

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR–GENERAL

ON THE

FINANCIAL OPERATIONS

OF

THE COUNTY GOVERNMENT OF
LAIKIPIA AND ITS DEFUNCT
LOCAL AUTHORITIES

FOR THE PERIOD
I JANUARY TO 30 JUNE 2013

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SPECIAL AUDIT REPORT ON THE OPERATIONS OF LAIKIPIA COUNTY GOVERNMENT AND ITS DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013

EXECUTIVE SUMMARY

1.0. Introduction

1.1. The Auditor-General has the mandate under Article 229 of the Constitution to audit and report on the accounts of the National and County Governments. Further, the County Government Act, 2012 Section 134 (1) repealed the Local Government Act, Cap 265, and thus effectively dissolving all the 175 Local Authorities and creating 47 County Governments.

1.2. According to Transition to Devolved Governments Act, 2012, after the general election on 4 March 2013, the functions, assets, liabilities and staff of the former Local Authorities were to be taken over by the County Governments. The former Local Authorities under Laikipia County includes; Municipal Council of Nanyuki, Municipal Council of Nyahururu, County Council of Laikipia and Town Council of Rumuruti. The purpose of the special audit exercise was to ensure existence of a seamless transition process and proper systems for accountability of public resources before, during and after transition to County Governments.

2.0. Audit Objectives

The objective of the special audit exercise was to ensure existence of seamless transition process and proper systems for accountability of public resources before, during and after transition to County Governments.

The audit covered the following key areas:

- The taking- over of the former Local Authority
- Cash and bank balances
- Current debtors and suppliers balances
- Motor vehicles and office equipment
- IPPD Payroll and establishment
- Recurrent and development expenditure items
- Procurement and procurement procedures
- ICT and G-Pay System

2.1. The audit teams faced several constraints during the audits, including delay in getting various documents and non-availability of key staff of the former Local Authorities. These constraints resulted in delay in concluding the audits within the planned timelines.

3.0. KEY AUDIT FINDINGS

LAIKIPIA COUNTY EXECUTIVE AND COUNTY ASSEMBLY

3.1. Improper Handing over/taking over from the Defunct Local Authority

There was no proper official handing over/taking over of the defunct Local Authorities assets and liabilities to the Transition Authority as required. Laikipia County Government had not therefore officially taken over the assets and liabilities of the former County Councils of Municipal Council of Nanyuki, Municipal Council of Nyahururu, County Council of Laikipia and Town Council of Rumuruti as at the time of audit conclusion on 23 September, 2013, contrary to instructions issued by the Ministry of Local Government vide Circular No. MLG/1333/TY/52 of 18th February, 2013.

The Transition Authority is advised to ensure that proper handing over by the former Chief Officers is done to enable the County Government ascertain opening balances of assets and liabilities for inclusion in the financial Statements.

3.2. Cash and Bank Balances

(i) All the bank accounts held by the four defunct Councils, County Council of Laikipia, Municipal Council of Nanyuki, Municipal Council of Nyahururu and Town Council of Rumuruti had total balances of Kshs.6,782,706.41 as at 22nd August 2013 when the audit was carried out. These balances had not been transferred to the Laikipia County Government Revenue Fund Account.

Failure to close bank accounts implied that revenue collections continued to be banked in these accounts, and expenditure incurred, contrary to the law. The banks accounts should be closed and balances transferred to County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed properly charged public funds. Cashbook records should be updated and monthly bank reconciliations done to support the accuracy of the balances

Further, separate cashbooks should be opened and maintained for the Executive and the County Assembly to enhance proper accountability of funds allocated to each one of them as well as maintaining the requisite independence between the two organs of the County Government.

3.3. Debtors Balances

No records were maintained in respect of debtors taken over from the defunct local authorities or new debtors of the County Government. The County Government did not take over, confirm or record all the debtors in its books.

Appropriate systems for recording debtors by the County Government should be developed to ensure accuracy of the debtors' balances. Also, debts collection policy should be put in place to facilitate collection of County debts as and when they fall due.

3.4. Creditors

The County Government had not taken over the assets and liabilities of the defunct Local Authorities and the position of the total creditors could not be established. This puts the County Government at high risk of inflated or inclusion of fictitious creditors. Creditors should be promptly recorded in a ledger indicating particulars of each creditor and the same updated on a regular basis.

3.5. Motor Vehicle and other Assets

(i) The County Government of Laikipia as at the time of this audit on 22 August, 2013, had not officially taken over or identified its assets including Motor Vehicles which were to be handed over by each of the four (4) defunct Councils. Further, it was observed that original ownership documents such as the title deeds and vehicles logbooks for the defunct Councils were said to have been in the custody of Co-operative Bank Nanyuki Branch.

(ii) In addition, the County Government acquired eight (8) Motor Vehicles (Ford Everest) at net cost of Kshs.44,800,000.00 before the end of 2012/2013 financial year.

The County Government should ensure all assets owned by the former Councils and any newly acquired assets are handed over to them and the same recorded in the Fixed Assets Register for ease of identification and accountability.

DEFUNCT MUNICIPAL COUNCIL OF NANYUKI

3.6 Improper Handing over to the county Government

There was no proper handing over of the former Municipal Council of Nanyuki assets and liabilities to the Transition Authority as required by the circular issued by Ministry of Local Government in February, 2013. Consequently, the County Government could not have a basis of opening balances to be reflected in its books of account. The Transition Authority should ensure that proper handing over by the former chief officers of the Municipal Council is done to enable the County have accurate records of assets and liabilities inherited from the former Council.

3.7. Cash and Bank Balance

The Council did not comply with the Transition Authority Circular which required that Local Authorities close bank accounts formerly operated by them by 28 February, 2013 or within three months after the general elections to allow for reconciliations as required by the County Government Public Finance Management Transition Act, 2013. The defunct Council operated nine (9) bank accounts in different banks. However the accuracy of these balances could not be confirmed since the council did not maintain an updated cashbook and no bank reconciliations were prepared.

Failure to close bank accounts implied that revenue collections continued to be banked in these accounts, and expenditure incurred, contrary to the law. The banks accounts should be closed and balances transferred to County Revenue Account. Cashbook records should be updated and monthly bank reconciliations done to support the accuracy of the balances.

3.8. Creditors/Suppliers

The defunct Municipal Council in its handing over memo to the Transition Authority indicated creditors balance of Kshs.293,722,998.00 as at 28 February, 2013. Included in this balance, was an amount of Kshs.50,726,341.00 in respect of Staff arrears and Kshs.235,616,840.00 in respect of Local Government Loan arrears. However, no respective ledgers, register or loan agreements supporting these creditors were made available for audit verification. Further, some contractors who had been contracted to carry out specific works in council had not been paid in full and the related liabilities had not been recorded and therefore the list provided was not complete and exhaustive. The County Government should ensure proper creditors' list is handed over to them.

3.9. Motor Vehicle and other Assets

(i) The defunct Municipal Council did not officially prepare and hand over a Statement of Assets and Liabilities to the Laikipia County Government. We could not therefore ascertain the position of Motor Vehicle and Other Non-Current Assets.

