

**REPUBLIC OF KENYA**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS**

**OF**

**NYERI COUNTY EXECUTIVE**

**FOR THE PERIOD  
1 JULY 2013 TO 30 JUNE 2014**

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# **REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF NYERI 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 accounts of the National and County Governments under Article 229 of the Constitution and Public Audit Act, 2003. Further, the County Government Act, 2012 replaced the Local Government Act Cap 265, thus effectively dissolving all the 175 Local Authorities and creating 47 County Governments.

### **Audit Objective**

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

### **Terms of Reference**

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

- ✓ Budgetary Controls and performance
- ✓ Annual Operational/Activity Plan
- ✓ Procurement of goods, Works and services
- ✓ Allowances including travelling and accommodation expenses for local and foreign trips
- ✓ Purchase of Motor Vehicles
- ✓ Consultancy Services
- ✓ Grants/ Donations
- ✓ Imprests and advances
- ✓ Cash and Bank balances
- ✓ Human Resource Issues
- ✓ I.T. environment
- ✓ Current Assets
- ✓ Non-Current Assets
- ✓ AIES
- ✓ Pending Bills

## **1.0 Key Audit Findings**

### **1.1 Policy Issues**

#### **1.1.1 Lack of IT Policies**

During the period under review, the County Government did not have in place an approved IT policy, strategic plans and polices to guide the County on Information Technology in order to improve on delivery of services to the public.

### **1.1.2 Lack of an Audit Committee**

The County Government of Nyeri had not constituted an internal audit committee as at the time of audit to review internal audit reports of the executive and ensure implementation of their recommendations.

## **1.2 Cash and Bank**

### **1.2.1 Irregular Opening and Operation of Revenue Collection Account**

During the period under review, the County Government of Nyeri opened a revenue account with a local bank to deposit all revenue collected after having closed a similar account with another local bank. Approval for opening the said bank account was not availed for audit review. The agency agreement made available for audit between the County Government and the bank where the new account was opened, on the operations of the account was not dated and hence not possible to know when the contract was executed. Further, terms of remission of the collected revenue to the Central Bank of Kenya were not clear and there appeared to be unnecessary delay in remitting revenue funds to the CBK.

### **1.2.2 Irregular Creation of County Funds - Kshs. 22 Million**

The County Government created a Nyeri County Emergency Fund during the year under review and deposited Kshs.20 million into the fund account.

However, no County Executive minutes were availed as evidence of authorization of creation of the fund. Specimen of authorized signatories for the account was also not produced for audit review.

Further, another fund known as Nyeri Widows Empowerment fund was created and Kshs.2 million deposited in its bank account. Similarly, the County Executive Committee minutes were not provided to confirm the committee's approval for the establishment of this fund and no records were provided to show how funds from this kitty were being managed, utilized and accounted for.

### **1.2.3 Lack of a Revenue Cashbook at the County Treasury**

The Nyeri County Treasury did not maintain a cashbook for recording the revenue collected from the sub counties as well for other revenue collected on its behalf. Under the circumstances there is a possibility of loss, pilferage and deliberate diversion of county revenue into personal use.

### **1.2.4 Poor Cashbook Management**

The Nyeri County Government operated Seven (7) bank accounts during the year under review. However, it was noted that the cashbooks were not checked by an authorized officer. Further, the cash books were balanced using pencils and had many alterations and cancellations and payments were cleared by the bank without being posted in the cashbook.

It was also noted that no cash books were maintained for each of two bank accounts which were among the seven operated. No reason was given as to why the relevant cash books were not maintained.

### **1.2.5 Outstanding Temporary Imprests - Kshs.26,818,149.75**

Nyeri County Government had issued imprests totaling Kshs.26,818,149.75 which remained unsurrendered and unaccounted for as at 30 June 2014. Further, there were instances where officers were being issued with additional imprest(s) without having surrendered the previous one.

## **2.0 Non-Current Assets**

### **2.1 Lack of Prudence in Refurbishment of Buildings Kshs. 81,384,118.40**

The County Government of Nyeri leased a commercial building in Nyeri town and renovated the former Town Hall for use as County. At the end of the 5 years lease period, the County Government will have spent Kshs.81,384,118.40. This amount if prudently applied would have been sufficient to construct a modern office block for the County Government. Further, it was observed that the County Government was to pay rent of Kshs.10,866,240 during the period for the leased building and spent a total of Kshs.29,176,932 to renovate it. No reasons were given as to why the County Government had spent Kshs.29,176,932 to renovate a rented building and continue paying rent for the same.

### **2.2 Over Expenditure on Purchase of Motor Vehicles Kshs.28,401,980.00**

During the period under review, the County Government spent a total of Kshs.213,416,126 on purchase of motor vehicles against a budgeted amount of Kshs.185,014,146, leading to an unauthorized over expenditure of Kshs.28,401,980. The excess expenditure amount was incurred from purchase of bicycles and motorcycles, current grants and purchase of specialized equipment. However, no supplementary budget was availed to support the reallocation from the quoted votes.

### **2.3 Unutilized Serviceable Equipment and Motor Vehicles**

Records held at the County Government offices revealed that Seventy five (75) motor vehicles and Twenty (20) moveable equipment were inherited from the defunct local authorities. Out of these, 13 motor vehicles and 1 equipment had been recommended for boarding.

However, as at 30 June 2014, the exercise had not been carried out. Ten (10) motor vehicles required repair which however, had not been done despite the fact that the County Government had spent hundreds of millions to purchase new motor vehicles.

### **2.4 Irregular Purchase of Security Vehicles Kshs.53,238,656.00**

During the period under review, Nyeri County Government purchased vehicles for the Regular Police, Administration Police and the Criminal Investigation Department at a total cost of Kshs.53,238,656.00, which were being fueled by the County Government. However,



no minutes of the executive committee supporting the decision to purchase these vehicles were made available for audit verification. In addition, no correspondences were produced for audit verification to show whether the police and the CID raised a requisition or requested for these vehicles.

Further, the purchase of these vehicles was not listed in the intergrated development plan as part of the projects to be undertaken by the County during the period under review.

## **2.5 Irregular Procurement of Fleet Management and Tracking System Kshs.1,368,000**

During the period under review, a total of Kshs.1,368,000.00 was paid for supply and installation of a fleet management and tracking system of 30 Motor vehicles. However, it was observed that the County did not have a system control centre for monitoring the vehicles and therefore the system could not be confirmed to be working. The County Government may not have got value for money from this project.

## **2.6 Incomplete Land Details**

Nyeri County Government inherited one hundred seventeen (117) parcels of land from the defunct local authorities within its jurisdiction. However, details pertaining to their size, locations and existence were incomplete. Further, most of the land parcels did not have ownership documents. Therefore, their ownership could not be confirmed.

## **2.7 Lack of a Fixed Asset Register and Asset Management System**

During the period under review, the County Government of Nyeri did not maintain a Fixed Assets Register to record details of all its assets. Further, no asset management system or policy was in place for all its fixed assets inspite of its large number of assets and new acquisitions.

