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THE SENATE



ELEVENTH PARLIAMENT-FOURTH SESSION

REPORT OF THE SENATE SESSIONAL COMMITTEE ON COUNTY
PUBLIC ACCOUNTS AND INVESTMENTS ON THE INQUIRY INTO THE
FINANCIAL OPERATIONS OF KILIFI COUNTY EXECUTIVE FOR THE
FINANCIAL YEAR 2013/2014 (1ST JULY, 2013 TO 30TH JUNE, 2014)

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Rt Hon. Speaker
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Approved
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JUNE, 2018

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ACRONYMS/ABBREVIATIONS

AG	- Auditor General
CASB	- County Assembly Service Board
MCA	- Member of County Assembly
IGTRC	- Intergovernmental Relations Technical Committee
SO	- Standing Orders
OAG	- Office of the Auditor General
PFM	- Public Finance Management
VAT	- Value Added Tax

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 (SO) for the orderly conduct of its proceedings, including the proceedings of its Committees.

The Senate Sessional Committee on County Public Accounts & Investments is established under standing order 214 of the Standing Orders of the Senate and its function is to-

- 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), 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;

to examine the reports, if any, of the Auditor- General on the county public investments; and to exercise oversight over county public accounts and investments

Mr. Speaker Sir,

The membership of the Committee comprises of the following Senators:-

1. Sen. (Prof.) Anyang Nyong'o - **Chairman**
2. Sen. (Prof.) John Lonyangapuo - **Vice Chairman**
3. Sen. Henry Tiole Ndiema
4. Sen. Wamatangi Kimani
5. Sen. Karue Muriuki
6. Sen. Hassan Omar Hassan
7. Sen. Wangari Martha
8. Sen. Sen. Liza Chelule
9. Sen. Sitswila Wako Amos
10. Sen. (Dr.) Boni Khalwale
11. Sen. Ben Njoroge, Paul
12. Sen. Stephen Kanyinke Ntutu

Mr. Speaker Sir,

The Committee was first constituted on 27th March, 2014 pursuant to Senate Standing Order 181 following a resolution of the House on Thursday 27th February 2014 to amend the Senate Standing Orders. The Committee was subsequently reconstituted on 17th February, 2015 Pursuant to Senate Standing Order 210(1) which requires *Sessional Committees* to be reconstituted at the Commencement of every session.

Mr. Speaker Sir,

Accountability, transparency and value for money in the use of public funds are essential elements of good governance and the Executive arm of Government is always expected to account for its use of taxpayers' money to the elected representatives in Parliament and to the public in general. Parliament's role is to scrutinize the actions of the Executive entrusted with implementing the annual budget approved by Parliament.

Therefore, 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,

The Committee largely relies on the report of the Auditor General and the Controller of Budget as key instruments for its ex-post scrutiny of County Governments Budgets.

Mr. Speaker Sir,

The Office of the Auditor General on various dates from the month of June, 2015 forwarded reports on the financial operations of the County Governments for the financial year 2013/2014 to the Senate pursuant to the provisions of Article 229(7). As such, the Report of the Financial Operations of County Executive for the period 1st July, 2013 to 30th June, 2014 was tabled on 30th June, 2015 and stood committed to the Sessional Committee on County Public Accounts and Investments.

The Committee held three meetings with Kilifi County Executive on Thursday, 11th August, 2016, Tuesday 16th August, 2016 and Wednesday, 17th August, 2016 where it considered and concluded its investigation on the report of the Auditor General under review.

The Committee received evidence from the Governor as the Chief Executive Officer of the County Government pursuant to the provisions of Article 179(4) of the Constitution of Kenya, 2010.

The main issue for determination and investigation was the various audit queries contained in the report of the Auditor General on the Financial Operations of Kilifi County Executive for the financial year 2013/2014 (for the period 1st July, 2013 to 30th June, 2014).

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 203.

Mr. Speaker Sir,

The Committee in arriving at particular recommendations in this particular report of the Auditor General on the Financial Operations of Kilifi County Executive took into account the challenges faced by Counties at their nascent days particularly during the financial year 2013/2014.

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.

The objective of this process was to identify cases of inefficiencies and mismanagement, establish the root causes and develop recommendations for improvement.

The Committee further structured its deliberations and decisions in the following manner:-

- (i) **Unlawful expenditure:** In this category, the expenditure in question could not be justified under any circumstances. In instances like this, the Committee recommended immediate recovery of funds from the recipients or surcharge of the individuals who received the funds.
- (ii) **Instances where procurement rules were not followed but goods and services were supplied as per the details of the requisition:** In instances where the County Government entity used restricted tendering method instead of open tender method but goods were delivered as per the details of the Local Purchase Order, the Committee depending on the oral and written submissions recommended that the respective accounting officers be reprimanded for not following the Public Procurement Rules and Regulations and be required to submit a report to the Senate on administrative actions and austerity measures taken to mitigate against committal of similar offences in the subsequent financial years. However any fraudulent application of funds remained an offence punishable by law notwithstanding the foregoing.

- (iii) **Instances where procurement rules were not followed and the Committee could not ascertain whether the public funds were used prudently:** The Committee recommended that the office of the Auditor General undertakes the *value for money audit* on that specific project and submit a report to the Senate expeditiously and the officer who authorized the expenditure be punished or depending on the gravity of the offence and circumstances surrounding the committal of the offence.
- (iv) **Instances where procurement rules were not followed and goods and services delivered or provided did not match the specification of the goods requested through the LPOs:** The Committee took the view that this was a fraudulent transaction and recommended that the officer who authorized payment should be surcharged and held personally liable for the loss of public funds in question. In addition, the committee recommended that disciplinary action be taken against the culprits.
- (v) **Instances where an irregularity occurred and the County Government entity detected it and took disciplinary action against the officers involved:** The Committee considered these on a case to case basis and in most cases where the action taken was satisfactory, the committee cleared the audit query and no further action was recommended. However, where the action taken was unsatisfactory, the Committee recommended additional punishment or mitigative measures.
- (vi) **Instances where procurement rules were not followed but the Committee ascertained that no public funds were lost in the transaction:** The Committee recommended that the officer(s) who authorized or sanctioned the committal of the irregularity be reprimanded notwithstanding the fact that no public funds were lost.
- (vii) **Instances where the County Government entity failed to submit the required documents during the time of audit but subsequently submitted the documents to the Auditor General and the documents were examined and the Auditor General was satisfied with the evidence submitted:** The Committee cleared the audit query but recommended that the County Government entity should submit the documents to the Auditor General at the time of audit.
- (viii) **In instances where the Committee could not make conclusive decision due to lack of sufficient information and documentations:** The Committee recommended that the audit Query remains unresolved and to be queried again by the auditor General for further consideration in the subsequent Audit Reports.

EXECUTIVE SUMMARY

The Committee was first constituted on 27th March, 2014 pursuant to Senate Standing Order 181 following a resolution of the House on Thursday 27th February 2014 to amend the Senate Standing Orders. The Committee was subsequently reconstituted on 17th February, 2015 pursuant to Senate Standing Order 210(1) which requires *Sessional Committees* to be reconstituted at the Commencement of every session.