(ii) The original ownership documents for various parcels of land were alleged to have been deposited with Kenya Commercial Bank-Nanyuki Branch for safe custody. Therefore, it was not possible to confirm the existence of the same in absence of the custodial letter from the bank.

3.10. Unprocedural Procurement

The defunct council procured goods and services worth Kshs.4,707,249.00 just before transition. It was, however, observed that most of the goods and services procured were sourced from suppliers who were not prequalified and no explanation was given for this. Further, it was noted that some purchase made were not properly supported by adequate documentation especially purchases made in cash. The defunct council did not adhere to the procurement regulations when procuring for these goods and services.

3.11. Expenditure - Payment LATF Accounts

i) Rehabilitation of Nanyuki Open Air Market

The defunct Municipal Council of Nanyuki contracted out the rehabilitation of Nanyuki open air market at a contract sum of Kshs.5,000,000.00. However, the council did not follow the proper procurement procedures while awarding the tender since there was no evidence that technical evaluation for the contractor was done. Further, physical

verification of the project revealed that the contractor did not implement the project as per the bills of quantities. Poor workmanship was also evident on the project. Therefore, the council did not get value for its money on this project which was not satisfactorily implemented.

ii) Rehabilitation of Old Municipal Bus Park

The Municipal Council awarded the contract for the rehabilitation of the old bus park for a contract sum of Kshs.1,996,000.00 by the defunct Municipal Council of Nanyuki. However, the contract was later reviewed to include additional works valued at Kshs.996,025.00 which was beyond the 15% acceptable level. The additional work was awarded to the same contractor. Physical verification showed that the original work was not complete. Further, no Engineer's certificates of completion were made available for audit verification. We could not, therefore, confirm whether there was proper charge of public funds on this project. Procurement procedures and regulations should be followed when procuring for goods and services.

DEFUNCT COUNTY COUNCIL OF LAIKIPIA

3.12. Improper Handing over to the County Government

There was no proper handing over of the former County Council of Laikipia assets and liabilities to the Transition Authority as required by the Circular issued by Ministry of Local Government in February, 2013. Consequently, the County Government did not have a basis of opening balances to be reflected in its books of account. The Transition Authority should ensure that proper handing over by the former chief officers of the County Council is done to enable the County have accurate records of assets and liabilities inherited from the former Council.

3.13. Cash and Bank Balances

The defunct Council did not comply with the Transition Authority Circular which required Local Authorities close bank accounts formerly operated by them by 5 March 2013, or within three months after the general elections to allow for reconciliations as required by the County Governments Public Finance Management Transition Act, 2013. The defunct Council continued to operate nine (9) bank accounts by making payments and receiving revenue as at 30th June 2013. Failure to close the bank accounts is contrary to the law and it is recommended that the accounting officer ensure that all accounts are closed and balances thereof transferred to the County revenue account.

3.14. Non-Maintenance of Cashbooks

The Council did not maintain cashbooks for all the accounts maintained by the Council. Further, no bank reconciliations statements were prepared during and after transition. In the absence of the cashbook, bank balance certificate and bank reconciliation statements, the accuracy of the bank balances for the former Council's accounts could not be confirmed.

3.15. Debtors

As per the LAIFOM ledger, the defunct councils debtors balances amounted to Kshs.505,687,590.00 as at 30 June 2013. However, the debtors balances had not been officially transferred to the County Government as at the time of the audit. The County Government should institute measures to ensure all these debts are recovered.

3.16. Creditors

The defunct Council, vide a memo dated 31 May 2013, listed creditors amounting to Kshs.39,514,618.00 which was required to be handed over to the County Government. However, the defunct Council did not produce creditors ledgers, statements, invoices etc. to confirm the creditors balance. Therefore, the accuracy of the creditors balance provided could not be established.

3.17. Motor Vehicles and other Assets

The defunct Council had not prepared and handed over a statement of Assets including Motor Vehicles to the County Government of Laikipia at the time of audit in September 2013. We could not, therefore, ascertain the position of Motor Vehicles and other Non-Current Assets owned by the Council.

3.18. Other Findings

(i) Irregular Payments to Immediate Former Councillors

The Council irregularly made payments amounting to Kshs.2,000,000.00 to former Councilors of the defunct County Council of Laikipia. The payments were made irregularly to individual Councillors, although the money was meant to pay casual employees doing bush clearing in the Councillors' respective Wards.

3.19. Cash Purchases

A total amount of Kshs.1,267,710.00 was spent in the month of May 2013 to purchase various items from different suppliers. The purchases were done on cash basis against the Financial Regulations. Further, the documents supporting these purchases were not made available for audit review.

(ii) Unsupported LATF payments

Payments amounting to Kshs.1,382,448.00 made from LATF Account were not supported with valid documents. In the circumstances, the propriety of these payment could not be ascertained. All these payments should be supported as required.

3.20. Personnel

Irregular Recruitment of staff

The then Permanent Secretary – Ministry of Local Government in his circular dated 27th September 2012 suspended Regular Employment to all Local Authorities. However, the former County Council went ahead to recruit twenty four (24) new staff during transition period contrary to the Ministry's directive. Violating this directive has seen the County Government lose (from February 2013 when they first appeared in the payroll to 30 June 2013, an estimated amount of Kshs.738,760.00 paid as salaries to these new employees.

DEFUNCT MUNICIPAL COUNCIL OF NYAHURURU

3.21. Improper Handing Over to the County Government

There was no proper handing over of the former Municipal Council of Nyahururu assets and liabilities to the Transition Authority as required by the circular from Ministry of Local Government dated 18th February, 2013. The handing and taking over report did not include cash and bank balances for the Council. The Transition Authority should have ensured a proper handing over by the former chief officers to enable the County Government ascertain opening balances for their books of account.

3.22. Cash and Bank Balances

The Defunct Municipal Council of Nyahururu did not freeze, close and then transfer all the funds in the banks accounts to the County Revenue Account as required. The banks were still operational even as at 22 August 2013 at the time of the audit. The former Municipal Clerk and Treasurer continued to be Signatories to this bank account even after transition. As at 22nd August 2013, the total bank balance for the nine banks accounts operated by the Council was Kshs.1,433,317.69. However, the accuracy of these balances could not be confirmed due to un-updated cashbooks and failure to prepare Bank Reconciliation Statements.

Failure to close bank accounts implied that revenue collections continued to be banked in these accounts, and expenditure incurred, contrary to the law. The banks accounts should be closed and balances transferred to County Revenue Account. Cashbook records should be updated and monthly bank reconciliations done to support the accuracy of the balances.

3.23. Debtors Balances

The defunct Municipal Council had not officially handed over Debtors balances to the County Government of Laikipia as at 30th June, 2013. Debtors balances extracted from LAIFOMS systems amounted to Kshs.329,903,953.75 as at 30th June 2013. However, this balance could not be confirmed due to unavailability of Debtors' Ledger and Registers. Further, the defunct Council was unable to collect its major debtors because

it did not have debts collection policy. The County Government should put in place a debt collection policy which will enable it to enforce debt collection mechanism to minimize the outstanding debts.

3.24. Creditors/Suppliers Balances

A list prepared by the defunct Council reflected creditors balance of Kshs.60,980,633.00 as at 30th April 2013. However, the balance could not be confirmed since no creditors ledgers, statements or invoices were provided for verification. The relevant documents should be provided to confirm the accuracy of creditors' balances of the defunct Council.