The existence, completeness and safety of these assets could not therefore be confirmed.

## **2.8 Pending Bills Kshs.120,425,711.45**

As at 30 June 2014, the County Government of Nyeri had not settled bills amounting to Kshs.120,425,711.45, comprising Kshs. 68,783,252.00 for Nyeri Provincial General Hospital and Kshs.51,642,459.45 for the other departments within the County. However, the authenticity of these creditors could not be ascertained in absence of relevant supporting documents.

## **3.0 Budget Performance**

### **3.1 Irregular Reallocation of Budget 2013/2014**

During the financial period under review, the County Government reallocated Kshs.740,497,614.00 from development to recurrent vote without following the laid down procedures.

Further, as at 30 June 2014, the County recurrent expenditure stood at 72% compared to 28% of the development. The law requires development expenditure not to be less than 30% of the total budget. Therefore the County Government was in breach of the law.

### **3.2 Reallocation of Education Development Funds to Installation of CCTVs - Kshs.1,554,800.00**

The County Department of Education, ICT, Youth Affairs and Sports spent Kshs.3,202,450.00 out of the allocated Kshs.63,500,000.00 out of which Kshs.1,554,800.00 was irregularly reallocated for installation of CCTV cameras at the County's leased offices. This was done without a requisition and approval by the County Treasury. Physical verification of the project showed that purchase and installation of the CCTV cameras had not been carried out by 30 June 2014.

### **3.3 Irregular Procurement Procedures**

#### **3.3.1 Unsupported Expenditure Kshs.10,946,850.00**

The County Government of Nyeri made payments during the period under review totaling Kshs.10,946,850.00 without any or appropriate supporting documents. In the circumstances, the propriety of this expenditure could not be confirmed.

#### **3.4 Unaccounted for Fuel – Kshs.3,150,000.00**

Records available revealed that during the period under review the County Government purchased fuel worth Kshs. 3,150,000.00. However, the fuel purchased was not accounted for. The fuel register was incomplete and in some cases the amount posted in the register was not supported by the work tickets. In other cases, fuel was purportedly drawn but the vehicles were stationary according to the work tickets.

#### **3.5 Irregular Hire of Garbage Trucks – Kshs.2,525,100.00**

During the financial period under review, the County Government of Nyeri hired garbage collection trucks at a cost of Kshs.2,525,100.00. However, it was not explained why hiring of these trucks was necessary since the County Government has its own trucks. Further, the procurement procedures followed could not be confirmed since no records or tender committee minutes were provided for audit review. In addition, records showing how the hiring charges were computed were scanty and therefore the payments were not properly supported.

#### **3.6 Delay in Completion of Non-Motorized Facility- Kshs.48,744,467.55**

During the financial period under review, the Nyeri County Government undertook construction of Non-Motorized facility (NMT) in Nyeri town at a cost of Kshs.48,744,467.55. The Engineer had estimated the cost of this facility to be Kshs.38,638,342.00, therefore resulting in a variance of Kshs.10,106,125.55 or 26% above the estimated cost. The excess variation would have necessitated the review of the tender before awarding was done.

The construction work was also behind schedule as it was planned to be completed by 27 June 2014, but at the time of audit in August 2014, this work was still ongoing, at about 50% complete. In the circumstances, it could not therefore be confirmed if the public got value for money from the construction of this facility by the County Government.

### **3.7 Delay in Completion of Street Parking Marking**

During the period under review, the County Government contracted out the marking of street parking spaces using concrete kerbs in Nyeri town CBD. However, as at 16 June 2014 the works done was about 53% while time elapsed stood at 76% with amount certified being Kshs.7,234,962.00. The reasons for delay were not clear since no request for extension document was filed with the County Government.

### **3.8 Irregular Procurement of Water Pipes - Kshs.38,452,323.00**

The County Government of Nyeri purchased and distributed water pipes and fittings worth Kshs.38,452,323.00 to various points within the County. However, it could not be confirmed if these pipes were actually needed as no requisitions on minutes were produced for audit verification. Audit inspection revealed that most of these pipes were lying bare and idle at the water companies' stores and CDF offices.

The propriety of the spending Kshs.38,452,323.00 by the County Government could not therefore be confirmed.

## **4.0 Procurement for Health Facilities**

### **4.1 Othaya District Hospital-Idle Equipment, Furniture and Supplies Kshs.472,443,897.50**

The Ministry of Health headquarters issued Othaya District Hospital Pharmaceuticals and non-pharmaceuticals with items worth Kshs.472, 443,897.50 to be used by the new Othaya hospital which was under expansion at the time. However, the expansion has since stalled and the contractor abandoned the site. Some of these items were stored at the CDF hall where it was reported that items valued at Kshs.12,620,500.00 were missing. The security and existence of the remaining items estimated at Ksh.239, 160,164.50 at the CDF hall could not be assured.

Further, the items stored at Nyeri Kemsa stores also showed unexplained variance of Kshs.9,142,240 between the value of items stored there of Kshs.214,099,183.00 stock (as per Othaya Hospital records) and the balance of Kshs.204,956,943.00 at the time of audit inspection. Othaya Hospital records also indicated that drugs worth Kshs.3,961,862.28 had already expired at the time of audit.

This was therefore a clear wastage of Public Funds which should be stopped immediately

#### **4.2 Karatina District Hospital- Undelivered items - Kshs.2,893,640.00**

During the period under review, Nyeri County Government procured items worth Ksh.13,227,200.00 for Karatina district hospital. However, although all items were fully paid for in June 2014, items worth Kshs.2, 893,640.00 were yet to be delivered in the hospital.

#### **4.3 Un-requisitioned Medical Equipment for Health Facilities - Kshs.28,310,786.00**

During the period under review, the Nyeri County Government, procured Non pharmaceutical goods worth Kshs.28,310,786.00 and supplied them to Mukurweini and Karatina district hospitals. These hospitals had not requested for these goods and they have no capacity to use them. They have therefore remained in the respective stores without being put into use.

The value for money was not gotten from the acquisition of medical items which were not requested for.

#### **4.4 Unaccounted for Grant to Nyeri Provincial General Hospital - Kshs.185,182,028.**

During the financial period under review, the Nyeri County Government, through the approved budget, was required to grant Nyeri Provincial General Hospital Kshs.382,128,747.00.

The National Treasury withheld Kshs.125,325,736.00 out of this balance and the County Government was therefore meant to hand over Kshs.256,803,039.00 to the Hospital. However, records showed that this money was not released to the hospital. Instead, the County Government made some payments totalling Kshs.71,621,011 from this vote leaving a balance of Kshs.185,182,028.00 unaccounted for.

Further, the expenditure details of how the funds were utilized and accounted for was not provided for audit verification. In addition, the bank balances for the three accounts as at the end of the financial year showed a combined balance of Kshs.11,418,778.00, an indication that the grant was irregularly reallocated by the County Government for other purposes.

In the circumstances, the expenditure of Kshs.185,182,028.00 in respect of grants to PGH Nyeri could not be confirmed.

