

- Fuel registers should be properly maintained and all fuel drawn should be entered in the specific motor vehicle work ticket.

4.5 Unsupported expenditure

The County Executive paid Kshs.6,066,240 to National Hospital Insurance Fund in respect of support of the aged in Bomet through payment voucher no. 10816 dated 30 June 2014. However, no records were availed to confirm the specific beneficiaries of the payment. Consequently, the propriety of the expenditure could not be confirmed.

audit verification to confirm the existence of the casual workers. In the absence of the above records, the propriety of money spent on casual wages could not be confirmed.

Recommendation

In order to enhance accountability, the County Executive should maintain records of all casuals at the sub county level and returns be submitted to the County Executive Headquarters.

6.0 PROCUREMENT

6.1 Purchase of Water Meters

In February 2014, the County Executive spent Kshs.11,984,080 to purchase 2,300 water meters from a Nairobi based Ironmonger Company. However, it was noted that the purchase had not been budgeted for and the procurement was not in the County Ministry of Water annual work plan for 2013/2014. Further, there was no counter receipt vouchers (S13) to confirm the receipts of the goods in the stores and issue to the sub counties. An audit verification exercise carried in July 2014 at the store of the Ministry of Water disclosed that 1,010 units of waters meters were still lying in the stores.

Recommendations

The County Executive should procure goods as per the annual procurement plan and avoid procuring items which may not be used immediately as this ties funds. All items purchased should be taken on charge.

6.2 Procurements of Miscellaneous Receipts Books

The County Executive spent Kshs.6,008,341 on procurement of printing and supply of various miscellaneous receipt books from two companies. The following unsatisfactory matters were, however, noted.

i) No annual procurement plan and works plan were obtained for audit review;

ii) The original quotations used were not availed for audit verifications;

iii) There was no report from the Inspection and Acceptance Committee to confirm that the goods delivered were in conformity with the tender specifications as required by the Public Procurement and Disposal Act, 2005.

iv) The store records were poorly kept. No specific entries for each delivery of the miscellaneous receipt books indicating a chronological order of serial numbers of each receipt books were entered in the store records making it difficult to confirm delivery of the books.

APPENDIX 1

EXPENDITURE ON WAGES –KSHS.5,716,950.00

Date	Imprest Holder	Amount
30.06.2014	Director Roads	846,500.00
30.06.2014	Director Roads	190,000.00
"	Director Roads	630,000.00
"	Director Roads	275,500.00
"	Director Roads	845,500.00
"	Director Roads	71,750.00
"	Director Roads	247,500.00
"	Director Roads	262,000.00
"	Director Roads	25,000.00
"	Director Roads	270,000.00
"	Director Roads	390,000.00
"	Director Roads	435,000.00
"	Director Roads	142,400.00
"	Director Roads	360,000.00
"	Director Roads	163,000.00
"	Director Roads	20,300.00
"	Director Roads	187,500.00
"	Director Roads	125,000.00
"	Director Roads	230,000.00
		5,716,950.00