3.25. Other Findings

(i) Unsurrendered Imprests

Imprests amounting to Kshs.547,507.00 issued to various officers of the defunct Municipal Council of Nyahururu had not been surrendered as at the time of audit. Some of those imprests were issued way back in September 2012, but no efforts have been made recover them. The County Government should ensure these imprests are recovered from the respective officers and properly accounted for.

(ii) Single Sourcing for Insurance Services

The Municipal Council awarded tender for Insurance Services and paid a total of Kshs.2,607,961.00 on 9 May 2013. This was after transition. Records showed that the awarding of this tender was single sourced, since no other firms were invited for competitive bidding, contrary to the Procurement Regulations. Further, the payments to Disney Insurance Brokers were not supported by a receipts or invoice. In addition, no Policy Documents were made available. The payment was, therefore, irregular.

(iii) Diversion of LATF Project Funds without Approval

The defunct Council received Kshs.21,329,804.00 as LATF disbursement for implementation of LATF Projects for 2012/2013. However, a review of payments done reviewed that no capital projects were undertaken during the period under review. The records made available showed that a total of Kshs.18,273,837.00, LATF Funds were diverted to pay mostly salaries, without approval. Further, the expenditure of the balance of Kshs.3,055,967.00 was not explained or accounted for. The Council was therefore in contravention of LATF Act regulations which requires that re-allocation of LATF be authorized accordingly.

DEFUNCT TOWN COUNCIL OF RUMURUTI

3.26. Improper Handing over to the county Government

There was no proper handing over of the former Town Council of Rumuruti assets and liabilities to the Transition Authority as required by the Ministry of Local Government Circular No. MLG/133/TY/52 OF 18th February, 2013. As a result, the County Government has no records of all the assets and liabilities owned by the former Town Council of Rumuruti as well as other outstanding debts. Transition Authority should arrange for proper handing over of assets, liabilities and staff of the former Town Council to the County Government to enable the County Government have a basis of opening balances reflected in its books of account.

3.27. Cash and Bank Balances

The defunct Town Council of Rumuruti operated four (4) bank accounts before transition. It was expected that after 28th February all bank accounts would be closed and balances transferred to County Revenue Fund (CRF). However, the bank accounts continued to operate up to August 2013, at the time of special audit, in total disregard of the requirements of the County Government Public Finance Management Transition Act, 2013. The County Government should ensure that all transaction during this period are properly accounted for and supported.

3.28. Debtors and Suppliers Balances

The Defunct Town Council of Rumuruti did not officially prepare and hand over a Statement of Assets and Liabilities to the County Government of Laikipia. We could not therefore ascertain the position of receivable and Payables at the end of the period. The County Government should ensure that accurate balances for debtors and suppliers are handed over to the County.

3.29. Motor Vehicle and Other Non-Current Assets

The Defunct Council did not officially prepare and hand over a Statement of Assets and Liabilities to the County Government of Laikipia. We could not, therefore, ascertain the position of Motor Vehicle and Other Non-Current Assets owned by the defunct council over the entire period under consideration.

3.30. Revenue Collections and Banking

Due to delay in opening of the County Government Revenue Account, the former Councils continued collecting and banking revenues in their accounts and spending, contrary to the existing legislation. The Council did not bank revenue amounting to Kshs.10,355,806.00 for the period between January and June 2013. It was explained that the money was spent from the source to make payments, contrary to regulations. However, the expenditure of the unbanked amount could not be ascertained due to lack of expenditure records. All revenue collected should be banked intact and promptly as

required by financial regulations. Proper accountability of revenue collection should also be ensured. The unexplained expenditure should be accounted for through proper documents and records.

3.31. Personnel

Irregular Recruitment of staff

The then Permanent Secretary – Ministry of Local Government in his circular dated 27 September 2012 suspended Regular Employment to all Local Authorities. However, the Town Council of Rumuruti went ahead and recruited one hundred and twenty eight (128) new staff during and after transition period contrary to the Ministry's directive. The employment of these extra staff pushed up the monthly wage bill by Kshs.5,503,452.00. The recruitment of the extra staff was illegal and contravened the then Ministry of Local Government directive. The County Government should investigate this issue and come up with a proper recommendation on the fate of the illegally recruited employees.

3.32. Other Findings

(i) Illegal Allotment of Plots

The then Ministry of Local Government, vide Circular Ref: MLG/1058/111/(43) dated 8th February 2012, froze all transfers of defunct Councils' assets. However, it was observed that a portion of Councils land at Kandutura Settlement Scheme in Laikipia County, covering 638 Acres was curved out and subdivided into plots of 50 by 100ft (73 acres) without Ministerial authority to subdivide and allocate Government Trust land to the public. The subdivision and allotments was an illegal encroachment on Government land and breach of Government guidelines, rules and regulations

Further, the Council irregularly procured surveying services for subdivision of the above land at a cost of Kshs.1,760,358.00 from the surveyor in charge Laikipia West who was paid as a private surveyor when in fact he was a Government Surveyor. The payment was therefore irregular. The plots should be repossessed and remedial measures taken.

(ii) Single sourcing of Goods and Services

The defunct Town Council of Rumuruti single-sourced for the supply of goods and for services in total disregard of the Evaluation Committee which had advised for re-advertisement of all tenders. The defunct Council single-sourced for goods and services amounting to kshs.2,495,197.00 during the period under review contrary to the Public Procurement and Disposal Act, 2005 and Rules and Regulations 2006.

(iii) Unsurrendered Imprests

The defunct Town Council of Rumuruti issued imprests to various officers working outside their duty stations amounting to Kshs.547,307.00. Further, another imprest amounting to Kshs.708,000.00 was issued by the Council to some employees seconded to the County Government of Laikipia by the Transition Authority and serving at the

County's Headquarters in Nanyuki. Some of these officers got imprests while serving at their duty station, hence not qualifying for the imprests. The Imprests remains unsurrendered and unaccounted for. The County Government should ensure that these Imprests are recovered or surrendered from the respective officers.

3.33. Summary of the ICT Audit Findings

The observations and findings are categorized into hardware, software and the control environment in place.

Hardware

The County had received nineteen (19) computers and special orange CDMA modems from The National Treasury (IFMIS Department) which will be solely used for IFMIS.

Software

(i) Integrated Financial Management Information System (IFMIS)

IFMIS has been installed in the County but it is not operational.

(ii) G-Pay

The County does not make payments through the central bank G-Pay system because it is depended on a functioning IFMIS. At the time of audit, payments are made manually through cheques.

(iii) Local Authority Integrated Financial Operations Management System (LAIFOMS)

LAIFOMS had been installed in the sub-counties and is being used in revenue collection, issuance of single business permits, property management and recording of the accountable documents.

Review of the system revealed that there was system under banking amounting to KShs.52, 784,941.00

(iv) Integrated Payroll and Personnel Database (IPPD)

The County has fully installed the IPPD system. Analysis of data extracted from the human resource and Payroll modules revealed the following issues:

- An officer basic pay was overpaid by KSh.18, 000 and no recoveries have been made.
- Deductions previously effected in the LAIFOMS were not effected in the IPPD.
- Inaccurate or missing data about employees Tax PIN.