#### **4.5 Excessive Waivers on Cost Sharing Revenue - Kshs.19,611,199**

During the period under review, Nyeri Provincial General Hospital collected revenue totalling Kshs.137,221,952.00. However, waivers amounting to Kshs.19,611,199.00 were granted between 1 July 2013 and 30 June 2014. The waivers constituted 12.5% of the total revenue.

These waivers are therefore excessive compared to the total revenue for the financial year.

#### **4.6 Unaccounted for Fertilizer - Kshs.10,216,500.00**

During the period under review, Nyeri County Government procured 21,676 bags of subsidized CAN fertilizer for coffee farmers at a cost of Kshs.32,514,000.00.

The Principal Secretary, Ministry of Agriculture, Livestock and Fisheries had granted approval of 14,865 bags yet 21,676 bags were acquired increasing the approved quantity by 6,811 at Kshs.1,500.00 per bag. The County Government however, through the stores records, was only able to account for 14,865 bags, leaving an unexplained balance of 6,811bags worth Kshs.10,216,500.00.

#### **4.7 Irregular Contribution to Council of Governors- Kshs.6,940,604.00**

The County Government of Nyeri spent Kshs.6,940,604.00 in respect of the County's contribution towards the Council of Governors. However, no receipts/invoices supporting the payments were made available. In addition, there was no clear policy on how the contributions were being arrived at and therefore the authenticity of these payments could not be confirmed.

#### **4.8 Unsupported Financial Support- Kshs.1,000,000.00**

During the period, the County Government paid Othaya Dairy Cooperative Kshs.1,000,000.00 being financial support to pay off outstanding liabilities. This decision was said to have been approved by the County Executive Committee on 20 Feb 2014.However, County Executive Committee minutes supporting this decision were not produced for audit verification. The propriety of this payment could not therefore be confirmed.

#### **4.9 Irregular Grant - Kshs 500,000.00**

During the period under review, the County Government paid Kshs.500,000.00 grant to Gachika Youth Polytechnic. This was said to be a governor's pledge. However, the approval, purpose and conditions of the grant was not produced for audit verification.

#### **4.10 Unsupported Donation - Kshs.250,000.00**

The Nyeri County Government donated Kshs.250,000.00 to Graceland Girls School as a walk sponsorship. However, the money was given five months after the date of the walk. Further, there was no acknowledgement receipt from the school. It was therefore not clear if the money was received and used for the intended purpose.

#### **4.11 Unsupported Domestic Travel Expenditure - Kshs.3,756,275.00**

During the financial period under review, Nyeri County Government paid a total of Kshs.3,756,275.00 to a Tour Company in respect of domestic travel expenditure to Mombasa for a seminar. However, the travel analysis did not show how many people were

travelling. Further, the purpose of the trip to Mombasa for seven days (8 – 15 June 2014) was also not provided.

In the circumstances, the propriety of the payment of Kshs.3,756,275.00 could not be established.

## **5.0 Revenue**

### **5.1 Unsurrendered Revenue Books – Nyeri Town Sub County**

During the period under review, Nyeri County Government issued numerous revenue collection books to the collecting officers without having surrendered the complete ones. The revenue collected with such books could therefore not be quantified or accounted for and could have been misappropriated.

### **5.2 Lack of Reconciliation of Revenue Collections and Revenue Bankings**

It was noted that the Nyeri County Treasury did not prepare monthly reconciliations for revenue collected and revenue banked in the County Revenue Fund. The County Government may be losing colossal amounts of revenue without knowledge.

### **5.3 Lack of Consolidated Database of Revenue Records at the County Treasury**

The Nyeri County Treasury did not have a consolidated database of revenue records. In view of this, the revenue collected during the financial year 2013/2014 could not be ascertained.

## **6.0 Human Resource Management**

### **6.1 Lack of Approved Staff Establishment, Organizational Structure, Human Resource Plan, Policies and Written Job descriptions**

During the financial period under review, the County Government was operating without approved staff establishment, scheme of service for the staff, human resource policy document and integrated human resource plan. It was therefore, not possible to establish the optimal staff required for smooth operations of the County Government. There are high possibilities of excess staffing, job mismatch, over establishment, idle capacity and bloated salary bill for the County.

### **6.2 Unsupported Human Resource Consultancy Services - Kshs.928,000.00**

The Nyeri County Government contracted a Consultant to carry out a survey on Human Resource Status and administrative structure at a cost of Kshs.928,000.00. However, the contract agreement and the final status report from the Consultant were not provided for audit verification. The propriety of this expenditure could therefore not be confirmed.

### **6.3 Irregular engagement of casual workers**

Human Resource records available indicated that a total of 777 casuals were hired during the period. However, only payments amounting to Kshs.1,663,172.00 relating to casuals were availed for audit review. It was further noted that the casuals were employed by the defunct Local Authorities with some having served for as many as eleven (11) years contrary to labour laws. No contract letters were availed to support their engagement.

### **6.4 Failure to Adhere to 30% Threshold in Recruitment of Staff**

Nyeri County Government recruited a total of 103 employees. However only seven (7) were from outside the local community, representing 6.8% of the total number employed contrary to the 30% required by section 65(1)(e) of the County Government Act. The County government is in breach of the law.

### **6.5 Excessive Wage Bill**

Compensation of employee costs for Nyeri County Government amounted to Kshs2,572,712,032.00 against a total expenditure of Kshs.4,335,896,588.00 which represents 59.33% which apparently appears excessive for any meaningful development of the County.

### **7.0 Conclusion**

The foregoing observations clearly indicate that the County Government of Nyeri has not yet instituted sound accounting, reporting and financial management systems in line with Section 194 of Public Finance Management Act, 2012. The County Government should therefore follow the guidelines issued by Public Sector Accounting Standards Board in developing such systems. Expenditure should be incurred in accordance with the Public Finance Management Act, 2012. Finally, goods and services should be procured in accordance with Public Procurement and Disposal Act, 2005.

Detailed audit findings are contained in the audit report herewith appended.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**25 May 2015**

## **DETAILED AUDIT REPORT ON THE FINANCIAL OPERATIONS OF THE COUNTY EXECUTIVE OF NYERI FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014**

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### **1.0 Detailed Audit Findings**

#### **1.1 Policy Issues**

##### **1.1.1 Lack of IT Policies**

During the period under review, the County Government did not have in place an approved IT policy, strategic plans and polices to guide the County on Information Technology in order to improve on delivery of services to the public. The document which was availed for audit verification was a draft copy of the IT policy which had not been approved.

#### **Recommendations**

The County Government of Nyeri should formulate the necessary policies and plans and align its financial and institutional resources to agreed policy objectives and programmes. The Draft IT policy should be approved and implemented.

##### **1.1.2 Lack of Audit Committee**

#### **Observations**

The County Government of Nyeri had not constituted an internal audit committee as at the time of audit to review the reports of the executive and ensure implementation of their recommendations.