In the execution of its mandate, the Committee relied on the report of the Auditor General on audited Accounts of Kilifi County Executive for the Financial year 2013/2014(1st July, 2013 to 30th June, 2014) as the primary document for the investigation.

The Committee invited the Governor for Kilifi County in his capacity as the Chief Executive Officer of the County Government pursuant to Article 179(4) of the constitution to respond to the audit queries raised in the report under consideration.

The Committee began its work by scheduling a meeting for evidence taking where the Governor was invited to respond to audit queries raised by the Auditor General in the report under consideration on Thursday 11th August, 2016, Tuesday 16th August, 2016 and Wednesday 17th August, 2016.

The Committee considered and concluded its inquiry into the report of the Auditor General on the Financial Operations of Kilifi County Executive for the Financial Year 2013/2014(1st July, 2013 to 30th June, 2014).

This report documents the observations and recommendations of the Committee on each audit query and it is divided into four parts.

The preface details the place of Committees in the Constitution, Committee establishment and mandate, Committee membership and formation, the niche of the Committee in the Senate, the executive summary, key observations and recommendations and acknowledgement.

Chapter one contains a background to the report of the Auditor General under consideration. Chapter two is a record of the audit queries as raised by the Auditor General in the report under review and Committee's observations and recommendations on each audit query.

Chapter three captures the Committee's findings and observations on the entire report of the Auditor General on financial operations of Kilifi County Executive for the Financial Year 2013/2014(1st July, 2013 to 30th June, 2014).

Chapter four contains the recommendations of the Committee on the entire report of the Auditor General on financial operations of Kilifi County Executive for the Financial year 2013/2014(1st July, 2013 to 30th June, 2014).

GENERAL OBSERVATIONS

The Committee observed that:-

- 1) it was necessary to amend the Public Finance Management Act, specifically Section 154 2(b);
- 2) the County Government of Kilifi several occasions used restricted tendering method in procuring of good and services;
- 3) That although the law allows a standing imprest for petty office administration, it was observed that during the period under review, the county did not have an institutional policy that guides which office is given the money, how much and how often; and,
- 4) The county government on several occasions did not follow the procurement rules and regulation in sourcing for goods and services.

GENERAL RECOMMENDATIONS

The Committee recommends that:-

- 1) The County Government should professionalize the finance, procurement and internal audit departments for efficiency, effectiveness and proper management of county government resources as well as accountability and transparency in the management of public funds. This can be achieved through the recruitment of a qualified Chief Finance Officer and other qualified officers with financial and procurement related qualifications.
- 2) The Commission on Revenue Allocation(CRA) should urgently come up with a policy to regulate the allocation and usage of motor vehicles in the counties.
- 3) The Commission on Revenue Allocation in conjunction with the Salaries and Remuneration Commission should come up with a flexible plan and policy that will enable the county governments in the marginalized areas of the country to attract specialized and skilled personnel.

ACKNOWLEDGEMENTS

The Committee wishes to acknowledge the support it received from the office of the Speaker and the Clerk of the Senate in undertaking its work.

The Committee further appreciates the support it received from the office of the Auditor General and the cooperation from the office of the Governor and the County Executive of Kilifi County during the consideration of the Audit Queries.

Final appreciation goes to the distinguished and dedicated members of the Committee who created time out of their busy schedule to attend and actively participate in the proceedings of the Committee.

Final appreciation goes to the distinguished and dedicated members of the Committee who created time out of their busy schedule to attend and actively participate in the proceedings of the Committee.

Mr. Speaker Sir,

I wish to confirm that the resolutions of the Committee on the observations and recommendations of the Committee in this report were unanimous.

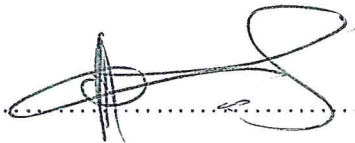
Mr. Speaker Sir,

This report is issued in accordance with the provisions of the Senate Standing Order 203.

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 203(6).

SIGNED:

 Moses Othman Kijwang

DATE:

06/06/2018

SEN. (PROF.) ANYANG' NYONG' , MP

CHAIRPERSON

CHAPTER ONE

1.0 Background to the Report

Following the submission of the report of the Auditor General on the Financial Operations of Kilifi County Executive for the Financial year 2013/2014(1st July, 2013 to 30th June, 2014) to the Senate pursuant to the provisions of Article 229(7), the report was laid on the table of the House on 30th June, 2015 and stood committed to the Sessional Committee on County Public Accounts and Investments.

The Committee subsequently invited the Governor for Kilifi County to its investigatory meetings held on Thursday, 11th August, 2016, Tuesday 16th August, 2016 and Wednesday 17th August, 2016 to give evidence and respond to the audit queries raised in the report under consideration. This was pursuant to the provisions of Article 179(4) of the Constitution.

The Committee considered and concluded its consideration of the said report in three sittings and thereafter adopted the report during its sitting on Wednesday, 5th April, 2017.

CHAPTER TWO

1.0 AUDIT QUERIES

1.1.1 Purchase of Unbudgeted for Residential House for Governor

Records availed for audit review indicate that the County Executive purchased a residential house for the Governor at a cost of Kshs.140,000,000. However, the County Government approved budget and procurement plan availed for audit review did not have a provision for purchase of the governor's residential house. Funds were reallocated from purchase of land and construction of buildings budget lines for purchase of the residential house. Further, approval of the County Assembly as provided for by Section 154 of the Public Finance Management Act, 2012 was not availed for audit review.

The Governor presented as follows:

1. As per Section 154 (2) (b) of the Public Finance Management Act " *An accounting officer for a county government entity may reallocate funds between programs, or between Sub- Votes, in the budget for a financial year, but only if a request for the reallocation has been made to the County Treasury explaining the reasons for the reallocation and the County Treasury has approved the request;*"
2. That, due process was followed in approving the reallocation as per the law.
3. The objective of the programme was to avail a residence for the Governor. Though the initial plan was to construct one, a resolution was passed by the county executive committee to buy an already constructed house.
4. That, valuation of the house was done by the government valuer to ensure value for money. The budget for constructing the governors house was Kshs. 100,000,000 while Kshs.50,000,000 had been allocated to buy land in total constructing the Governors residence was going to cost Kshs. 150,000,000.
5. That, the cost of the house bought was Kshs. 140,000,000 and therefore the decision to buy instead of constructing yielded a saving of Kshs 10,000,000.

Auditor's Remarks

The auditor informed the Committee that the management had submitted documents as instructed by the Committee and had verified and was satisfied.

Committee observations

- a) Noted that the amount exceeded the mandated 10% and it was sufficient that it was referred to the County Assembly for approval of the reallocation;
- b) Found no fault and noted a lapse in the existing law noting that it was necessary to amend the Public Finance Management Act, specifically Section 154 2(b)

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clears the audit query.

