



# Overview of key Budget and Accounting issues



# Overview of key issues noted



# **Key issues noted from CGs audit reports**

- ❖ **Challenges in expenditure management**
- ❖ **Procurement management issues**
- ❖ **Non compliance with SRC guidelines – excess allowances**
- ❖ **Challenges in revenue management**
- ❖ **Non compliance with PFM Act**
- ❖ **Issues with bank and cash management**
- ❖ **Weakness in management of Imprest**
- ❖ **Tax management issues**
- ❖ **Budget management issues**
- ❖ **Poor maintenance of accounting records**
- ❖ **Weak internal audit arrangement**
- ❖ **IT challenges and poor utilization IFMIS system**



# Details of issues noted on Expenditure



# Challenges in expenditure management

❖ OAG noted challenges in expenditure management on following categories:

	Category
i)	Irregular payments- excess allowances
ii)	Unauthorized expenditure
iii)	Budget deficits or over expenditure
iv)	Low absorption rate for development expenditure
v)	Expenses charged to the wrong budget line
vi)	Misallocation of expenditure
vii)	Failure to issue AIEs against expenditure
viii)	Failure to meet basic allocation of 30% for development
ix)	overpayment of salaries and extraneous allowances
x)	Double payments
xi)	Unprocessed payment vouchers (IOU)



# Details of issues noted on Procurement



# Procurement management issues (1)

❖ Following weaknesses noted with regards to procurement

	Category
i)	No procurement plan
ii)	Suppliers missing in the list of prequalified suppliers for goods and services
iii)	Lack of value for money in procurement
iv)	Use of incorrect procurement method e.g. single sourcing, request for quotations, direct procurement
ix)	Specific requirements for goods were not developed prior to procurement
v)	Failure to constitute procurement committees
vi)	Advance payment for goods prior to delivery
vii)	User department did not participate
viii)	There was no prior approval from County Tender Committee
x)	Inspection and acceptance committee report was not signed



# Procurement management issues (2)

xi)	Evaluation and award was made three times
xii)	Expense not included in approved budget
xiii)	Procurement documents such as Inspection and acceptance reports, tender evaluation and award minutes, tender bids for winning tender, delivery notes, performance contract, duly signed contract agreement, appointment letters for tender opening and evaluation committees, bill of quantities, specifications of the goods procured, scores for each firm competing, notification of award to successful bidder were not provided
xiv)	Approval/reasons from tender committee to use direct procurement/restricted tendering was not provided
xix)	Missing performance bond of 10% of the contract sum
xv)	Government valuation report was not provided
xvi)	Goods procured were not updated on the stores records





# Procurement management issues (3)

xvii)	Non existence of a procurement department
xviii)	Missing evidence of finalized reinsurance arrangements from Insurance Regulatory Authority
xx)	Tender documents were opened 30 minutes prior to the deadline time indicated on the advert
xxi)	Price of the tender document was not recorded on the tender register
xxii)	Tender price was negotiated downwards without any justification by the tender committee
xxiii)	Winning bidder did not attached tender purchase receipt to meet one of the qualification criteria hence should have been dismissed



# Procurement management issues (4)

xxiv)	Missing work plan
xxix)	Structure of procurement as two or more procurements for purposes of avoiding use of a given procurement procedure
xxv)	Environmental impact assessment report was not provided
xxvi)	Payments made by cheques instead of through IFMIS
xxvii)	Receipt of winning quotation three days after the deadline for submission
xxviii)	Winning contractor did not submit financial statements and list of company employees and equipment as per the requirements
xxx)	Inclusion of provisional sums as part of contract amount
xxxi)	Award of contracts before tender documents were opened
xxxii)	Contract payment without deduction of retention money
xxxiii)	Contract agreement has no timeframe



# Details of issues noted on SRC guidelines



# Non compliance with SRC guidelines

❖ Failure to comply with SRC guidelines on following areas:

i)	Car loans
ii)	Sitting allowances
iii)	Determination of salaries for staff
iv)	Transport allowances
ix)	Special duty allowances
v)	Night out allowances
vi)	Mileage allowance
vii)	subsistence allowance
viii)	Accommodation allowances



# Details of issues noted on Revenue Management



# Challenges on management of revenue (1)

❖ Following challenges noted on management of revenue:

i)	Loss of revenue through:
ii)	Budget deficit in revenue collection
iii)	Illegal collection of revenue
iv)	Unutilized/Unspent grants/revenue
v)	Discrepancies between revenue amounts recorded in the cash book and bank statement
vi)	Underbanking of funds received
vi)	Revenue not recognized
vii)	Long outstanding unsurrendered receipt books
viii)	Illegitimate waiver of cess fees
ix)	Uncollected revenue
x)	Excessive waivers on cost sharing revenue



# Challenges on management of revenue (2)

xi)	Theft of cash
xii)	Weak controls in revenue collection
xiii)	Under/over cast of miscellaneous receipts in the cash book
xiv)	Unreleased fund from National Treasury
xv)	Lack of reconciliation of revenue collections and revenue banked
xvi)	Unreconciled or unexplained parking income variances
xvii)	Unbanked revenue