(v) IT Control Environment and ICT Governance

- The ICT section has three (3) staff who do not have defined roles and responsibilities on how to oversee the IT operations. The Logical access rights to the IPPD system do not provide segregation of duties.
- The County does not have key ICT Governance documents neither a comprehensive ICT assets inventory register for the County executive headquarters and all the sub-county offices.

Conclusion

The forgoing observations clearly indicate that the process of taking over of assets and liabilities, including staff of the former Council was not properly handled due to apparent lack of leadership by officials of Transition Authority who had the responsibility to ensure a smooth and seamless transition process. The County Government should, however, ensure full control of functions, including revenue collection, recording and proper accounting for the same while awaiting guidance from the National Treasury based on the accounting and reporting systems to be developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the PFMA, 2012. Expenditure should be incurred in accordance with the requirements of the Public Finance Management Act, 2012 and for the benefit of the tax payers.

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



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

20 February 2014

DETAILED AUDIT REPORT ON OPERATIONS OF COUNTY GOVERNMENT OF LAIKIPIA AND ITS DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013

1.0. Objectives of the Audit

A special audit was conducted during the month of August/September 2013 in Laikipia County, the defunct council of Laikipia, Municipal Council of Nyahururu, Municipal Council of Laikipia and Town Council of Rumuruti. The objective was to:

- (i) Confirm if there was smooth transfer of cash and bank balances before, during and after transition to the County Government.
- (ii) Confirm that revenue and expenditure were recorded and properly accounted for during the transaction period.
- (iii) Ensure that the transactions undertaken during the transition were properly authorized, goods were received and services were properly rendered.
- (iv) Confirm the operational debtors were accurately transferred from defunct local authorities account to the County Government.
- (v) Establish assets taken over by the County Government are properly listed and are in County public use only.
- (vi) Ensure that the assimilation of the defunct local authorities' staff with other county staff is seamless and no ghost workers or irregular change of items have been imported in the New IPPD payroll.
- (vii) Ensure that the County Assembly and Executive Committee complies with the budget and that expenditures are properly charged to County Revenue Fund.
- (viii) Ensure that ICT system is not circumvented by manual system where IFMIS and G – Pay are fully implemented.
- (ix) Ensure that where manual systems are in use, proper accountability is in place and specific are in place for system changeover.

1.1. Scope of Audit

The audit covered the County Government of Laikipia, defunct County Council of Laikipia, Municipal Council of Nyahururu, Municipal Council of Nanyuki and Town Council of Rumuruti.

The audit mainly focused on cash and bank balances, current debtors and supplies balances, non – current assets revenue and payroll and covered the period 1 January to 30 June 2013.

2.0. LAIKIPIA COUNTY GOVERNMENT AND COUNTY ASSEMBLY

2.1. Cash and Bank Balances for Defunct Local Authorities

(i) It was established that the defunct Local Authorities under Laikipia County Government did not freeze, close and then transfer all the funds in the County Revenue Fund Accounts. All the bank accounts held by the four defunct Councils (i.e. County Council of Laikipia, Municipal Council of Nanyuki, Municipal Council of Nyahururu and Town Council of Rumuruti) had a total amount of Kshs.107,669,516.20 as at 1st March 2013, Kshs.72,881,945.11 as at 27th March 2013 and Kshs.6,782,706.41 as at the time of audit on 22nd August 2013. The details of the amounts held in each of the bank account for the respective Councils are as indicated in **Appendix 1**.

The Branch Manager Co-operative Bank of Kenya - Nanyuki acknowledged the opening a County Revenue Collection account No. 01141366378700 and County Government standing imprest account No. 01141366378701 on 12th April 2013 for the County government of Laikipia.

(ii) The County government started operating and banking its collections into the County Revenue Collection account on 3rd June 2013. Further, the County Government standing imprest account started operating on 24th April 2013 with a receipt of Kshs. 51,964,325.00 and later on Kshs.38,973,250.00 on 17th June 2013, Kshs. 38,973,228.00 on 24th June 2013 and from the National Government Kshs. 61,592,200.00 on 20th June 2013 from the Transition Authority.

Recommendations

All the bank accounts of the defunct Councils should be closed and the funds transferred to the revenue collection account.

The withdrawals from the various accounts should be investigated for approvals and legality.

2.3 Debtors and Suppliers Balances

Pre- Transition Period

The County Government of Laikipia had not transacted with its customers and suppliers as a county and therefore did not have any payables or receivables' balances within this period (March 2013) except those which may have been transacted by the four defunct Councils.

After Transition Period

The County Government of Laikipia had not fully transacted with its customers as a county and therefore did not have any debtors' balances within this period. For suppliers, the County had procured some goods, and services on credit amounting to Kshs.59,722,864.00.

We recommend that appropriate systems for recording debtors and creditors by the County Government should be developed to ensure accuracy of records. Also, debt collection policy should be put in place to facilitate collection of County debts as and when they fall due. We further recommend proper analysis and audit of debts owed to the constituent defunct Local Authorities. Debtors' records should be reconstituted starting with the audited balances as at 30 June 2012 and recorded in the debtors ledger. Monthly debtors reconciliation should be done.

2.4. Motor Vehicle and Other Non- Current Assets

Pre transition Period

The County Government of Laikipia had not acquired any asset during the Transition period i.e. 1st March 2013 to 27th March 2013. Further, the County Government did not have the Statements of Assets and Liabilities from the respective defunct Local Authorities and had not officially taken over the assets and Liabilities held by the defunct Councils during this period.

After transition Period

(i) The County Government of Laikipia had acquired eight new Ford Everest motor vehicles at a total cost of Kshs.44, 800,000.00 before the end of the Financial Year 2012/2013.

(ii) The County Government of Laikipia as at the time of audit on 22nd August 2013, had not officially received and identified its Assets and Liabilities which were to be handed over by each of the four defunct Councils.

The defunct Councils had not submitted copies of the Statement of Assets and Liabilities to the County Government of Laikipia contrary to Ministerial instructions vide circular REF MLG/1333/TY/52 of 18 February 2013.

Further, the original ownership documents such as the title deeds and Vehicles logbooks for the County Government and the defunct Councils Assets were said to have been held by the Co-operative Bank of Kenya-Nanyuki Branch. A letter REF ICS/LC/MO/VOL I (66) Dated 23/8/2013 was written by the County Government to the Bank to confirm the existence of the said ownership documents. The bank acknowledged to the County Government of Laikipia vide unreferenced letter dated 23/8/2013 that it had two envelopes said to be containing ownership documents which they did not provide details.

We were therefore not able to confirm the list of assets held by the Bank and the authenticity of the unreferenced letter.

Recommendation

The County Government should institute an independent audit to take stock of both assets and liabilities and make relevant recommendations. Further, the County Government should ensure proper takeover of all the former Councils' debtors, suppliers and other assets and liabilities. The County Government should also ensure that all the assets are properly recorded and documented in the assets register.

2.5. IFMIS and G-Pay

Pre- transition Period

IFMIS and G-Pay systems were not operational during the Transition period i.e. 1st March 2013 to 27 March 2013.