APPENDIX 2

OUTSTANDING IMPREST – KSHS. 899,488.00

DEPARTMENT	DATE USSUED	NAME	I.D. NO.	IMPREST NO.	ISSUED AMT	BALANCE	Remarks
ADMIN	24.12.13	Emmy	24760700	500	40,000.00	40,000.00	
ADMIN	21.03.14	Jackson	25810003	1596	9,000.00	9,000.00	
ADMIN	04.11.13	Vitalis	12550773	411	115,000.00	115,000.00	
ADMIN	06.05.14	Andrew	10785907	2210	12,500.00	12,500.00	
ADMIN	06.10.13	Samwel	9435120	1783897	31,000.00	31,000.00	
ADMIN	16.01.14	Erick	20496766	940	67,500.00	67,500.00	
ADMIN	28.04.14			2323	35,000.00	35,000.00	
ADMIN	18.11.13	Wilson	2414509	442	20,000.00	20,000.00	
ADMIN	21.03.14	Josephat	22207720	1597	9,000.00	9,000.00	
ADMIN	01.04.14	Kiprotich	23157831	2217	15,000.00	15,000.00	
ADMIN	20.08.14	Carolyne	24103441	1425	4,000.00	4,000.00	
ADMIN	12.11.13	Joseah	24008435	435	4,500.00	9,000.00	
ADMIN	17.10.13	David	13010127	313	32,450.00	32,450.00	
ADMIN	16.05.14	Robert		2290	3,500.00	3,500.00	
ADMIN	21.03.14	Jackson		1596	9,000.00	9,000.00	
ADMIN	09.06.14	Timothy		2365	35,000.00	27,000.00	
ADMIN	12.10.13	Collins	24731968	1783886	15,500.00	15,500.00	
TOYOTA						**439,708.00**	
HR	01.10.13	Emily	13614796	1783822	39,000.00	39,000.00	
HR	01.04.14	Kiprono	25925092	2217	15,000.00	15,000.00	
TOYOTA						**54,000.00**	
Trade	26.05.14	Ezekiel	24119077	2514	31,000.00	31,000.00	
						31,000.00	
TRANSPORT	24.03.14	Livingstone Rotich		1707	3,500.00	3,500.00	
TRANSPORT	05.11.13	Wesley	20375526	423	6,000.00	6,000.00	
TRANSPORT	21.08.13	Wesley	20375526	1715527	6,000.00	6,000.00	
TRANSPORT	03.01.14	Wesley	20375526	1378	3,500.00	3,500.00	
TRANSPORT	08.01.14	Wesley	20375526	954	7,000.00	7,000.00	
TRANSPORT	20.03.14	Wesley	20375526	1553	3,500.00	3,500.00	
TRANSPORT	27.03.14	Wesley	20375526	1723	4,500.00	4,500.00	
TRANSPORT	16.05.14	Charles	4757475	2289	16,200.00	16,200.00	
TRANSPORT	26.03.14	Evans	11855061	1525	3,500.00	3,500.00	
TRANSPORT	25.04.14	Evans	11855061	1083	3,500.00	3,500.00	
TRANSPORT	18.10.13	Mary		323	26,950.00	26,950.00	
TRANSPORT	10.12.13	Lenard		489	3,500.00	3,500.00	
TRANSPORT	24.03.14	John	4758761	1710	7,000.00	7,000.00	
TRANSPORT	07.11.13	Joseph		166	4,500.00	4,500.00	
TRANSPORT	21.11.13	Bernard	22466854	399	10,500.00	10,500.00	
TRANSPORT	13.03.14	Bernard		1765	5,500.00	5,500.00	
TOTAL						**115,150.00**	
URBAN	05.01.14	Langat	12557467	96	32,850.00	32,830.00	
URBAN	15.10.13	Langat	12557467	35	23,500.00	23,500.00	
URBAN	21.03.14	Wesley	27537467	1478	20,000.00	20,000.00	
URBAN	14.02.14	Philip	20209959	774	3,000.00	3,000.00	
TOTAL						**79,330.00**	

APPENDIX 3

UNACCOUNTED FOR FUEL –KSH.18,842,364.60

Date	PV No.	Diesel	Petrol	Amount
27.02.2014	7262	7173		771,109.00
17.04.2014	255	1828	618	276,203.78
26.05.2014	352	1915.23		203,040.24
04.04.2014	2094	1828.9	672.39	276,204.00
28.04.2014	2093	1866.8		289,605.00
17.04.2014	248	23041		2,499,999.00
19.03.2014	7401	32,255.05		3,499,999.00
10.12.2013	2965	8417.40		892,251.00
29.11.2013	2674	11071.50		1,173,583.00
22.10.2013	1837	432.34		75,673.00
30.09.2013	1535	542.70	388	101,945.00
11.02.2014	73	4651.10		1,499,999.00
27.02.2014	59	4651.10		1,499,999.00
30.09.2013	1534	5000		535,000.00
18.03.2014	7562	926.66		100,000.00
14.01.2014	5027	14150		770,500.00
13.01.2014	4015	1048.14		112,360.00
12.08.2013	463	4743.80		499,999.00
26.02.2014	89	1180.90	231.17	155,445.00
27.08.2013	804		5000	555,000.00
03.09.2013	993	9345.78		999,999.00
30.10.2013	1529/30	13850		1,499,999.00
06.12.2013	2869	1029		109,074.00
29.11.2013	2675	4201.60		445,378.58
				18,842,364.60