1.2 Refurbishment of the Governor's Office

Records availed for audit revealed that refurbishment works at the Kilifi County Governor's Office block was awarded to a contractor at a cost of Kshs.43,615,306 for the second phase. No documentary evidence was availed to confirm how the contractor was identified, selected and awarded the contract for the refurbishment. The project file for the refurbishment was not available for audit verification and therefore it has not been possible to confirm the progression status of the repair works as at the time of this audit.

Management Response

The Governor presented that the project file for the refurbishment and all supporting documents had been availed for audit verification.

Auditor's Remarks

The auditor informed the Committee that the management had submitted documents verified and was satisfied.

Committee Observation

The Committee noted that although the Auditors had verified the relevant supporting documents and were satisfied the documents should have been provided at the time of Audit.

Committee Recommendation

The Committee recommends to the Senate to clear the audit query and that the Governor should in future submit documents for audit verification at the time of the audit in compliance section 62 of the Public Audit Act.

1.3 Procurement of Legal Services

Payment records made available indicate that a law firm was paid Kshs.12,170,000 through payment number 10000003 dated 20th December, 2013 to provide legal services in respect of conveyancing and legal charges on transfer of property- Governors residential house on behalf of the County Government. However, no documentation has been made available to confirm how the law firm was identified, selected and awarded the service since no evidence was availed to indicate that a competitive procurement process was done. It has also not been evidenced on how the fees and charges paid, were calculated and agreed upon. In addition, payment voucher(s) in support of the payment was/were not made available for audit verification to confirm the propriety of the expenditure. Records made available indicate that three (3) law firms were paid an amount totalling Kshs.17,595,175 for provision of legal services. However no documentation in support of how the legal fees charged and paid for were availed for audit verification. No case files were availed to confirm the status of the cases as at the time of audit and what legal representation they performed on behalf of the County Executive. Further, no documentation has been made available to confirm how the law firms were identified, selected and awarded the service. In all cases, there is no documentary evidence that the County's legal office was involved in drawing a contract agreement for approval. Consequently, the propriety of the payment of Kshs.29,765,175 legal services could not be confirmed.

Management Response

The Governor admitted to the audit query and informed the Committee that all documents had were surrendered for audit verification as directed.

Auditor's Remarks

The auditor informed the Committee that the management had submitted documents verified and was satisfied, but expressed concern that the documents were not submitted at the time of audit.

Committee Observation and Recommendation

The Committee noted that the Auditors had seen and verified the relevant documents and recommends that the Audit query be cleared and that in future the County Executive should avail documents at the time of audit verification in compliance section 62 of the Public Audit Act.

1.3 Procurement of Simlaw Seeds

Examination of records availed revealed that the County Executive made payments totaling Kshs.17,672,000 for purchase of seeds. However, no documents in support of the procurement method used were made available for audit verification and therefore it has not been possible to determine whether the procurement was done in line with Public Procurement and Disposal Act, 2005. In addition, no records were availed for audit verification to confirm how distribution of the seeds was done or any acknowledgement of receipt of the seeds by the farmers.

Management Response

The Governor submitted all documentations to the Committee and informed the Committee that the documents had been presented to the auditors for audit verification although after the audit.

Auditor's Remarks

The auditor informed the Committee that the management had submitted documents verified and was satisfied.

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query be cleared and that in future the County Executive should avail documents at the time of Audit for verification in compliance Section 62 of the Public Audit Act.

1.4 Procurement of Ambulances

Examination of records made available for audit review disclosed that the County Executive contracted a motor vehicle supplier for supply and delivery of ten (10) land cruiser ambulances at a cost of Kshs.74,900,000. The County Executive made a down payment of Kshs.35,000,000 towards the supply. Although the initial tender was advertised for supply of six (6) ambulances, the contract was signed for supply of ten (10) ambulances. The quantity increment of four (4) ambulances or sixty-seven (67%) percent is against Public Procurement and Disposal Regulations 2006 Section 31 (b) which states that quantity variation for goods and services should not exceed ten (10%) percent of the original contract quantity. No documentation was availed to support the variation in the quantity of the additional four (4) vehicle supplied. This effectively meant that the additional expenditure of Kshs.29,960,000 was nugatory. Further, registration documents of the ambulances were not availed for audit review

and therefore it was also not possible to physically verify the existence of the ambulances.

Management Response

The Governor admitted to the Audit Query and informed the Committee that-

1. That, the request for the additional 4 ambulances was made before the tender award was done by the tender committee.
2. That, the tender committee awarded the tender for the supply of 10 ambulances to the lowest evaluated bidder and a contract agreement for the supply of 10 ambulances was entered into.
3. That, no other contract for any additional units was entered into; hence there was no quantity variation to the contract. Annexed are logbooks, minutes and contract agreement for review

Auditor's Remarks

The auditor informed the Committee that the management had submitted documents verified and was satisfied.

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query is cleared, further recommends that the county executive should in future submit documents for Audit verification at the time of Audit in compliance with section 62 of the Public Audit Act.

1.5 Procurement of Tractors

Examination of cash books and bank statements revealed that the County Executive made payments totalling Kshs.41,990,000 for purchase of tractors. However, no documents in support of the procurement method used were availed for audit verification.

In addition, no contract document was made available for audit verification to confirm the number of tractors ordered and delivered and no registration certificates (logbooks) were availed to confirm ownership status of the tractors. Physical verification was also not possible as no details of the registration number of the tractors and their location were availed for audit review.

Management Response

The Governor admitted to the Audit Query and informed the Committee that-

1. That, the procurement of tractors was done through the open tender method
2. That the documentation had been subsequently provided to the auditors for verification

Auditor's Remarks

The auditor informed the Committee that the management had submitted documents verified and was satisfied.

Committee observation

The Committee noted that the Auditor General had viewed and verified the relevant documents with satisfaction.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query be cleared.

1.6 Procurement of Civil Works

During the period under review, the County Executive made payments amounting to Kshs.122,862,499.70 for civil works. However, the project files made available for audit review did not contain documentation on advertisement, procurement process, engineer's estimates, contractual agreement, Bill of Quantities, measurement of work done and other relevant certificates on completion and payments. It is not clear and the management has not explained the basis of payments for work done as no certificates of completion were availed for audit review.

Management Response

The Governor admitted to the audit query and inform the Committee that –

1. That, payments were made based on the value of work done as certified by the engineers;
2. That, the certificates are accompanied by the inspection and acceptance certificates by the project committees and form part of the supporting documents to the payment voucher;
3. That, the project files for civil works undertaken are updated with all the relevant documents from the inception of the project;

4. That, the files are always available for inspection; and,
5. That, the queried civil works expenditure amounting to Ksh122, 862,499.70 could not be conclusively responded to, since the breakdown for the queried expenditure was not given.

Auditor's Remarks

The auditor informed the Committee that the management had submitted documents verified and was satisfied.