#### **Recommendation**

The County Government of Nyeri should constitute an audit committee as prescribed by the regulations.

### **1.2 Cash and Bank Balances**

#### **1.2.1 Irregular Opening and Operation of Revenue Collection Account**

#### **Observations**

During the period under review, the County Government of Nyeri opened a revenue account with a local bank to deposit all revenue collected within the County. It closed a similar account held with another local bank without any explanations. The agency agreement made available for audit between the County Government and the new local bank on the operations of the account was not dated and hence it was not possible to know when the deal was sealed. The agency agreement was to remain in force for 2 years and shall be renewable unless and until terminated by either party. Without the effective date of the agreement, it was not possible to tell the effective dates for the beginning and end of the



agreement. Further, the Nyeri County Executive did not avail the signatories and specimen signatures to the Equity revenue account.

Further, terms of remission of the collected revenue to the Central Bank of Kenya were not clear and there appeared to be unnecessary delay.  
The regularity of the opening this account could therefore not be confirmed.

### **Recommendations**

The County should instruct the bank clearly on how often revenue collected should be remitted to the CBK revenue fund and further explain why a similar account was closed.

Further, documentary evidence should be availed as to how the bank services were procured.

### **1.2.2 Irregular Creation of County Funds Kshs.22,000,000.00**

#### **Observations**

The County Government opened a Nyeri County Emergency Fund at a bank during the year. A memo dated 8<sup>th</sup> May 2014 by the County Executive Secretary directed Kshs. 20 million to be deposited in the Bank, Nyeri Branch which was done.

However, the County Executive minutes authorizing the opening of the account were not made available for audit verification and the specimen authorized signatories for the account were not also availed.

Further Kshs.2 million was transferred for establishment of 9 Widows Empowerment Fund through the County Executive Committee in its meeting of 21 April 2014. However, the County Executive Committee minutes were not availed to confirm the committee's approval for the establishment of this Fund. In addition no documentation was availed by the County Government of Nyeri to prove that the Widows Empowerment Fund had actually been established. Furthermore, no records were made available to show how funds from this kitty were being utilized and accounted for.

#### **Recommendation**

The County Government of Nyeri should avail approval/evidence for the establishment and existence of the Widows Empowerment Fund and show how funds have been used during the period under review.

### **1.2.3 Lack of a Revenue Cashbook at the County Treasury**

#### **Observations**

The Nyeri County Treasury did not maintain a cashbook for recording revenue collected from the sub counties as well as other revenue collected on its behalf. This is in contravention of the Public Finance Management Act, 2012 and the Government Financial Regulations and Procedures.

#### **Recommendation**

A revenue cashbook should be maintained for all revenue collected by and on behalf of the County.

### **1.2.4 Poor Cashbook Maintenance**

#### **Observations**

During the period under review, the Nyeri County Government operated Seven (7) bank accounts namely. The following anomalies were noted:

- i. The Recurrent, Development and imprest account cashbooks were not checked by an authorized officer including the internal auditor. The cash books were balanced using pencils and had many alterations /cancellations.
- ii. A review of the bank reconciliation statement as at 30 June 2014 for one of the Accounts reviewed that the statement was not signed and had payments in bank statement not in the cashbook amounting to Kshs. 75,229. It was not explained why payments cleared by the bank were not posted in the cashbook.
- iii. The Recurrent cashbook in one of the Accounts bank reconciliation statement as at 30 June 2014 reflects Kshs. 1,126,467.60 as payments in the bank statement not yet recorded in cashbook and Kshs.1,525,130.00 receipts in bank statement not in cashbook. There was no explanation provided for not recording the payment and receipts in the cash book.
- iv. The bank statement for Nyeri County imprest reflected a credit balance of Kshs.91,024,876.15 while the cashbook reflected Kshs.16,954,941.76 as at 30 June 2014. According to bank reconciliation statement for the period, deposits in the bank statement not in cash book amounted to Kshs 4,313,584.85. The nature of the deposits was not however explained.
- v. The County Assembly of Nyeri account and Nyeri County Emergency Fund account Kshs.6,597,124.07 and Kshs.19,999,400.00 respectively. However, no cashbooks or bank reconciliation statements were availed to confirm the accuracy of the balances.

## **Recommendation**

The cashbooks should be maintained, checked and entities recorded properly with no alterations and reconciliations should be done on monthly basis. Further outstanding items should be cleared as they become due and necessary adjustments made in the cash book promptly.

### **1.2.5 Outstanding Temporary Imprests - Kshs.26,818,149.75**

#### **Observations**

The Nyeri County Government outstanding imprests as at 30.6.2014 stood at Kshs.26,818,149.75. There were cases of officers being issued with additional imprests while previous ones had not been surrendered. The imprest register did not show when the imprest is due for surrender while designation and personal numbers were also not indicated in the register.

#### **Recommendations**

All outstanding imprests should be surrendered or recovered and in addition officers should not be issued with additional imprest before surrendering outstanding ones.

## **2.0 Non-Current Assets**

### **2.1 Lack of Prudence on Refurbishment of Buildings - Kshs. 81,384,118.40**

#### **Observations**

The County Government entered into a lease agreement with a lessor who agreed to lease a commercial building title No- Nyeri Municipality/block 1/74 known as Karson Photo House measuring 4700sq ft on the first floor (1,700sq ft) and second floor (3,000sq ft) for a term of five years three months (63 months) from the first day of May, two thousand and thirteen (2013) to 30<sup>th</sup> day of September 2017. According to the agreement the County Government was to pay Kshs.156,800 per month , which was to be subjected to service charge of 10% (Kshs.15,800), making a monthly total of rent of Kshs.172,480.00.

This implies that the County Government would pay a total of Kshs.10,866,240.00 as rent during the lease period. However no reasons were provided as to why the County Government spent Kshs.29,176,932.40 to renovate the rented building and continue to pay rent for the same.

Further another expenditure of Kshs.41,340,946.00 was incurred on renovation of the Governor's office. It was not explained why the County Government was spend to a total of Kshs.81,384,118.40 being Kshs.41,340,946.00, for renovating the Governor's office, Kshs.29,176,932.40 for Carsons House and Kshs.10,866,240.00 for rent. This amount if prudently applied would have been sufficient to construct a modern office block for the County Government.

## **Recommendations**

The County Government should exercise prudence in use of public funds by reconsidering constructing their own office block to make a long term saving on rent payments.

### **2.2 Over Expenditure on Purchase of Motor Vehicles – Kshs.28,401,980.00**

#### **Observations**

During the period, the County Government spent Kshs.213,416,126 on purchase of motor vehicles against a budgeted amount of Kshs.185,014,146, leading to an over expenditure of Kshs.28,401,980. The expenditure in excess of the budgeted amount was incurred from the Bicycles and Motorcycles, current grants to Local Authorities and purchase of specialized plant votes. However no supplementary budget was availed to support the reallocations from the quoted votes.

#### **Recommendation**

Explanation should be provided on why the budgetary allocation on purchase of motor vehicles was exceeded.