APPENDIX 4

IRREGULAR PAYMENTS OF SALARY ADVANCE

PV NO	DATE	PAYEE & P/ No.	DETAILS	AMOUNT
		Benard Ngeno	Salary advance for an emergency 12 months	250,000
	16/1/14	Emily Mosonic	Request for salary advance 5 months	150,000
5220	28/1/14	Everline Chepkemoi	salary advance for solving domestic problem 12 months	150,000
5217	28/1/14	Sammy K. Kirui	Salary advance to meet social responsibility 12 months	150,000
5218	,,	Leonard Kirui	Advance to purchase a piece of land 12 months	150,000
4048	15/1/14	Hon. Sammy Chelule	12 months	150,000
2607	29/11/13	Eddah C. Laboso	Advance for completion of rental house 8 months	100,000
8660	30/4/14	Eng. Menjo Mosonik	n/a	100,000
10659G	30/6/14	Samson M. Menjo	Advance to Hon. Minister road	100,000
10204	24/6/14	Dr. Ahomo Oketch	advance to settle down on transfer	200,000
5799	5/2/2014	Hon. Julius K. Korir	salary advance to offset a bank loan 12 months	150,000
8678	30/4/14	Linus Chepkwony	Salary advance to pay school fee 9 month	90,000
8195	22/4/14	Daniel Kirui	Salary advance to pay school fee 10 mths	70,000
5250	29/1/14	Victor K Koech	Salary advance for hospital bill 3 months	60,000
2630	29/11/13	Wilson Mutai	Advance for completion of rental hse 7 months	85,000
8554	30/4/14	Ho. Wilson Keter	Salary advance for domestic needs 5 mth	50,000
9968	30/5/14	Samuel Maina	Salary advance for un for seen emergency 6 months	180,000
5570	3/2/2014	Florence C. Ngeno	Advance for school fee 12 months	30,000
9995	30/5/14	,,	,,	60,000
5655	4/2/2014	Erick Chelule	,,	87,450
6524	3/3/2014	Peter Kirui	salary advance request 6 months	40,000
6525	,,	Martha C. Lolwet	salary advance request	40,000
7972	16/4/14	Bett K. Geoffrey	advance for an emergency 4 months	40,000
7535	11/4/2014	Monica Keter	Advance for school fees 12 months	43,814
7909	15/4/14	Joel K. Maritim	,,	30,000
9620	27/5/14	Martha Lolwet	Advance request 2 months	10,000
6034	17/2/14	Kenneth Rono	,, 4 months	20,000
6221	18/2/14	Salome Cherotich	,, 3 months	35,000
7459	9/4/2014	Amos Kiplangat	Advance for school fee 4 months	20,000

9424	,,	Wesley K. Sigei	,, 4 months	20,000
8201	12/4/2014	Caroline C. Mosonic	Advance for medical services 6 mths	30,000
8073	16/4/14	Vivian J. Sang	Advance for school fee 4 months	20,000
8070	,,	Julius K. Kones	Advance request	45,000
		Total		**3,991,350.00**

APPENDIX 7

Date	Co-op Bankings	KCB Bank Bankings	Total Collection Report	Total Banking	
06.01.2014	-	30,774,479.24	32,362,399.50	30,816,270.24	1,587,920.25
05.01.2014	-	18,232,432.50	18,208,651.05	18,274,195.50	(2,784.450)
04.01.2014	-	15,531,680.75	12,878,455.00	15,573,410.75	(2,653,225.75)
03.01.2014	45,889.86	19,706,700.00	19,004,217.00	19,748,399.00	(748,372.86)
02.01.2014	13,177,774.50	14,864,096.30	25,801,855.00	14,905,767.30	(2,240,015)
01.01.2014	8,667,577.65	17,621,044.00	29,002,698.00	17,662,684.00	2,714,076.35
12.01.2013	6,810,025.00	390,395.00	20,485,662.00	432,004.00	13,285,242.00
11.01.2013	17,244,376.35	2,038,701.95	21,164,427.00	2,080,280.95	1,881,349.00
10.01.2013	5,443,855.00	1,431,987.00	7,389,319.00	1,473,535.00	513,477.00
09.01.2013	3,687,339.00	1,431,987.00	7,199,240.00	1,473,505.00	2,079,914.00
08.01.2013	3,904,231.00	1,173,902.00	4,961,675.00	1,215,389.00	(116,458.00)
07.01.2013	10,188,767.00	1,697,932.70	22,916,080.00	1,739,388.00	11,029,380.30
	69,169,835.36	**124,895,338.44**	**221,374,678.55**	**125,394,828.74**	**27,309,502.85**