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query is cleared, further recommends that the county executive should in future submit documents for Audit verification at the time of Audit in compliance with section 62 of the Public Audit Act.

1.7 Procurement of Catering Services

Records made available indicate that during the period under review, the County Executive spent a total of Kshs.7,476,014 on catering services for various hospitals. It was however, observed that the County Accounting Officer failed to establish hospitals as procuring entities and establish tender, evaluation and inspection and negotiation committees for these entities, contrary to Section 9(a) and (b) of the legislative supplement number 22 to the Public Procurement and Disposal Act, 2005 as amended by the Minister for Finance through Legal Notice number 60 of 25th March 2013.

Management Response

The Governor admitted to the audit Query and informed the committee that -

1. That in accordance to Section 12(a) and (b) of the public procurement and disposal (County governments) regulation, 2013, legal notice No. 60 of 5th April 2013, all existing procurement responsibilities by local authorities and district commissioners including the health institutions were transferred to the county service delivery coordinating unit;
2. That the county government set up the Health department as a procuring entity in accordance to the law to procure goods and services for the county hospitals;
3. That a county tender committee was set according to the law and procurement committees for all the county government entities to consider procurements up to the threshold of Kshs. 500,000; and,
4. That despite that, the County government could not terminate the existing contracts from the devolved units, until the procuring entities had been created.

Auditor's Remarks

The auditor informed the Committee that the management had submitted documents verified and was satisfied.

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query is cleared, further recommends that the county executive should in future submit documents for Audit verification at the time of Audit in compliance with section 62 of the Public Audit Act.

1.8 Conference and Hotel Services

Information made available indicates that an amount totaling Kshs.4,779,355 was paid to various hotels during the period under review to provide conference and hotel services. However, no documentary evidence was availed for audit review to show how these hotels were identified, selected, rates determined and awarded to provide the services, since the hotels were not pre-qualified. In addition, no documentation has been availed to confirm that the officers had been invited to attend seminars in these hotels, the number of participants and how attendance was confirmed.

Management Response

The Governor admitted to the audit query and informed the Committee that-

The Governor presented as follows:

1. That request for quotation method was used in sourcing the hotel services, in accordance to Sec 89 (3) (a) of the Procurement and Disposal Act 2005 which provides that "The procuring entity shall give the request for quotations to such persons as the procuring entity determines";
2. That in issuing out the quotations, the County used the list of pre-qualified suppliers as is required by sec 59(2) (a) (i) of the Public Procurement and disposal regulations 2006; and,
3. That the County was unable to offer specific response since the breakdown of Kshs.4,779,355 queried as unsupported is not given to them.

Committee Observation

- a) Noted that the OAG had forwarded a management letter in the cause of the audit and hence the County ought to have responded to the specifics at the time of Audit;

- b) That subsequently the auditor verified the documents and expressed satisfaction.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query is cleared, further recommends that the county executive should in future submit documents for Audit verification at the time of Audit in compliance with section 62 of the Public Audit Act.

1.9 Procurement of Contracted Guards and Cleaning Services

Information available indicates that between the period 1 July 2013 and 31 March 2014 the County Executive spent a total of Kshs. 7,498,400 on Contracted Guards and Cleaning Services. It was, however, observed that the Accounting Officer of County Government of Kilifi failed to establish urban areas and hospitals as procuring entities and establish tender, evaluation inspection and negotiation committees for the entities contrary to Section 9 (a) and (b) of the Legislative Supplement number 22 to the Public Procurement and Disposal Act, 2005 as amended by the then Minister for Finance through Legal Notice number 60 dated 25 March 2013.

Management Response

The Governor admitted to the audit query and informed the Committee as follows-

1. That in accordance to Section 12(a) and (b) of the public procurement and disposal (County governments) regulation, 2013, legal notice No. 60 of 5th April 2013, all existing procurement responsibilities by local authorities and district commissioners including the health institutions were transferred to the county service delivery coordinating unit;
2. That the county government set up the Health department as a procuring entity in accordance to the law to procure goods and services for the county hospitals;
3. That a county tender committee was set according to the law and procurement committees for all the county government entities to consider procurements up to the threshold of Kshs. 500,000; and,
4. That despite that, the County government could not terminate the existing contracts from the devolved units, until the procuring entities had been created.

Auditor's Remarks

The auditor informed the Committee that the compliance was done after the financial year.

Committee Observation

- a) The Committee observed that the Accounting Officer of County Government of Kilifi failed to establish urban areas and hospitals as procuring entities within the required time by law.
- b) The Committee noted that the auditors, on scrutinizing the Governor's response, observed that compliance was done after the financial year contrary to the provisions of the law.
- c) The Committee noted the mitigation by the Governor and considered the challenges faced by the counties at the dawn of devolution.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clear the audit query but the Accounting Officer be reprimanded for failing to comply with the law.

1.10 Procurement of Insurance Services

Information made available during the audit indicated that an insurance brokerage firm was paid a sum of Kshs.5,355,907 for providing insurance services to the County Executive. However, no insurance contract agreement was availed for audit verification. The County's insurance subject correspondence file which would contain information on the property, plant and equipment being insured was also not availed for audit review.

In addition, no documentation in support of how the insurance firms were identified, selected and awarded the services has been made available for audit review. In the absence of a contract agreement, the criteria used to determine rates charged could not be established as no valuation report was provided as a basis of determining the insurable value. No information was available specifying the underwriting insurance company and evidence of remittance of the money to the principal company could therefore not be confirmed.

Management Response

The Governor admitted to the Audit Query and informed the Committee that -

The Governor presented that procurement of the insurance services was through the restricted tender method where tenders were floated, opened, evaluated and awarded. Valuation of the vehicles was done by Automobile Association of Kenya (AAK)

Auditor's Remarks

The auditor informed the Committee that the management had submitted documents verified and was satisfied.

Committee Observation and Recommendation

The Committee noted that the Auditors had seen and verified the relevant documents and recommends that the Audit query be cleared and that in future the County Executive should avail documents at the time of audit verification.

1.11 Procurement of Drugs and Laboratory Materials, Dressing and Non-Pharmaceuticals

Records made available during the period under review indicated that the County Executive procured dressing and non-pharmaceutical, drugs and laboratory materials for hospitals in the County amounting to Kshs.2,443,911, Kshs.2,684,040 and Kshs.2,582,367 respectively. However the County Accounting Officer failed to establish hospitals as procuring entities and establish a tender, evaluation and inspection and negotiation committees for the entities contrary to Section 9 (a) and (b) of the Legislative supplement number 22 to the Public Procurement and Disposal Act, 2005 as amended by the then Minister for Finance through Legal Notice number 60 dated 25 March 2013.

Management Response

The Governor admitted to the Audit Query and informed the Committee that -

1. That in accordance to Section 12(a) and (b) of the public procurement and disposal (County governments) regulation, 2013, legal notice No. 60 of 5th April 2013, all existing procurement responsibilities by local authorities and district commissioners including the health institutions were transferred to the county service delivery coordinating unit;
2. That the county government set up the Health department as a procuring entity in accordance to the law to procure goods and services for the county hospitals;
3. That a county tender committee was set according to the law and procurement committees for all the county government entities to consider procurements up to the threshold of Kshs. 500,000; and,
4. That despite that, the County government could not terminate the existing contracts from the devolved units, until the procuring entities had been created.