After transition Period

The County Government had installed the Integrated Financial Management Information System (IFMIS) at the time of this audit in August 2013.

(i) Twenty (20) employees from various departments have been trained by the National Treasury. There was sufficient staff with the capacity to handle the system as explained by the head of ICT.

(ii) The department was supplied with 16 desktop computers by the National Treasury and had acquired 3 more computers which the head of ICT considered sufficient to operate the system, although not connected and interfaced. The department had one support staff who was assisting the County Government resolve any difficulty in operations and should consider be employing her on permanent terms of service. IFMIS was in its initial stages and the transaction module has not been fully implemented.

(iii) G-Pay had been installed but was awaiting the full implementation of the IFMIS for complete integration. The manual system was still in place. IFMIS was said to have a budget chart of Accounts and could process budgetary reports. However, at the time of this audit the system could not process the budget report as it was not fully functional.

(iv) IFMIS has not yet been integrated to the LAIFOMS. There is therefore need for an application programme to link the two softwares.

(v) The revenue module in the LIFOMS system was still in operation as it was in the defunct councils, now the sub counties.

(iv) IFMIS has the ledgers module which can balance off ledgers and produce a report for preparation of financial statements. This module has not been used.

In conclusion, since IFMIS had not been fully operational and G-pay and the LAIFOMs were not integrated, testing the operational capacity of the system integrity, resilience and availability. We could not, therefore, verify its applicability, processing, security, control, completeness and accuracy of what the system can produce.

2.6 IPPD Payroll

Pre- transition Period

The County Government of Laikipia inherited all the defunct Councils' employees and during the Transition period i.e. 1st March 2013 to 27th March 2013 no IPPD payroll system had been introduced by this period, therefore the County employees continued to draw their salaries from their respective defunct Local Authorities.

After transition Period

(i) IPPD payroll started operating in June 2013. However, it was noted that three employees were not captured in the IPPD System since they were not assigned personal numbers by the National Public Service Commission.

(ii) The defunct Municipal Council of Nanyuki employees list showed that the name of one employee had been illegally replaced. This replacement was not explained.

(iii) Correspondences showed that sixty-one (61) employees were said to have been employed before transition period. These were forty-two (42) were employed by Town council of Rumuruti while 19 were employed by county council of Laikipia. However, the audit of the defunct Town Council of Rumuruti showed that one hundred and twenty eight (128) employees had been irregularly employed.

There was no parallel system to counter - check the accuracy of the new system. It was also not clear why the National IPPD department had not assigned personal Numbers to the three officers into the system.

The County Government should clean up its payroll, illegal recruitments investigated and the extent and costs of the recruitment made. Offers found responsible for the irregular recruitment should be surcharged and remedial action taken to rectify the position.

2.7. Other Observations during and after Transition

Renovation of the Governor's Office at Kinamba Division – Kshs.3,225,965.00

(i) On 5 February 2013, the Town Council of Rumuruti awarded (through unreferenced letter of offer dated 5th February 2013) the above contract to M/s Oritere

Builders at a total cost of Kshs.3,225,965.00 as per official order No. 00471 dated 5th February 2013. The contractor wrote a letter of acceptance dated 8th February 2013. The works to be performed included: Renovation of Kinamba Office, Construction of a Public Toilet, wiring and installation of electricity, construction of the Governors toilet in the office, piping and installation of water tank, leveling of the grounds and parking lot.

(ii) On 10th July 2013, the contractor through letter reference RUM III 2013, informed the former Town Clerk of Town Council of Rumuruti that the project was 95% complete. However, on 25th July 2013, the District Works Officer (DWO) wrote a Handing over Certificate to the Chief architect, Ministry of Works – Nairobi informing them that the works was handed over on 24th July 2013 and taken over on 25th July 2013.

(iii) On the 29th July 2013, the contractor issued an invoice of Kshs.3,225,965.00 to the County Government of Laikipia for payment. Then, on 8th August 2013, the Principal Finance officer authorized the payment of the 1st installment of Kshs.1,850,000.00 without valuation and certification of works done.

Recommendations

- That the work be quantified and the payment be done on or above the already paid amount depending on the certified works.
- That the payment commences once the Works Officer issues certificate of completion.
- Payment should be done on the basis of measured work as certified by works officer.

Unaccounted for Imprests

The County Government has been drawing cheques to one officer as imprests to disburse to other officers as sub-imprests. It was observed that this system had been abused by the staff. It was found that when the individual officers received the sub-imprest they did not account for or surrender for the funds in accordance with the stipulated Government Financial Rules and Regulations.

A total of Kshs.1,917,600.00 had been issued as imprests but the beneficiaries had not accounted for it.

Recommendation

The management should ensure that all imprest issued is surrendered and fully accounted for. Proper imprest management systems should be put in place.

3.0. DEFUNCT MUNICIPAL COUNCIL OF NYAHURURU

3.1. Cash and Bank Balances

The defunct Municipal Council operated a total of ten (10) bank accounts in various banks before transition to county government. None of the accounts had been closed by

the time of the audit in September 2013 contrary to the Transition Authority instructions to Local Authorities to close all bank Accounts by 28 February 2013.

The former municipal Clerk and Treasurer continued being signatories to the bank accounts before, during and after the transition. However, various anomalies were noted as highlighted below:

3.2. Bank Reconciliation Statements

The defunct Municipal Council operated 10 (10) bank accounts of which eight (8) were active with credit balances amounting to Kshs.3,148,561.50 as at 28 February 2013.

For all the eight (8) active bank accounts maintained, no bank reconciliation statement had been prepared by the time of the audit in September 2013 to enable confirmation and verification of bank a/c transactions during the period under audit, January to June 2013; contrary to Transitional PFM Act 2013.

Explanations from the former Treasurer indicated that the council has not been able to prepare bank reconciliations over the years due to shortcomings of the LAIFORM accounting system.

Further, the council did not make available cashbooks for all the bank accounts operated. Instead, they only provided payments register which also lacked all transactions as some cheque payments had been paid outside LAIFORMS as explained separately in this report.

The following were the bank balances prior to transition:

Bank account	Balances as at 28/02/2013
	Kshs.
A/c 01102160016	60,637
A/c 0112003797401	2,200,992
A/c 01120031379700	9,075
A/c 01120037967400	157,408.50
A/c 01102164054	591,106
A/c 01102159808	129,343
A/c 0160191696268	Confirmation certificates not provided
A/c 0160292546138	Confirmation certificates not provided.

Certificates of balances were not made available for two bank accounts. It was, therefore, not possible to conclusively confirm the cash and bank balances as at February 2013 in absence of the confirmation certificates.

3.3. Payments made contrary to Transitional PFM Act, 2013

Though the Transitional PFM Act, 2013 section 28 provides for operation of the bank a/c until the formation of the county government, which in this case was formed by 27

march 2013, the defunct council continued to operate the GRF account and made payments amounting to Kshs.20,382,247 in contravention of the Act.

The above payments were made through the councils GRF a/c no. 01120037967401.

Recommendations

A reconciliation of the expenditure during transition with the balances at the end should be made. The County Government should ensure that all payments made during transition are properly accounted for.