### **2.3 Neglect of Serviceable Equipment and Motor Vehicles**

#### **Observations**

Records held at the County Government offices revealed that 75No. Motor vehicles and 20 No. equipment were inherited from the defunct local authorities. Out of these, 13 motor vehicles and 1 equipment had been recommended for boarding.

However, as at the time of the audit, the exercise had not been carried out. Ten (10) motor vehicles required repair but this had not been done despite the fact that the County Government has spent hundreds of millions to purchase new motor vehicles.

#### **Recommendations**

Unserviceable motor vehicles and machinery should be boarded while serviceable ones should be serviced and consistent maintenance of the same should be ensured.

### **2.4 Irregular Purchase of Security Vehicles - Kshs 53,238,656.00**

#### **Observations**

During the financial year 2013/2014, Nyeri County Government developed its Integrated Development Plan for the Period 2013-2017 which highlighted development objectives, potential strategic policy thrusts and prioritized its development projects.

It was noted that during the period under review, the County Government purchased vehicles for the Regular Police, Administration Police and the Criminal Investigation Department at a cost of Kshs.53,238,656.00. It was also observed that the County Government was issuing fuel to the police vehicles. However, the purchase of the vehicles was not listed in the Integrated Development Plan as part of the projects to be undertaken by the County. In addition Police Services is a function of the National Government and not County Government.

Further, no minutes of the Executive Committee on purchase of these vehicles were availed to support the decision to Purchase the police vehicles. There were correspondences to show that the Police and the CID raised a requisition or requested for the vehicles.

### **Recommendations**

Minutes of the executive committee authorizing the purchase of the vehicles should be availed. In addition, requisitions from the Regular, Administration Police and the CID should be provided.

## **2.5 Irregular Procurement of Fleet Management and Tracking System-Kshs.1,368,000**

### **Observations**

An amount of Kshs.1,368,000.00 was paid to M/s Leighton Tracking for supply and installation of a fleet management and tracking system for 30 motor vehicles. The payment was effected vide payment voucher number 924 dated 19<sup>th</sup> June, 2014. However, the system could not be verified.

### **Recommendation**

The County Government should ensure that fleet management and tracking system is operational.

## **2.6 Incomplete Land Details**

### **Observations**

Nyeri County Government inherited one hundred seventeen (117) parcels of land from the defunct local authorities. However, details pertaining to their size, locations and existence were not complete. Further, most of them did not have ownership documents and their ownership could not therefore be confirmed.

### **Recommendation**

The County Government should ensure that the land details are established and properly documented.

## **2.7 Lack of a Fixed Asset Register and Asset Management System**

### **Observations**

The County Treasury did not maintain a fixed asset register for all the County Government's assets.

The County Government had not consolidated all the necessary information about all the assets in its possession, some which were acquired by the defunct local authorities as well as assets which it has purchased since March 2013 e.g. sizes of plots of land, location of the assets, asset allocation and asset usage.

It was also noted that the County Government did not have an asset management system in place for all its assets even though the County Government had a large number of assets and continued to purchase more.

### **Recommendations**

The County Government should ensure it has taken the necessary measures to safeguard its assets by maintaining a detailed and updated fixed asset register of all its assets. The County should also ensure it has an asset management system.

## **3.0 Current Liabilities**

### **3.1 Long Outstanding Legal Fees - Kshs.6,206,803.00**

#### **Observations**

Records maintained at the Nyeri County Executive revealed that legal fees amounting to Kshs.6,206,803.00 were outstanding as at 30 June 2014. No reason was provided for failure to clear the same.

#### **Recommendation**

Nyeri County Government should clear the outstanding claims to avoid litigation.

### **3.2 Pending Bills - Kshs.120,425,711.45**

As at 30 June 2014, the County Government had not settled bills amounting to Kshs.120,425,711.45 comprising Kshs.68,783,252.00 for Nyeri Provincial General Hospital and Kshs.51,642,459.45 for the other departments in the County. However, the authenticity of these creditors could not be ascertained due to inadequate records.

#### **Recommendation**

The County Government should have a consistent policy on creditors and justification for pending bill should be availed.

### **3.3 Budget Performance**

#### **3.3.1 Irregular Reallocation of 2013/2014 Budget**

##### **Observations**

During the period under review, the County Government reallocated Kshs.740,497,614.00 from development to recurrent vote without following the laid down procedures. Further, as at 30 June 2014, the County Recurrent expenditure stood at 72% to 28% of the development. The law requires development expenditure not to be less than 30% of the total budget.

However, according to the County expenditure returns for the period from July 2013 to 30<sup>th</sup> June 2014, the approved budget for Recurrent and Development expenditure was Kshs. 3,089,116,988.00 and Kshs. 1,452,298,721.00 respectively. This was after the County reallocated Kshs. 740,497,614.00 from Development to Recurrent vote.

It was not clear why the County decided to reallocate Development funds to recurrent expenditure. Also no evidence was provided as to how the re allocation was done as no county fiscal strategy paper on amendment/publication of budget was provided for audit verification.

##### **Recommendation**

The County should adhere to regulations guiding on budget re-allocation and development projects.

#### **3.3.2 Reallocation of Education Development Funds to Installation of CCTVs – Kshs.1,554,800.00**

##### **Observations**

The Education, ICT, Youth Affairs and Sports department had been allocated Kshs.63,500,000 for development expenditure during financial year 2013/2014.

However, only Kshs 3,202,450 was spent under this vote during the year. Out of Kshs.3,202,450 spent, Kshs 1,554,800 was reallocated for installation of CCTV cameras at the County's leased offices (Karson House). This represents 48 percent of the total development expenditure under this vote. No request and approval of the same by the County Treasury was availed for audit. In addition, no reasons were given for the reallocation. Further at the time of this audit installation of the CCTV cameras at the Karson house had not been carried out.

##### **Recommendations**

The County Government should justify the reallocation and that the expenditure on installation of CCTV cameras was a proper charge to public funds.

## **4.0 Procurement**

### **4.1 Unsecure Store, Lack of Proper Store Records and Improper Procurement Plan**

#### **Observations**

During the audit, a visit was made to one of the County's stores located in Nyeri town behind Nyahururu stage. It was noted that the store was in a dilapidated state and not secure. The perimeter wall was not high enough to deter criminals despite the fact that it is located next to a slum. Expensive equipment, earth movers and motor vehicles were packed in the store's yard.

It was explained verbally that the night guards were not enough to patrol the entire compound. Further, the store ledger cards kept in the store were not enough thus making it difficult to take-on-charge and enter in the store ledger all the items brought in the store. There was also obsolete stock which was taking a lot of space.

During the course of the audit, the County Government availed an annual procurement plan for the 2013/2014 financial year which did not conform to the prescribed format. Further, the County Government did not adhere to the procurement plan while procuring services and goods.

#### **Recommendations**

The County Government should prepare and adhere to the prescribed procurement plan. Further the County should allocate resources towards a secure store.