Auditor's Remarks

The auditor informed the Committee that the compliance was done after the financial year.

Committee Observation

- a) The Committee observed that the Accounting Officer of County Government of Kilifi failed to set up the Health department as a procuring entity in accordance to the law to procure goods and services for the county hospitals within the required time by law.
- b) The Committee noted that the auditors, on scrutinizing the Governors response, observed that compliance was done after the financial year contrary to the provisions of the law.
- c) The Committee noted the mitigation by the Governor and considered the challenges faced by the counties at the dawn of devolution.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query be cleared and in future the County Executive should submit documents at the time of audit in compliance section 62 of the Public Audit Act.

1.12 Purchase of Furniture

Records made available for audit review indicated that the County Executive spent Kshs.6,759,907 to procure furniture following a tender advertised on 8 June 2013. However, tender evaluation and minutes awarding the tender were not availed for audit verification. The furniture could not be confirmed to be of the right quality and quantity as ordered since the inspection and acceptance committee's report was not availed for audit verification. There was also no evidence that the payment voucher used to effect the payment was subjected to vital internal controls such as examination, internal audit and vote book certification.

Management Response

The Governor presented as follows:

1. That restricted tender method was used to procure the furniture. The tender was opened, evaluated and awarded through tender committee minutes; and,
2. The furniture procured was inspected and inspection and acceptance reports prepared.

Auditor's Remarks

The auditor informed the Committee that all documents with exception of the payment voucher had been verified. The management had not submitted the payment voucher for audit verification.

Committee Observation

- a) The Committee observed that the Accounting Officer of County Government of Kilifi had failed to submit the payment voucher for audit verification.
- b) The Committee noted that the auditors had advised the Committee on partial compliance.

Committee Recommendation

The Committee recommends that the audit query remains unresolved until such a time that all documents have been verified and cleared by the office of the Auditor General.

1.13 Purchase of Maize Meal

Information made available for audit verification indicated that the County Executive purchased 800 bags of 2Kgs maize meal as relief food at a cost of Kshs.1, 000,000. It was however observed that no requests for quotation for the purchase was done contrary to Section 88 of the Public Procurement and Disposal Act, 2005 as maize meal is a readily available item for which an established market exists. Further, no records were availed to confirm that the distribution was done to the needy beneficiaries of the relief food.

Management Response

The Governor presented as follows:

1. That the procurement of maize floor and beans was done through request for quotation method which was approved by the tender committee; and,
2. That the Distribution was done in Ganze Sub-County.
3. Documents of evidence were submitted to the Committee.

Auditor's Remarks

The auditor informed the Committee that documents had been submitted and verified to the satisfaction of the auditors.

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clears the audit query and the Accounting Officer be reprimanded for failing to submit documents for audit verification at the time of audit contrary to the law.

1.15 Purchase of Goods through Cash

Records made available revealed that the County Executive made payments in cash to staff amounting to Kshs.2,863,586 to purchase various goods and services which would ordinarily be procured through the laid down procurement procedure for common user items. There was no evidence that the goods purchased were recorded

in the stores records (stores ledger and bin cards) for controlled usage. Examination of cash sale receipts attached to the payment vouchers revealed that some of the purchases exceeded the mandatory threshold of Kshs.30, 000 which requires the use of quotations while some purchases appeared doubtful as they did not have electronic tax receipts (ETR) generated.

Management Response

The Governor presented as follows:

1. That the cash expenditure amount raised in the query was mainly composed of standing imprest, issued to secretaries and office administrators to cater for office teas, airtime and petty office administration expenses;
2. That there were few cases where big amounts highlighted in the schedule (of the OAG report) were not cash payments but payments done through the G-pay system.
3. That the amount of Ksh. 294,540 made to Eighty Consultants was paid through the G-pay system in January 2014, and not through cash; and,
4. That the Ksh. 366,845 indicated to have been paid to Ezekiel Ngwaite was erroneously stated since the amount was paid to Toyota Kenya on 21/3/2014 for vehicle maintenance through the G-pay system.

Committee observations

- a. That the matter of payment to Toyota Kenya on 21st March, 2014 had been verified and cleared by the Auditors;
- b. That the matter of an amount of Ksh. 294,540 made to the Eighty Consultants through G-Pay had been verified and cleared by the Auditors;
- c. That Committee noted that although the law allows a standing imprest for petty office administration the county did not have an institutional policy that guides which office is given the money, how much and how often.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends the Senate Clears the Audit Query. However the Management should develop guidelines on the issuance of petty office administrative imprest.

1.16 Purchase of Computers and Printers

Records made available for audit review indicated that Kshs.2,165,200 was spent on purchase of computers and printers .However, no records were available to confirm receipt recording and issue of these computers and therefore verification was not possible. In the absence of records it could not be confirmed whether the computers

and printers have been recorded in the assets register and are recognized as property of the County Government of Kilifi.

Management Response

The Governor admitted to the Audit Query and informed the Committee that-

1. That all goods procured were usually received at the stores using the Counter Receipt voucher (S13) and issued to users through the Counter issue voucher (S11); and,
2. That for the case of purchase of computers in the query, the same procedure was followed where upon receipt of the computers in the store; they are then issued to the ICT officer who distributed them to the individual users using a delivery book.

Auditor's Remarks

The Auditor confirmed verification of documents and was satisfied.

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively with the guidance of the Auditor and the management response recommends that the Senate clears the audit query.

1.17 Purchase of General Supplies

Records made available indicated that the County Executive purchased stationery amounting to Kshs.3,617,758 for the Department of Finance and Economic Planning and Kshs.1,957,500 for the Department of Youth Affairs, Culture and Social Services. Audit verification revealed that the items were not recorded in the respective stores records. Further, it was not possible to make confirmation of the items issued, utilized and balance remaining in the store as at the time of this audit.

Management Response

The Governor admitted to the audit query and presented that the procured general supplies were received by the store keeper and recorded in the stores ledger and Counter receipt issue register used to issue out the goods to the user department.

Auditor's Remarks

The Auditor confirmed verification of documents and was satisfied.

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively with the guidance of the Auditor and the management response recommends that the Senate clears the audit query.

1.18 Maintenance of Roads Ports and Jetties

Information available indicates that the County Executive through its Public Works Department paid a total of Kshs.1,855,649 for maintenance of roads, ports and jetties. It was also observed that a contract for repair of drainage works at Biashara Street in Kilifi town was based on a work plan valued at Kshs.1,274,200. Although a contract agreement was signed on 15 April 2013, no tender opening, evaluation and award minutes were availed for audit review.