3.4. Unsupported Payments

The defunct Council also made several unsupported payments of Kshs.2,607,961 and whose veracity and propriety could not be confirmed as indicated below:

The payment was in respect of insurance services. The insurance firm was single sourced contrary to procurement regulations. Though the payment was paid when the County Government was in place but irregularly initiated by the council chief officers.

From the foregoing, it is apparent that payments continued to be done and the signatories continued to be the former council employees as there was no change of mandate on account operations' and no information was provided to confirm whether the Transitional Authority staff were involved in the payments after the general election. Possibility of funds misuse, misallocation and outright misappropriation of public funds could not be ruled out bearing in mind that no bank reconciliations were being done and non-availability of a myriad of accounting records.

Recommendations

A more in-depth audit by the County Government should be conducted to confirm the reasons for non preparation of monthly bank reconciliations and extent of funds misused or misappropriated as a result of the litany of negative issues highlighted above.

3.5. Receipts Banked Contrary to PFM Act, 2012

The defunct Council collected revenue amounting to Kshs.23,829,504 and banked it in the previous bank accounts of the council contrary to PFM Act 2012.

This was contrary to the Public Financial management Act, 2012 section 109 (2) which provided for the funds to be banked in the county Revenue Fund. Further, no cash and bank balances were handed over to the incoming county government. Explanations by the former treasurer was that there were no clear instructions to whom the assets were to be handed over to, hence the exercise never took place.

Recommendations

The management should ensure that the banked amounts are properly transferred to the county revenue fund.

3.6. Uncashed cheques

The County Government raised two cheques Nos. 0712 and 749 of Kshs.1,529,335 each in the name of the cashier. The cheques had not been encashed and no explanation was made as to why they remained uncashed and the reasons for drawing them.

3.7. Encashment of Cheques

The defunct council made regular encashment of cheques on the pretext they were for petty cash payments. However, a review of the payment vouchers indicated that the council was making cash payments, payments to suppliers, staff imprest and cash salary payments using the encashed cheques amounting to Kshs.6,953,610.

The encashing of these cheques was irregular. Further, cheque no. 858 of Kshs.2,702,482.00 was encashed to pay leave allowance to all staff at Kshs.2,702,482 in cash without deducting PAYE as required by Income Tax Act, Cap 470.

3.8. Variances between amount in LAIFOMS Payment Register & Bank Statements

A review of the bank payments under LAIFOMS payments register revealed that a number of payments did not march with the amount reflected in the bank statements reviewed as shown below.

Chq. No.	Date	LAIFOM Amount	Bank Statement	Variance
716	25/03/13	200,000	203,596	(3596)
720	28/03/13	21,500	8,099	(13401)
744	04/04/13	28,415	244,842	(216,427)
746	10/04/13	3,500	833,139	(820,639)
751	17/04/13	350,829	400,000	(49,171)

The variances were not explained. This could be an indicator of fraud being perpetrated.

Recommendation

The management should rectify the above anomalies and ensure the correct amount is posted to the cash book.

3.9. Liabilities/Creditors - Post Transition Period

The defunct council did not maintain creditor's ledger during the year under review, hence, no concrete details were provided on the creditor's position, before and during the transition period. Further, no handing over was done on the liabilities held by defunct Council to the incoming County Government.

A listing of the liabilities as at 30/04/2013 amounting to Kshs.60,980,633.00 was provided but the same could not be verified due to lack of invoices and other related supporting documents.

In absence of documents to verify the above liabilities, it was not possible to confirm the total liability balances provided of Kshs.60,980,633.

Recommendation

The relevant documents should be provided in order to confirm the correct liability position for the defunct council. This calls for a more in-depth audit to even confirm any liability paid during the transition period of January to June 2013.

3.10. Debtors/Receivables - Pre-Transition Period

The Debtors balances for the defunct Council of Kshs.333,284,787.25 have been outstanding as at 28th February 2013 were as follows:

Debtors	Amount (Kshs.)
Contributions in Lieu of Rates (CILOR)	244,109,978.00
Rates Debtors	82,546,551.00
Nyahururu Water and Sanitation Company	2,436,717.25
House Rents/rentals	4,191,541.00
Total	333,284,787.25

However, the Nyahururu Water and Sanitation Company and House rents/rentals balances of Kshs.2,436,717.25 and Kshs.4,191,541.00 respectively as per the handing over report differed with the balances of Kshs.2,371,017.00 and Kshs.4,834,189.00 reflected in the schedules provided by the Council. This is indicative of poor maintenance of debtors records.

Recommendation

The County Government should put in place a debt collection policy which will enable it to enforce debt collection mechanism to minimize the outstanding debt.

3.11. Debtors - During and Post Transition Period

The balances as at 30 June 2013 amounted to Kshs.329,903,953.75 as per the LAIFOMS system.

The defunct Council was unable to collect its major debtors because it did not have a debtor's collection policy. Therefore, the efforts taken by the entity to ensure full recovery of the above large debt owed by the plot owners to the former Council were not substantive.

Recommendation

The County government should put in place a debt collection policy which will enable it to enforce debt collection mechanism to minimize the outstanding debt.

3.12. Unsurrendered Imprests

Imprests amounting to Kshs.547,507.00 issued to various officers of the defunct Municipal Council of Nyahururu for various purposes, had not been surrendered . Some of the imprests were issued in September 2012 but no efforts have been made to recover them.

The propriety of these expenditures could not be confirmed since the surrender has not been done.

Recommendation

The County Government should ensure that the outstanding imprests are surrendered and recovery measures instituted.

3.13. Handing Over Report

The defunct Municipal was required by law to have prepared a handing over report, detailing the assets, liabilities and staff it was supposed to hand over to the incoming County Government. However, no such report was prepared and handed over to the County Government even after the Council was reminded of the same by the PS Ministry of Local Government vide letter reference No. MLG/1333/TY/52 dated 18 February, 2013.

The Council continued to operate as in the past, in revenue collection and making payments despite the Local Government Act Cap 265 having been repealed on 4th March 2013.

Recommendations

The County Government should strive and carry out an inventory of all the assets and staff with the defunct council and also carry out due diligence audit on all the liabilities

either paid after the County Government came into being in March 2013 and also on the outstanding liabilities as at 30 June 2013 to establish their genuineness or otherwise.

3.14. Salary Increase - Pre Transition Period

There was notable salary increase in the month of February 2013 amounting to Kshs.2,684,694.00. The management attributed the increase to the implementation of (long pending) collective bargaining agreement (CBA) between the Association of Local Government Employers (implemented on its behalf by Municipal council of Nyahururu) and Kenya Local Government Workers Union (KLGWU).

The increase of Kshs.2,684,694 was in order as it was through a court order.

3.15. Fixed Assets-Pre Transition Period

(i) Grabbed Land

Some parcels of land belonging to the Municipal Council of Nyahururu was noted to have been grabbed and developed by private developers. The Municipal Council still holds the mother title Deeds (ownership documents).

Recommendation

The County Government should demolish the structures erected on former council land and repossess the land.

(ii) Local Authority Transfer Fund (LATF)

During the year, the council was to receive Kshs.45,941,116 as LATF disbursements. The final disbursement was not received by the council but explanations by management indicated the final tranche was received by county Government of Laikipia. However, the documentation of the same was not provided for audit verification.