### **4.2 Unsupported Expenditure - Kshs.10,946,850.00**

#### **Observations**

An expenditure totaling Kshs.10,946,850.00 was incurred during the year under different expenditure items and on diverse dates. No proper documentation was availed to support the expenditure

#### **Recommendation**

The County should support the expenditure of Kshs.10,946,850.00

### **4.3 Unaccounted For Fuel – Kshs. 3,150,000.00**

#### **Observations**

Records available revealed that the County Government purchased fuel in bulk on different occasions. However, fuel valued at Kshs.3,150,000.00 was not accounted for. The fuel could not be traced to the fuel register and to the work tickets of the vehicles. The fuel register lacked vital details like balance at any given time, number of litres drawn, detail order numbers among others.



The County Government was also purchasing fuel for police vehicles, notwithstanding the fact that police had their allocations from the National Government and work plans independent from the County Government. Further, fuel purchased for sub counties could not be confirmed as no returns had been filed. Instances were noted where fuel was drawn as per fuel register but not evidenced in the work ticket. In some cases, fuel was drawn yet the vehicle said to have been filled never left the station.

## **Recommendations**

The County should institute sound controls on fuel.

### **4.4 Irregular Hire of Garbage Trucks – Kshs.2,525,100.00**

#### **Observations.**

The County Government paid Kshs. 2,525,100 to various firms being cost of hiring trucks to assist in garbage collection.

However, the following anomalies were noted;-

- i. Invoices were not made available for audit scrutiny.
- ii. The County Government prepared an excel sheet and went ahead and paid the suppliers.
- iii. The County Government has garbage trucks and therefore, the need to hire additional garbage trucks for a few days were not clear.
- iv. The firms were said to be prequalified, however, the relevant documentation, including their bids were not availed for audit.
- v. It was not clear how the rates charged per hour were arrived at.
- vi. It was not clear who was supervising the exercise from the County Government's side.

#### **Recommendations**

The above anomalies should be explained and all the relevant documentation in regard to hiring of the firms should be made available.

### **4.5 Delay in Completion of Non Motorized Facility -Kamakwa to Nyeri Town along Baden Powell Road, Nyeri Town To Meeting Point Section Along Kenyatta Road**

#### **Contract Details:**

Contractor	Ms Penn Construction Ltd
Contract No.	NCG/38/2013-2014
Contract Sum	Kshs.48,744,467.55
Engineer's Estimate	Kshs.38,638,342.00

Variance	Kshs.10,106,125.55
Contract start date	9 May 2014
Contract Period	45 days
Contract end date	27 June 2014

Total payments as at 30.6.14 Kshs.20,048,525.00

### **Observations**

The Nyeri County Government undertook construction of Non-Motorized facility (NMT) from Kamakwa of Nyeri town along Baden Powell road and Nyeri town meeting point section along Kenyatta road. The valuation report availed dated 11 June 2014 revealed that real works done stood at 41.1% while time elapsed stood at 64.4% and amount certified was Kshs.20,048,525.00. During the audit verification done in August 2014, it was found that the contractor was still on site while the contract period ended on 27 June 2014.

No letter of request for extension from the contractor was availed and no official letter for extension of the contract period was issued by the County Government. It was further observed that the Engineer's estimate for the project was Kshs.38,638,342.00 against the contract price Kshs.48,744,467.55 hence resulting in a variance of Kshs.10,106,125.55 above the engineer's estimate. The variance of Kshs.10,106,125.55 was not explained.

### **Recommendations**

The contractor should not be on site without an official letter for extension of contract period. Justification for overpricing of the project by Kshs.10,106,125 above the Engineers estimate should be availed.

## **4.6 Delay in Completion of Marking of Street Parking Spaces Using Concrete Kerbs**

### **Contract Details:**

Contractor	Ms Donk Investment Ltd
Contract No.	NCG/39/2013-2014
Contract Sum	KShs.13,557,062.51
Engineer's Estimate	Kshs.17,822,868.00
Variance	Kshs. (4,265,806.00)
Contract start date	9 May 2014
Contract Period	45 days
Contract end date	27 June 2014

Total payments as at 30.6.14 - Kshs.7,234,964.00.

### **Observations**

The Nyeri County Government undertook marking of street parking spaces using concrete kerbs including thermoplastic painting in Nyeri town CBD. Valuation report dated 16 June 2014 revealed that real works done stood at 53.4% while time elapsed stood at 75.6% and amount certified was Kshs.7,234,962.00. During the audit verification done in August 2014,

it was found that the contractor was still on site while the contract period was to end on 27 June 2014. No letter of request for extension from the contractor was availed and no official letter for extension of the contract period was issued by the employer.

It was further observed that the contractor ( Ms Donk Investment Ltd) in his letter dated 4 August 2014 claims to have finished 95 % of works and the delay of 5% was due to disputes that had not been resolved between the County Government and the involved parties. The 95% of completion could not be ascertained since there was no current progress report for the project and the works seems to be far from completion and the contractor was not on site.

## **Recommendations**

The contractor should not be on site without an official letter for extension of contract period. The current progress reports should be availed to ascertain the actual works completed.

### **4.7 Incomplete Road Works (Grading and Gravelling)**

#### **Project Details:**

Average cost of grading per KM = Kshs.54, 000. 00  
Average cost of gravelling per Km = Kshs.1, 093, 500 .00

#### **Observations**

While undertaking physical verification of the road works the following was noted:

There were roads where works had been done but no signposts had been erected even though the signposts were part of the works as per the contract and the cost of erecting the signposts was included in the contracts e.g. Wachinga Junction – Gitugi tea factory road, Kihuri Road in Mahiga Ward, Gachuiro-Mukonye Road in Karatina town ward and Muthua-ini Secondary School Kairia in Kamakwa/Mukaro ward.

There were variances noted between the documented length and actual length of some roads where works were undertaken e.g. Gacatha – Kihuro – Kiandu road the documented graded and graveled length is 15 kms and 5 kms respectively however upon visiting the site the graded and graveled length was found to be 4.6 kms and 3.8 kms respectively.

Muthua-ini Secondary School Kairia-Gathima-kariba-ini-Gitero road in Kamakwa/Mukaro ward the documented graded length is 10kms. Upon audit visit the graded and graveled length was found to be 4kms resulting in a variance 6kms.

#### **Recommendations**

Payments should be paid on the strength of works done. There should be strict supervision to and verification of work done before payments are made. Any overpayments should be recovered from the contractor.

#### **4.8 Irregular Procurement of Water Pipes - Kshs.38,452,323.00**

##### **Observations**

The County Government bought water pipes and fittings worth Kshs.38,452,323.00 for distribution to various points within the County. Procurement meeting minutes showing how the user departments requisitioned the pipes and how the pipes were distributed were not availed. Physical verification of the pipes delivered revealed that the pipes were stored in water companies' stores and CDF offices and it was therefore not possible to verify the same.

##### **Recommendations**

The County should provide a distribution list of all the pipes and fittings bought showing clearly the project name and the documents supporting the receipt of the pipes and fittings.