Management Response

The Governor presented that the works were part of the interventions that had to be done after one of the streets in Kilifi's central business district was flooded after heavy rains. A contractor was urgently procured to fix the broken down drainage system that had caused the floods.

Committee observations

1. Noted that documentation was availed and had been satisfactorily verified;
2. Noted that due to time lapse, it was not possible to ascertain the paint job due to wear and tear.

Committee Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clear the audit query.

1.19 Air Travel Expenditure

During the period under review, the County Executive incurred an expenditure totaling Kshs.5,531,167 on purchase of air tickets. However, no local service orders (LSO) were raised and therefore it was not clear how the air tickets' firm was identified, selected and awarded the services. Further, there was no information availed for audit to confirm that invitation letters were sent to the officers for the travel and it was not clear how those to travel were identified. Also there was no evidence of traveling the form of boarding passes, actual air tickets and de-travel reports availed for audit verification. In addition the County Executive did not avail documentary evidence on air travel policy to determine officers entitled to use air transport as payments were made without authorized signatures of key officials as required on the payment vouchers.

Management Response

The Governor admitted to the Audit Query and informed the Committee that -

1. air tickets were sourced from a panel of pre-qualified suppliers, and every time there was need to travel, a travel agent was picked from the list; and,
2. evidence of travel by officers including boarding passes were attached as supporting documents to the travel imprest surrenders and not the payment voucher to air travel agents.

Committee Observations

1. The Committee observed that the management had failed to submit document for verification at the time of Audit.
2. The management although had submitted Boarding passes as evidence of travel and verified by the auditor there were no copies of passports indicating immigration stamps as part of imprest surrender documents.

Committee Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the audit query remains unresolved pending confirmation and verification of documents.

The Accounting officer be reprimanded for failure to submit all relevant documents for audit verification.

1.20 Hire of Motor Vehicles

Records made available indicate that Kshs.11,431,330 was paid for hire of transport during the period under review. However, it is not clear if the service providers were pre-qualified and it is therefore not possible to establish how the car hire dealers were identified, selected, cost determined and awarded the services. The persons on whose behalf the hire of vehicles was done were also not identified. Staff and service companies were paid amounts totaling Kshs.7,309,880 and Kshs.1,548,450 respectively. However, details of how the service companies were identified, selected and awarded the services have not been made available. The criteria used to engage staff in hiring of transport has not been disclosed and the amounts accounted for.

No supporting documentation has been made available for audit review confirming how the different rates charged were determined and agreed on since no contract agreements were availed outlining the terms of engagements. There was also no evidence on the nature of duties undertaken by the persons hiring the vehicles and no list of motor vehicles owned by the County Executive indicating their operational status at the time of hire which occasioned the need to hire transport.

Management Response

The Governor admitted to the Audit Query and informed the Committee as follows-

1. That hire of vehicles was done from the pre-qualified list of vendors providing motor vehicle hiring services;
2. That the hire of vehicles was necessary during this transition period, since the County government had few vehicles that had been inherited from the defunct local authorities and devolved ministries; and,
3. That the situation had since changed where the County government had procured its own vehicles.

Auditor's Remarks

The Auditor informed the Committee that documents had been availed for verification.

The Committee Observation and Recommendation

The Committee noted the response and the mitigation by the Governor. The Committee also noted the challenges faced by the county at the time under the audit review and recommended that in future the County should not only adhere the law on procurement but submit documents at the time of audit. The Committee further noted the undertaking by the Governor that the County had since procured its own vehicles and resolved to follow up to ensure that a similar audit query does not recur in the subsequent Audit years.

1.21 Repair of Motor Vehicles

Records made available revealed that the County Executive of Kilifi spent Kshs.1,287,207 on repair of vehicles and purchase of vehicle spare parts which were carried out in local garages. However, no records are available to confirm how the garages were identified, selected and awarded the services.

In addition, no stores records were availed to confirm receipt, storage and issue of spare parts purchased. No logbooks were availed to confirm recording of repairs and work tickets indicating the defects that necessitated the repairs were not availed.

Management Response

The Governor presented that due procedure was followed in procuring the motor vehicle repair services from the pre-qualified list of garages.

Auditor's Remarks

The Auditor informed the Committee that the documents have since been availed for audit verification and was satisfied.

Committee observation and recommendation

The Committee having considered the advisory from the Auditor and the Management response recommend that the that query be cleared

2.0 Travelling, Accommodation and Subsistence

Records availed for audit review indicated that an amount of Kshs.10,796,244 was paid to various officers of the County Executive, being claims for expenses incurred while performing various activities during the period under review. The officers were paid allowances In the name of 'meal' allowances, 'quarter per diem', lunch allowances and night outs while within their duty station and performing normal duties, under circumstances which could not be justified. These allowances are not amongst those listed in Section J and Section J. 13appendix J1 of the Code of Regulations and Section 152 of the Public Finance Management Act, 2012, and therefore the authority of these payments could not be confirmed. It was observed that these meal allowances were paid on the strength of a letter being issued from the Governor's office every month listing the officers to be paid and the county cashier would take an imprest to pay the officers.

Further, a total of Kshs.3,241,000 was spent in paying per diem allowances to County Executive officers who attended a fourteen (14) day Integrated Financial Management Information System training at Kenya School of Government, Nairobi for which no proof of travel was made available for audit verification. It was not specified when the training started and ended. There were also no indications of invitation letters sent to the officers showing when each officer was required to attend the training. In addition, the payments were observed not to have been subjected to vital controls such as examination of vouchers, internal audit, authorization, approval, and vote book and cashbook certification.

Management Response

The Governor tabled a schedule detailing all the allowances paid to the officers indicating the venue of the meeting and the purpose.

Auditor's Remarks

The Auditor informed the Committee that the documents have since been availed for audit verification and was satisfied.

Committee observation

The Committee noted that the auditors had verified all the tabled documents and were satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clears the audit query.

3.0 Fuel Expenditure

Available information indicates that an amount of Kshs.5,135,465 was spent on purchase of fuel from two local suppliers through imprests issued to two officers. However, the vehicles' fuel register and the original work tickets for the County Executive were not availed for audit review to confirm the consumption of the fuel. Therefore, the control on fuel costs was found to be unsatisfactory.

Management Response

The Governor admitted to the audit query and presented that documents relating to fuel drawn by the vehicles were maintained and these comprised of the fuel registers and work tickets which have since been submitted to the for audit verification.

Committee observation

The Committee noted that the auditors had verified all the tabled documents and were satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the query be cleared. How in future documents should be submitted for verification at the time of audit.

4.0 Staff Imprest

A review of the imprest records for the period under review indicated that a total of Kshs.40,632,133 was issued as imprest. However, as at 30 June 2014 only Kshs.17,976,062 had been surrendered resulting in Kshs.22,656,071 being long outstanding. It is not clear and the management has not explained why the imprest has not been recovered from the respective officers' salaries in line with Government Financial Regulations and Procedures.