# Details of issues noted on Compliance to PFMA





# Non compliance to PFMA

❖ Following instances of non compliance to PFM Act noted:

i)	Failure to transfer funds to a County Revenue Fund Account at Central Bank of Kenya
ii)	Failure to prepare development plans
iii)	Approved development plan was not provided
iv)	Non remittance of unutilized funds to the exchequer
v)	Budget documents did not contain standard codes prescribed by the National Treasury
vi)	Non compliance with the budgeting process e.g.Lack of public participation and evidence of annual plan
vii)	Having a bank overdraft
viii)	Failure to close bank accounts of the defunct Local Authorities



# Details of issues noted on Cash Management



# Weakness in management of cash & bank

❖ Maintenance of Cashbooks was noted to be weak:

a)	Missing bank statements
b)	Some of the monthly bank reconciliation statements were not prepared
c)	Failure to maintain cash book for some of the bank accounts
d)	Bank reconciliations did not indicate the account, were not signed and were prepared late
e)	Bank reconciliations were wrongly prepared
f)	Long outstanding reconciling items
g)	Failure to update cashbook monthly
h)	Lack of approval to open a gratuity bank account
i)	Maintenance of inaccurate cash books
j)	Unauthorized overdrawing of cash
k)	Inexistence of a board of survey to examine closing cash and bank balances
l)	Irregular opening and operation of revenue collection accounts
m)	Lack of controls for petty cash



# Details of issues noted on Management of Imprest



# Imprests (i)

## ❖ Imprests:

- ☐ Direct expenditure using imprest without proper authorization.
- ☐ Overpayment of imprest - Officers on study tours paid raters higher than approved rates.
- ☐ Long outstanding unsurrendered imprest and advances.
- ☐ Uncleared imprests.
- ☐ Unrecovered salary overpayments.
- ☐ Multiple Imprests.



# Details of issues noted on Management taxes



# Management of County Taxes

❖ Following issues noted with regards to taxation:

a)	Non remittance of tax
b)	PAYE deductions by CBK from the revenue allocation account
c)	Under charge of PAYE deductions
d)	Non remittance of provident funds laptrust and PAYE deductions
e)	Undeducted Withholding Tax



# Details of issues noted on Budgetting





# Management of Budget

❖ Following issues noted with regards to Budgeting:

a)	Unauthorized reallocation of funds from controller of budget
b)	Reallocation of funds without prior approval of supplementary budget
c)	Withdrawal of funds without approval from the controller of budget
d)	Inexistence of annual operational/activity plans



# Details of issues noted on Management accounting records



# Inadequate accounting records maintained

❖ Following issues noted with regards to accounting records:

a	Poor maintenance of accounting records
b	Unupdated vote book
c	Inexistence of vote book
d	retention register was not maintained
e	Failure to maintain a fuel register
f	Missing votebook
g	Failure to maintain assets register
h	Process for taking over defunct local authorities assets has not been finalized
i	Capitalization of ground breaking ceremony costs as part of cost of land
j	Lack of adequate controls over assets
k	Unutilized servicable equipment



# Details of issues noted on Internal Audit



# Internal Audit

❖ Following issues noted with regards to Internal audits:

a)	Non existence of internal audit function
b)	Inexistence of an audit committee
c)	Inexistence of risk management policy
d)	Failure to respond to audit reports
e)	Shortage of staff in internal audit department



# **Details of issues noted on Management of IT and IFMIS system**



❖ Following issues noted with regards to Budgeting:

a)	The following modules on IFMIS were not utilized by the County:
i)	Plan to Budget
ii)	Revenue to Cash
iii)	Record to Report
iv)	ICT to Support
b)	IFMIS had not been installed
c)	IFMIS and manual accounting systems did not produce ledgers accounts and other statutory reports



# IT environment

❖ Following issues noted with regards to IT:

a)	Inexistence of the IT strategic management plan
b)	Offsite backup not done
c)	No documented routine schedule for maintenance of IT equipments
d)	Register of staff accessing server room did not exist
e)	No service level maintenance agreement between the County and the vendor
f)	No smoke detectors in the server room
g)	Inexistence of an approved IT plan
h)	Inexistence of a training program to build IT capacity
i)	No IT strategic committee
j)	Failure to back up all transactions in IT systems, LAIFORM, GPAY, IFMIS





# CoB – National Government 9 Months Report

- ☐ Delay in release of development funds by National treasury – only 174.6 B (44.9%) against a performance target of 75%
- ☐ Delay in submission of expenditure reports by MDA's –affects compliance with Article 228(6) and Section 38(9) of the PFM Act, 2012.



# CoB – County Governments 9 Months Report

- ☐ Delay in submission of quarterly reports on established county funds (contravenes Sec. 168 of PFM Act)
- ☐ Under performance of Local Revenue Collection (only 46.9% against 75% target)
- ☐ Unbudgeted revenue in County budgets –some counties left out conditional grants provided for in CARA, 2015
- ☐ Inadequate Internal Audit Function & Audit Committees (contrary to Sec. 155 of PFM Act, 2012)
- ☐ Establishment and Operationalization of County Budget and Economic Forum (contravenes Sec. 137(2) of PFM Act, 2012)
- ☐ Lack of updated projects database (hinders monitoring & reporting implementation of development projects)
- ☐ Delay in disbursement of Equitable Share of Revenue by NT (only 158.88B against a target of 196.13)



**THANK YOU**