#### **5.0 Procurement for Health Facilities**

##### **5.1 Othaya District Hospital-Idle Equipment, Furniture and Supplies - Kshs.472,443,897.50**

##### **Observations**

Othaya District Hospital received Pharmaceutical and non-pharmaceutical items worth Kshs.472,443,897.50 from the Ministry of Health headquarters between February, 2013 and December, 2013. These items/ equipment were procured for the new Othaya Hospital which was under construction. However, the new hospital had not been completed/ had stalled since the contractor abandoned the site and another was being sourced.

Records availed during the audit of Othaya District Hospital revealed that out of the Kshs.472,443,897.50, items worth, Kshs.239,160,164.50 were stored at the Othaya CDF hall and others worth Kshs.214,099,183.00 at Nyeri Kemsa stores. Further records availed for audit verification revealed that items worth Kshs.12,620,500.00 were missing from the CDF Hall.

The theft was reported to the police and case No.CR 253/224/2013 CF 321/2013 was opened which is yet to be concluded.

A visit to the Othaya CDF hall revealed that it has not been completed, there were no window/door grills and no racks on which to place the items. As a result the security of the Kshs.239,160,164.50 items stored there was not assured. Further, the items risk being obsolete and spoilt due to conditions under which they are stored. In fact, some items which are liquid in nature have started spilling and are in filthy conditions.

A visit to the Nyeri Kemsas stores on 18 August 2014 revealed that out of Kshs.214,099,183.00 worth of stock (as per Othaya Hospital records), the balance was only Kshs.204,956,943.00 resulting in Kshs.9,142,240.00 variance which was not explained. Further, hospital records indicated that drugs worth Kshs.3,961,862.28 had expired since they were not being used.

### **Recommendations**

The procurement of items should be investigated to ascertain why such a large amount of public funds was used yet the hospital had not been completed. The CEC Member of Health should seek for authority to distribute the items to other health facilities to avoid wasteful expenditures. The Kshs.9,142,240.00 variance of items at KEMSA stores should be reconciled and or accounted for.

### **5.2 Karatina District Hospital- Undelivered items - Kshs.2,893,640.00**

During the financial period under review, the County Government procured items worth Ksh.13,227,200.00 for Karatina district hospital. However, audit inspection revealed that although all items were fully paid for in June 2014, items worth Kshs.2,893,640.00 were yet to be delivered.

The County could therefore be unable to enforce delivery of items which were paid for before delivery.

### **Recommendation**

Proper procurement plans and targets should be put in place to avoid excess/wasteful expenditure and all goods procured should be delivered and inspected first before payment is done as per Government Procurement Procedures.

### **5.3 Un-requisitioned Medical Equipment Procured by the County Government for Health Facilities - Kshs. 28,310,786.00**

During the period under review, the County Government procured Non pharmaceutical goods worth Kshs.28,310,786.00 and supplied them to Mukurweini and Karatina district hospitals. These hospitals had not requested for these goods since they have no capacity to use there. They have therefore remained in the stores without being used.

There was no value for money obtained from the acquisition of medical items which were not requested or required.

### **Recommendation**

The County should consider giving the equipment to either hospitals that have capacity to use them in order to minimize losses. The Officers responsible for this procurement should also be reprimanded or surcharged for procuring goods without requisitions.

#### **5.4 Unaccounted for Grant to Nyeri Provincial General Hospital Kshs.185,182,028.00**

During the financial period under review, the County Government through the approved budget purposed to grant Nyeri Provincial General Hospital Kshs.382,128,747.00. The National Treasury withheld Kshs.125,325,736.00 out of this balance and the County Government was therefore to hand over Kshs.256,803,039.00 to the Hospital. However, records showed that this money was not released to the hospital. Instead, the County Government made some payments totaling Kshs.71,621,011 from this vote leaving a balance of Kshs.185,182,028.00 unaccounted for.

The bank balances for the three accounts as at the end of the financial year showed a combined balance of Kshs.11,418,778.00, an indication that the grant was reallocated by the County Government for other purposes.

Although there was no agreement between the Nyeri Provincial Hospital and the County Government on how the grant was to be utilized, the County Government did not have approved regulations of the grants. The money should have been used for the intended purpose of hospital development.

In the circumstances, the expenditure of Kshs.185,182,028.00 in respect of grants to PGH Nyeri could not be confirmed.

#### **Recommendation**

The County Government should account for the Grant amounting to Kshs.185,182,028.00.

#### **5.5 Excessive Waivers on Cost Sharing Revenue Kshs.19,611,199**

During the financial year 2013/2014, Nyeri Provincial General Hospital collected revenue totaling Kshs.137,221,952.00. However, waivers amounting to Kshs.19,611,199.00 were granted between 1st July 2013 and 30th June 2014. The waivers constitute 12.5% of the total revenue which would have been collected by the hospital during the year. The waivers are therefore excessive compared to the total revenue for the financial year.

#### **Recommendation**

Waiver policy should be put in place and waivers should be kept to minimal level to avoid loss of revenue.

#### **5.6 Non Accountability of Subsidized Fertilizer (Can) - Kshs.10,216,500.00**

Examination of payment vouchers revealed that during the year, the County Government procured 21,676 bags of subsidized CAN fertilizer for coffee farmers at Kshs.1,500 per bag which amounted to Kshs.32,514,000.00. Approval was given for procurement of 14,865 bags yet the County procured 21,676 bags, thereby exceeding authorized quantity by 6,811 bags.

Stores records availed for audit exercise revealed that out of the 21,676 bags, the County Government accounted for only 14,865 bags leaving a balance of 6,811 bags worth Kshs.10,216,500.00 uncounted for.

Further no contract agreement/clear policy was availed as to how the County and the Cooperative societies sealed the deal to procure subsidized fertilizer for the coffee farmers. Also, no documentary evidence was availed to show how the finances utilized for fertilizer will be recovered.

## **Recommendations**

The Nyeri County should account for 6,811 bags of the fertilizer worth Kshs.10,216,500, failure to which the responsible officers should be surcharged.

### **6.0 Contributions/Donations**

#### **6.1 Irregular Contribution to Council of Governors - Kshs.6,940,604.00**

## **Observations**

The County Government spent Kshs.6,940,604.00 in contribution to the Council of Governors for various purposes. There were no receipts to support the payments. In addition, there was no clear policy on how the contributions were being arrived at hence the authenticity of the payments could not be confirmed.

## **Recommendation**

Circulars, guidelines and acknowledgement receipts relating to such payments should be availed for audit verification.

#### **6.2 Unsupported grant to Othaya Dairy Co-Operative- Kshs.1,000,000.00**

During the year, the County Government made a contribution to Othaya Dairy Co-operative of Kshs.1 million being financial support to pay off outstanding liabilities.

The County Executive Committee in its meeting of 20 Feb 2014, resolved to inject an amount of Kshs. 1 million into the Othaya Dairy Co-operative.

However, no County Executive Committee minutes to show how this decision was arrived at were availed for audit verification. Further, no documentary evidence was availed to show the financial status of the Co-operative and how the figure of 1 million was arrived at.