Management Response

The Governor admitted to the Audit Query and informed the Committee as follows-

- I. That a reconciliation of Kshs 22,656,071 reported as not surrendered at the time of audit review was done and a recovery mechanism initiated in the financial year 2014/2015;
- II. That internal controls in relation to issuance of imprest had been strengthened hence no one was issued with imprest as they held an outstanding imprest.

Auditor's Remarks

The Auditor raised concern with the duration it would take to fully recover the imprests.

Committee observations and advisory

- a. Noted that the auditors had raised concern with the duration it would take to fully recover the imprests;
- b. Directed that the County Government to submit an IPPD printout detailing the recovery processes and expected time of full recovery to the auditors for scrutiny;
- c. Further directed that surrender documents for the imprests in question be verified by the auditors to ascertain authenticity of the expenditure;

Committee Recommendations

- a. The Committee having considered and deliberated on the audit query extensively recommends that recovery of all outstanding imprests be completed and progress be reported to the Senate within 60 days.
- b. That disciplinary action in accordance with the law be instituted against the responsible officers with immediate effect.
- c. That the audit query remains unresolved until such a time that the recoveries are made in full and the documents verified by the auditors.

5.0 Revenue Collection

Records made available for audit indicated that revenue from various streams amounting to Kshs.329,089,671 as at 30 June 2014 was collected against approved budget of Kshs.735,819,493 for the 2013/2014 financial year translating to 45% of the estimated collectable revenue realized. No explanation has been made to confirm the low level of revenue collection and measures taken to mitigate the short fall in the short and long term.

Management Response

The Governor informed the Committee as follows-

1. That out of the budgeted amount of Ksh 735,819,493 anticipated from local revenue, the County managed to collect Ksh 495,419,112.89 and not Kshs.329,089,671 as indicated in the Audit Query.;

2. That the major contributor to the low revenues was the poor performance of the tourism sector occasioned by the various adverse travel advisories noting that Kilifi County's economy substantially relied on tourism. Other reasons include;
 - a) The wait and see attitude among citizens during the transition period made some of the customers not to pay revenue.
 - b) The inability to enforce some of the revenue sources due to lack of the relevant legislations such as the Valuation for Rating Act
3. That the county had come up with legislations to enforce revenue collection including: Kilifi County Valuation for rating Act, 2016, Kilifi County Transport Act 2016, Kilifi County Finance Act 2014 and 2015. Kilifi county Tax waivers Administration Act 2015, Kilifi County Trade Licence Act 2016, Liquor licensing Act 2015, Water and Sanitation Services Act, 2015 and Coconut Act, 2015.

Committee Observations

The Committee expressed concern on the fact that the county was overestimating its capacity to raise revenue and noted that the revenues were very low in relations to the targets but appreciated the measures put in place to rectify the scenario.

Committee Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clears the Audit Query but the County Government should in future set realistic revenue collection targets.

The Committee further recommends that the County Hires and audit firm to audit and assess the capacity of the county on revenue collection to guide the county in setting its own source revenue targets.

6.0 Special Audit Request by the County Assembly on Allegations of Revenue Collection

The Committee noted that the query was as a result of a request by the Kilifi County Assembly and did not raise substantive areas for response.

The Committee further noted that the matter under the query was active before court and hence a matter *sub-Judice*.

The Committee recommends that the matter of revenue collection and remittance was a very important matter and it should be revisited by the Committee as it part of its oversight mandate.

APPENDICES

Minutes of the Committee

MINUTES OF THE 6th SITTING OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS HELD IN THE COMMITTEE ROOM 10, 1ST FLOOR, MAIN PARLIAMENT BUILDINGS ON WEDNESDAY, 5TH APRIL, 2017 AT 9:00 AM.

PRESENT

1. Sen. (Prof.) Anyang' Nyong'o, MP- Chairman
2. Sen. (Prof.) John Olenyangapuo, MP- Vice Chairman
3. Sen. Amos Sitswali Wako, MP
4. Sen. Paul Kimani Wamatangi, MP.
5. Sen. Henry Tirole Ndiema, MP.
6. Sen. Liza Chelule, MP
7. Sen. (Eng.) Muriuki Karue, MP
8. Sen. (Dr). Boni Khalwale, MP

ABSENT WITH APOLOGY

1. Sen. Paul Njoroge Ben, MP
2. Sen. Martha Wangari, MP.
3. Sen. Hassan Omar Hassan, MP
4. Sen. Stephen Kanyinke Ntutu, MP

IN ATTENDANCE

1. Ms. Anita Thuranira- Principal Clerk Assistant I
2. Ms. Emmy Chepkwony - Ag. Principal Clerk Assistant II
3. Mr. Joseph Tiyan – Research Officer
4. Mr. Godana Mamo- Serjeant- At- Arms.
5. Mr. Samuel Mungai- Audio officer

(I) OFFICE OF THE AUDITOR GENERAL

Mr. Akaka Ramoya - Manager /Liaison Officer.

MIN.NO.027/2017

PRELIMINARIES

The Chairperson called the meeting to order at 9.25 am and the meeting started with a word of prayer.

MIN.NO.028/2017

ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed and seconded by Sen. Henry Tirole Ndiema, MP and Sen. Liza Chelule, MP, respectively

ADOPTION OF THE REPORT OF THE AUDITOR
GENERAL ON THE FINANCIAL OPERATIONS OF KILIFI
COUNTY EXECUTIVE FOR THE PERIOD 1ST JULY, 2013
TO 30TH JUNE, 2014

The Committee adopted its report with the following observations and recommendations-

1.0 AUDIT QUERIES

1.1.1 Purchase of Unbudgeted for Residential House for Governor

Committee observations

- a) Noted that the Amount exceeded the mandated 10% and should have been referred to the County Assembly for approval of the reallocation;
- b) Found no fault and noted a lapse in the existing law noting that it was necessary to amend the Public Finance Management Act, specifically Section 154 2(b)

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clears the audit query.

1.2 Refurbishment of the Governor's Office

Committee Observation

The Committee noted that although the Auditors had verified the relevant supporting documents and were satisfied the documents should have been provided at the time of Audit.

Committee Recommendation

The Committee recommends to the Senate to clear the audit query and that the Governor should in future submit documents for audit verification at the time of the audit.

1.3 Procurement of Legal Services

Committee Observation and Recommendation

The Committee noted that the Auditors had seen and verified the relevant documents and recommends that the Audit query be cleared and that in future the County Executive should avail documents at the time of audit verification.

1.3 Procurement of Simlaw Seeds

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query be cleared and that in future the County Executive should avail documents at the time of Audit for verification in compliance with the law.

1.4 Procurement of Ambulances

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query is cleared, further recommends that the county executive should in future submit documents for Audit verification at the time of Audit in compliance with section 62 of the Public Audit Act.

1.5 Procurement of Tractors

Committee observation

The Committee noted that the Auditor General had viewed and verified the relevant documents with satisfaction.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query be cleared.

1.6 Procurement of Civil Works

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query is cleared, further recommends that the county executive should in future submit documents for Audit verification at the time of Audit in compliance with section 62 of the Public Audit Act.