Various cheques amounting to Kshs.2,290,500 were drawn and paid through the bank but do not appear under LAIFORMS nor did the council provide the relevant payment vouchers.

The propriety of these payments could not be ascertained.

(iii) LATF Projects

The Council had a capital expenditure budget of Kshs.23.8 million on LATF projects, out of which it received second disbursement of Kshs.21,329,804 on 22/02/2013 for implementation of LATF projects. However, a review of payments done revealed no capital projects were undertaken during the period under review. The money was spent

mostly on the recurrent items such as salaries, insurance, cheques encashment and Lapfund debt clearance.

The diversion of LATF project funds without approval was therefore irregular. Further the expenditure of the balance of Kshs.3,055,967.00 was not explained or accounted for.

The council was, therefore, in contravention of LATF regulations which requires that diversion of LATF be authorized accordingly.

Recommendation

The management should account for these payments in full.

4.0. DEFUNCT TOWN COUNCIL OF RUMURUTI

4.1. Cash and Bank Balances

The defunct Local Authorities were required by the Transition Authority to freeze, close, and then transfer all the funds held in the bank accounts initially operated by them to the County Revenue fund account by 28 February, 2013.

It was established that the defunct Town Council of Rumuruti did not freeze, close and then transfer all the funds in the said banks accounts as at 28 February, 2013. All the bank accounts held by the defunct Town Council of Rumuruti had a total amount of Kshs.10,256,933.27.20 as at 1st March 2013, Kshs.678,675.18 as at 27th March 2013 and Kshs.164, 703.93 as at 22nd August 2013.

They were as follows:

Bank Name	Account No.	Pre Transition Period as at 1 March, 2013	During Transition Period as 27 March, 2013	After Transition Period as 22 August, 2013
Co-operative	1120036285700	7,757,787.55	251,122.58	35,968.72
Family	23000021480	356,760.00	349,537.00	80,175.00
Equity	160290069332	1,280,384.66	77,456.66	48,560.21
KCB	266970530	862,001.06	558.94	Nil
Total		10,256,933.27	678,675.18	164,703.93

Recommendation

The management should ensure that all the payment transactions during this period are properly accounted for and supported.

4.2. Debtors and Suppliers Balances

The Defunct Town Council of Rumuruti did not officially prepare and hand over a statement of assets and liabilities to the County Government of Laikipia. We could not therefore, ascertain the position of receivables and payables at the end of the whole period under consideration.

4.3. Motor Vehicle and Other Non- Current Assets

The Defunct Town Council did not officially prepare and hand over a Statement of assets and liabilities to the County Government of Laikipia. We could not, therefore, ascertain the position of Motor Vehicle and Other Non- Current Assets owned by the defunct Council over the entire period under consideration.

4.4. IFMIS and G-Pay

The Defunct Town Council was still using the Manual system for its operations over the entire period under consideration but would be linked to the IFMIS and G-Pay system once its implemented at the County Government offices.

4.5. IPPD Payroll

The Defunct Council was still using the Manual system for its operations before, during and after the transition upto May 2013

4.6. Other Observations

(i) Illegal Allotment of plots in the period before transition

(a) The Ministry of Local government froze transfer of defunct Councils assets vide circular Ref MLG/1058/111/ (43) dated 8th February 2012.

However, during our audit exercise, it was observed that a portion of the land at Kandutura Settlement scheme whose acreage stood at 638 Acres was curved out and subdivided into plots of 50 by 100 ft (73 acres) without Ministerial authority to subdivide and allocate Government Trust land to the public.

Physical verification and inquiry into the community deemed to be the beneficiaries of the surveyed land revealed that none had been resettled and had no knowledge of such a plan. The genuineness of the documented allottees of 485 plots and unidentified 153 other allottees was doubtful considering the cases of multiple allottees and the situation of the genuine squatters still not settled.

(b) Further, the Council had irregularly procured surveying services at a cost of Kshs. 1,760,358.00 from the surveyor in charge Laikipia West. The survey expenses were paid in the name of the surveyor in charge instead of the parent Ministry of Lands as an Appropriation In Aid (AIA).

The procurement and payment to the surveyor in charge of Laikipia West Sub- County was, therefore, illegal. Further, the subdivisions and allotments were an illegal encroachment on Government land and breach of Government Guidelines, Rules and Regulations.

Recommendation

It is recommended that the allotment should be nullified, while the money paid to surveyor is recovered in full and paid to his employer, the Ministry of Lands and Settlement as per rules and regulations.

(ii) Irregular Employment

Pre Transitional Period

The defunct town Council of Rumuruti, before the then Ministry of Local Government froze the employment of new staff, vide letter Ref MLG 1308/XII (79) of 27th September 2012, had a total number of 29 of permanent employees.

The defunct Town Council employed and introduced in the payroll forty seven (47) new persons without approval of the then minister in charge of the then Local Authorities. The monthly wage bill for the fraudulent employment before transition amounted Kshs.2,103,433.00.

Post Transitional Period

During the period after Transition, the defunct Town Council introduced in the payroll Eighty one (81) new persons without approval of the then minister in charge of Local Authorities.

All the staff were appointed to positions without due regard to professional and academic qualifications. The posts to which the persons were engaged were neither advertised nor were interviews carried out to address the issue of equity, professionalism and competitiveness. Instances were also noted where some of the newly recruited persons had letters of appointment dated 1 September 2012 but were not appearing in the payrolls for the months of September to December 2012. In addition, others had appointment letters dated 1st Jan 2013 yet were not appearing in the payrolls for the months of January to May 2013. This was an indication that the letters of appointment had been fraudulently and irregularly backdated. The monthly wage bill for the fraudulent employment after transition was Kshs.3,500,019.00.

In summary therefore, the defunct Town Council of Rumuruti had fraudulently and irregularly employed One Hundred and Twenty eight (128) employees pushing up the monthly wage bill to Kshs.5,503,452.00.

The recruitments were illegal and contravened the Permanent Secretary Ministry of Local Authorities letter REF MLG1308/XII(79) on “suspension of regular employment” dated 27th Sept 2012.

Recommendation

Disciplinary action should be taken against the officer responsible for the illegal recruitments and make good the loss of Kshs.5,503,452.00 per Month for additional personnel expenditure in the payroll.

iii) Single Sourcing of Goods and Services – Kshs.2,495,197.00

The defunct Town Council of Rumuruti single sourced for the supply of goods and services in total disregard of the Evaluation Committee which had advised for re-advertisement of all tenders. It was noted that the Council had contracted a valuer to carry out the valuation of the defunct Council assets at a total costs of Kshs.600,000.00. However, records showed that the consultant was paid a total of Kshs.1,337,000.00. resulting to an overpayment of Kshs.700,000.00 which was not explained.

Further, the Town Clerk had authorized the Town Treasurer to process payments in unreferenced and undated invoices from Zablum Ltd as follows:

1 st payment	Kshs.600,000.00
2 nd payment	Kshs.437,000.00
3 rd payment	Kshs.436,000.00
Total	Kshs.1,473,000.00

This, therefore, amounted to abuse of office by the officers who approved these payments since the payments were irregular.