## **Recommendations.**

Evidence should be availed to show that the money was received by the society and how it was utilized.

### **6.3 Irregular Grant to Gachika youth Polytechnic Kshs 500,000.00**

#### **Observations**

An amount of Kshs 500,000 was paid to Gachika Youth Polytechnic vide payment voucher number 991 dated 5 November, 2013 being Governor's pledge. The pledge qualifies as a grant by the County Government under Public Financial Management Act, 2012. The purpose and conditions of the grant was not disclosed. In addition, no regulations governing grants were availed contrary to the provisions of section 139 of Public Financial Management Act, 2012

#### **Recommendation**

An explanation on the basis on which the grant was given out, its purpose and the terms and conditions should be given.

### **6.4 Unsupported Donation to Graceland Girls School - Kshs.250,000.00**

The County Government does not have a policy regulating donations and there is no framework for deciding how and when donations are to be given by the County.

For instance, Graceland Girl's School requested for sponsorship for a run that was taking place on 15 February 2014. The request is dated 9 January. However, the County Government honoured the request on 27 June 2014 with a donation of Kshs.250,000 four months later.

#### **Recommendation**

An explanation on the basis on which the donation was given out four months after it was required should be given. Further, the County should develop a policy on management of grants/donations as required.

### **6.5 Unsupported Domestic Travel Expenditure Kshs. 3,756,275.00**

#### **Observations**

Nyeri County Government paid Uniglobe Northline Travel a total of Kshs. 3,756,275.00. It was not clear how many people travelled to Mombasa as details of the persons who travelled were not availed. The purpose of the trip was not provided, also details of the individuals who changed their reservations were not availed.

#### **Recommendations**

The County Government of Nyeri should provide details and evidence that officers travelled to Mombasa. The officers who changed their reservations should be surcharged for the cost incurred.



## **7.0 Revenue**

### **7.1 Lack of Reconciliation of Revenue Collections and Revenue Bankings**

#### **Observations**

It was noted that the Nyeri County Treasury does not carry out monthly reconciliations between revenue collected and revenue banked in the County Revenue Fund.

#### **Recommendation**

The Nyeri County Treasury should ensure revenue collected and revenue banked is reconciled.

### **7.2 Lack of Consolidated Database of Revenue Records at the County Treasury**

#### **Observations**

The Nyeri County Treasury does not have a consolidated database of revenue records. It was noted that the Nyeri County Government created new sub counties within the 2013/2014 financial year. The new sub counties were not equipped with LAIFOMS system. The revenue was therefore being collected manually.

The information availed on revenue collected at these new sub counties was not supported by documentary evidence i.e. receipts at the new sub counties were not availed therefore the revenue collected by the Nyeri County Government during the financial year 2013/2014 could not be ascertained.

#### **Recommendations**

Nyeri County Treasury should ensure that it maintains proper records in respect of the County Revenue Fund.

### **7.3 Unsurrendered Revenue Books – Nyeri Town Sub County**

#### **Observations**

During the financial period under review, Nyeri County Government was issuing revenue collection books to collecting officers without having surrendered the ones that has been used up. The revenue collected with such books could therefore not be accounted for and could have been misappropriated.

#### **Recommendation**

Controls on issue and surrender of accountable documents, including revenue books should be enhanced to ensure proper accountability and all unsurrendered books should be accounted for.

## **8.0 Human Resource Records**

### **8.1 Lack of Approved Staff Establishment, Organizational Structure, Human Resource Plan / Policies and Written Job descriptions**

#### **Observations**

During the financial period under review, the County Government was operating without approved staff establishment, scheme of service for the staff, human resource policy document and integrated human resource plan.

#### **Recommendation**

There should be an approved staff establishment, organizational structure and integrated human resource plan for the County.

### **8.2 Unsupported Human Resource Consultancy Services Kshs.928,000.00**

#### **Observations**

During the year, the County Government contracted Ms Systra International Ltd to carry out a survey on Human Resource Status and administrative structure of the County Government of Nyeri. Payment of deposit was made vide voucher No.00107 dated 5/8/13 for Kshs.540,096.00 and voucher No.485 dated 6.9.13 for Kshs.387,904.00. However, the contract agreement and the final Status report from the consultant were not availed for audit verification.

#### **Recommendation**

The contract agreement and the status report should be provided.

### **8.3 Irregular Engagement of Casual Workers**

#### **Observations**

Human Resource records revealed that a total of 777 casuals worked for the County during the year. However, only payments amounting to Kshs.1,663,172.00 for the month of June, 2014 relating to casuals were availed for audit. Given that the casuals worked throughout the year, then all expenditure details were not disclosed. In addition, expenditure amounting to Kshs.1,441,422.00 incurred vide payment vouchers 4358 and 4314 all dated 30<sup>th</sup> June 2014 was not supported by signed schedules by the casuals despite the expenditure having been incurred in cash.

It was further noted that the casuals were employed by the defunct Local Authorities with some having served for as many as eleven (11) years. No contract letters were availed to support their engagement. In addition, a policy document / guidelines were not provided to support the subsequent engagement and payment to the casual workers by the County Government during the year under review.

## **Recommendations**

Explanation should be provided on why the casuals were not formerly engaged. Additionally the sum of Kshs.1,441,422.00 not supported should be accounted for, failure to which the responsible officer/officers should be surcharged

### **8.4 Failure to Adhere to 30% Threshold in Recruitment of Staff**

#### **Observations**

During the year, a total of 103 employees were recruited. Out of this number, only seven (7) recruits were from non-dominant community, representing 6.8% of the total number employed. This is too low compared to the 30% required by section 65(1)(e) of the County Government Act, 2012.

#### **Recommendations**

The County should strive to achieve the 30% threshold in its recruitment as required by section 65(1) (e) of County Government Act, 2012.

### **8.5 Excessive Wage Bill**

#### **Observations**

Compensation of employee costs for Nyeri County during the financial year 2013 / 2014 as per the statement of receipts and payments amounted to Kshs.2,572,712,032.00 against a budgeted figure of Kshs.1,847,457,599.00. The statement of receipts and payments also reflected total payments amounting to Kshs.4,335,896,588.00. The compensation of employee costs therefore represents 59.33% of the total expenditure. The employee costs therefore comparably accounts for a big percentage of the expenditure in the County.

#### **Recommendation**

The County Government should take necessary measures to reduce its wage bill to recommended levels.

#### **Conclusion**

- The County Government should come up with sound policies on management of its assets and liabilities.
- Procurement of goods and services should be as per the Public Procurement and Disposal Act, 2005.
- The County Government should strictly adhere to their budgetary allocations.
- All irregularly paid funds should be recovered from the beneficiaries.

- Finally, it is clear from the foregoing observations that proper accounting and reporting system needs to be put in place as required by Section 194 of Public Finance Management Act, 2012.

A handwritten signature in black ink, appearing to read 'E. O. Ouko', with a stylized flourish at the end.

**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**25 May 2015**