1.7 Procurement of Catering Services

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query is cleared, further recommends that the county executive should in future submit documents for Audit verification at the time of Audit in compliance with section 62 of the Public Audit Act.

1.8 Conference and Hotel Services

Committee Observation

- a) Noted that the OAG had forwarded a management letter in the course of the audit and hence the County ought to have responded to the specifics at the time of Audit;
- b) That subsequently the auditor verified the documents and expressed satisfaction.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query is cleared, further recommends that the county executive should in future submit documents for Audit verification at the time of Audit in compliance with section 62 of the Public Audit Act.

1.9 Procurement of Contracted Guards and Cleaning Services

Committee Observation

- a) The Committee observed that the Accounting Officer of County Government of Kilifi failed to establish urban areas and hospitals as procuring entities within the required time by law.
- b) The Committee noted that the auditors, on scrutinizing the Governor's response, observed that compliance was done after the financial year contrary to the provisions of the law.
- c) The Committee noted the mitigation by the Governor and considered the challenges faced by the counties at the dawn of devolution.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clear the audit query. However the Accounting Officer be reprimanded for failing to comply with the law.

1.10 Procurement of Insurance Services

Committee Observation and Recommendation

The Committee noted that the Auditors had seen and verified the relevant documents and recommends that the Audit query be cleared and that in future the County Executive should avail documents at the time of audit verification.

1.11 Procurement of Drugs and Laboratory Materials, Dressing and Non-Pharmaceuticals

Committee Observation

- a) The Committee observed that the Accounting Officer of County Government of Kilifi failed to set up the Health department as a procuring entity in accordance to the law to procure goods and services for the county hospitals within the required time by law.
- b) The Committee noted that the auditors, on scrutinizing the Governors response, observed that compliance was done after the financial year contrary to the provisions of the law.
- c) The Committee noted the mitigation by the Governor and considered the challenges faced by the counties at the dawn of devolution.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the audit query be cleared and in future the County Executive should submit documents at the time of audit in compliance section 62 of the Public Audit Act.

1.12 Purchase of Furniture

Committee Observation

- a) The Committee observed that the Accounting Officer of County Government of Kilifi failed had failed to submit the payment voucher for audit verification.
- b) The Committee noted that the auditors had advised the Committee on partial compliance.

Committee Recommendation

The Committee recommends that the Senate stands down the audit query until such a time that all documents have been verified and cleared by the office of the Auditor General.

1.13 Purchase of Maize Meal

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clear the audit query and the Accounting Officer be reprimanded for failing to submit documents for audit verification at the time of audit contrary to the law.

1.15 Purchase of Goods through Cash

Committee observations

- a. That the matter of payment to Toyota Kenya on 21st March, 2014 had been verified and confirmed by the Auditors.
- b. That the matter of an amount of Ksh. 294,540 made to the Eighty Consultants through G-Pay had been verified.
- c. That Committee noted that although the law allows a standing imprest for petty office administration the county did not have an institutional policy that guides which office is given the money, how much and how often.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends the Senate Clears the Audit Query. However the Management should develop guidelines on the issuance of petty office administrative imprest.

1.16 Purchase of Computers and Printers

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively with the guidance of the Auditor and the management response recommends that the Senate clears the audit query.

1.17 Purchase of General Supplies

Committee Observation and Recommendation

The Committee having considered and deliberated on the audit query extensively with the guidance of the Auditor and the management response recommends that the Senate clears the audit query.

1.18 Maintenance of Roads Ports and Jetties

Committee observations

1. Noted that documentation was availed and had been satisfactorily verified;
2. Noted that due to time lapse, it was not possible to ascertain the paint job due to wear and tear.

Committee Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clear the audit query.

1.19 Air Travel Expenditure

Committee Observations

1. The Committee observed that the management had failed to submit document for verification at the time of Audit.
2. The management although had submitted Boarding passes as evidence of travel and verified by the auditor there were no copies of passports indicating immigration stamps as part of imprest surrender documents were not attached.

Committee Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the audit query be entered as a disclaimer pending confirmation and verification of documents.

The Accounting officer be reprimanded for failure to submit all relevant documents for audit verification.

1.20 Hire of Motor Vehicles

The Committee Observation and Recommendation

The Committee issued a disclaimer on the Audit Query and that the matter be raised in the subsequent audit report for further interrogation and verification of documents.

1.21 Repair of Motor Vehicles

Committee observation and recommendation

The Committee having considered the advisory from the Auditor and the Management response recommend that the that query be cleared

2.0 Travelling, Accommodation and Subsistence

Committee observation

The Committee noted that the auditors had verified all the tabled documents and were satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clears the audit query.

3.0 Fuel Expenditure

Committee observation

The Committee noted that the auditors had verified all the tabled documents and were satisfied.

Committee Recommendation

The Committee having considered and deliberated on the audit query extensively recommends that the query be cleared. How in future documents should be submitted for verification at the time of audit.

4.0 Staff Imprest

Committee observations and advisory

- a. Noted that the auditors had raised concern with the duration it would take to fully recover the imprests;
- b. Directed that the County Government to submit an IPPD printout detailing the recovery processes and expected time of full recovery to the auditors for scrutiny;
- c. Further directed that surrender documents for the imprests in question be verified by the auditors to ascertain authenticity of the expenditure;

Committee Recommendations

- a. The Committee having considered and deliberated on the audit query extensively recommends that recovery of all outstanding imprests be completed and progress be reported to the Senate within 60 days.
- b. That disciplinary action in accordance with the law be instituted against officers the responsible officers with immediate effect.
- c. That a disclaimer be put on the audit query until such a time that the matter is resolved.

5.0 Revenue Collection

Committee Observations

The Committee expressed concern on the fact that the county was overestimating its capacity to raise revenue and noted that the revenues were very low in relations to the targets but appreciated the measures put in place to rectify the scenario.

Committee Recommendations

The Committee having considered and deliberated on the audit query extensively recommends that the Senate clears the Audit Query but the County Government should in future set realistic revenue collection targets.

6.0 Special Audit Request by the County Assembly on Allegations of Revenue Collection

The Committee noted that the query was as a result of a request by the Kilifi County Assembly and did not raise substantive areas for response.

The Committee further noted that the matter under the query was active before court and hence a matter sub-Judice and deliberating on it would be against the Senate Standing Orders.

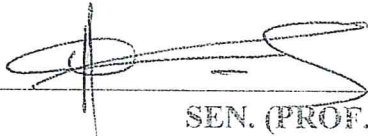
The Committee recommends that the matter of revenue collection and remittance was a very important matter and it should be revisited by the Committee as it part of its oversight mandate.

MIN.NO.030/2017

ADJOURNEMENT

The meeting was adjourned at 11.15am and resolved to resume consideration and adopt the report of Narok County Executive on at 11.30am.

Signature: _____



SEN. (PROF.) ANYANG' NYONG'O, MP
(Chairperson)

Date: _____

06/06/2018