Recommendation

Proper procurement procedures should be adhered to while sourcing for goods and services. The overpayment should also be explained.

iv) Irregular Direct Spending from Revenue Collections

Pre Transition Period –Kshs.5,302,524.00

The defunct Town Council of Rumuruti directly spent from revenue a total of Kshs. 5,302,524.00 before transition. This was against the Government Financial Regulations which requires that all revenue collected should be banked intact.

Post transition Period

The defunct Town Council of Rumuruti directly spent from revenue a total of Kshs. 5,053,282.00 after transition. This was against the Government Financial Regulations which requires that all revenue collected should be banked intact.

The total expenditure out of revenue was Kshs.10, 355,806.00 in the period January 2013 to June 2013. The spent amount was therefore not accounted for.

Recommendation

The spent revenue from source should be paid back by the responsible officer or properly be accounted for.

(iv) Irregular/Unsupported Transfer of funds to Municipal Council of Nanyuki

During the Transition Period, the defunct Town Council of Rumuruti transferred Kshs. 200,000.00 vide cheque No. 4227 dated 15 March 2013 to the defunct Municipal Council of Nanyuki. The amount was meant for maintenance and operations costs of the County Government of Laikipia during the transition period and swearing in of the Governor. However, it was noted that the Transition Authority through the County Commissioners had earlier on disbursed funds for the same expenditure in all Counties. There was no indication that the transferred amount was received by the defunct Municipal of Nanyuki.

The expenditure was a double expense as the Transition Authority had allocated funds for this.

The propriety of this expenditure could not be confirmed.

Recommendation

The transferred amount should be properly accounted for or explained.

vi) Irregular and Unsurrendered Imprests – During Transition period- Kshs. 372,000.00

(i) During the Transition period, the defunct Council issued imprests to various officers working outside the duty stations. It was also noted that the former Town Clerk who had been seconded by Transition Authority to the County Government of Laikipia was issued with imprests amounting to Kshs.122,000.00 and had not surrendered the imprest at the time of this audit.

(ii) Further, total of Kshs.250, 000.00 was issued as imprest vide Payment Voucher No. 2012/13/763 of 12/2/2013 to five officers to attend a seminar on budgeting between 20th and 22nd March 2013, on invitation by Institutional Consulting Ltd an affiliate of Institute of Certified Public Secretaries of Kenya (ICPSK). Among the recipients of this imprest were two former councilors as with a total imprest of Kshs.105,000.00.

The issuance of imprest to former councilors was not explained and therefore irregular. The total imprest of Kshs.372,000.00 remains unsurrendered at the time of this audit.

Period after Transition

After the Transition period, some employees seconded to the County Government of Laikipia by the Transition Authority and serving at the County's headquarters in Nanyuki had drawn imprests from the defunct Town Council's accounts while serving at their duty station, hence not qualifying for the imprests. Imprests amounting to Kshs. 708,000.00 had been advanced to these officers but had not been surrendered at the time of this audit.

Recommendation

All imprests should be surrendered or the necessary recoveries made appropriately.

vii) Misuse of Public funds on Personal Expenditure after the Transition period – Kshs.146,700.00

During the period after the Transition, the defunct Town Council of Rumuruti incurred amounts of Kshs.146,700.00 while fueling and buying motor vehicle spare parts for KAX 220D . It was further noted that this vehicle is owned by the immediate former Town Clerk of the Town Council of Rumuruti who has since been seconded by the Transition Authority to serve in County Government of Laikipia as the Principal Finance Officer.

Recommendation

This amounts to abuse of office and misuse of public funds and the officer should be surcharged and amount recovered from him.

viii) Irregular Payments and Procurements

During the period After the Transition, the defunct Town Council of Rumuruti issued quotations for renovation of the former Councils office and construction of sentry box. Despite using the inappropriate procurement method, five quotations were received. The following were noted;

- i. There was no contractual agreement between the defunct Council and the contractor.
- ii. The bill of quantity seen during the audit showed a quotation of Kshs.5,092,828.00 by Tenderer while the evaluated price was Kshs.5,156,780.00, leading to a variance of Kshs.63,952.00 Which was not explained.
- iii. The contractor issued an invoice No. 111 on 14 May 2013, for Kshs.5, 092,828.00 based on a purchase order No. 00555 of 14 February 2013. Further an unpaid payment

voucher No. 2012/13/929 of 2 May 2013, had since been forwarded for payment to the County Government of Laikipia headquarters as a pending bill for payment.

- iv. The defunct Town Council had made Payments amounting to Kshs.1,943,000.00 to representative of the Tenderer. The Payments were based on hand written requests for advances by the representative and no certificate of work done was prepared by the works department to quantify and approve quality of work done to warrant the payment.

The payments of Kshs.1,943,000.00 to an individual was not explained and appears unjustified leading to loss of public funds now that the Contracting Company was claiming the full contract sum of Kshs.5,092,828.00.

Further, the County Government is also bound to lose a further Kshs.63,952.00 over and above the Bid price. Procurement process was violated in this contract and the County Government may not get value for their money if all the payments are affected.

Recommendation

The responsible officers should be held accountable for failure to adhere to laid down procurement procedures and regulations.

ix) Rehabilitation of Mathanji Dispensary- Kshs.1,796,350.00

During the period After the Transition, the defunct Town Council of Rumuruti paid a sum of Kshs.808,385.00 to a contractor on 3 May 2013, being part and final payment of rehabilitation of Mathanji Dispensary.

The total cost/price of the project was Kshs.1,796,350.00. In addition, on the 26 February 2013, the Council made a down payment of Kshs.987,965.00 to the same contractor. The contractual documents, bills of quantities and Engineers certificates of completion in relation to this project were made available.

However, during the physical verification of the project, poor workman ships were noted. Some sections of the ceiling were leaking and painting was not properly done. It's important to note that feasibility study of the project had not being done. Due to this the building remained unutilized after its renovation and was in a bush.

Recommendation

It's recommended that the work done be re-valued by a registered and independent quantity surveyor to ascertain the estimated cost of the rehabilitation. The work should be redone to required standards.

5.0. DEFUNCT MUNICIPAL COUNCIL OF NANYUKI

5.1. Cash and Bank Balances-Pre Transition Period

The defunct Council operated nine (9) accounts prior to repealing of the local government Act Cap 265 by 28 February 2013.

No bank account was closed prior to transition to county government on 4 March 2013.

5.2. Cash and Bank Balances-During & Post Transition Period

The following bank accounts were operated by the defunct Municipal Council of Nanyuki with the balances indicated as at 30 June 2013:

Bank	A/c No.	A/c name	Bal. as at 30/6/2013 (Kshs.)	Date
KCB	1103171372	GRF	269,954.00	2/7/13
KCB	1103172158	Housing	253,109.00	5/7/13
KCB	1103173596	LATF	310,647.00	2/7/13
KCB	1138793965	Salaries	217,327.00	5/7/13
KCB	1103183672	KRBF	4,409.00	
Equity	0270290046494	Mayors Xmas fund (Dormant)	50,560.00	3/1/13
Equity	0270293576585	Bus park (Dormant)	209,799.00	20/12/10
Equity	0270293576627	Rehab Centre (dormant)	65,590.00	12/9/12
KCB	1130845370	Renewals Fund	1,005,043.80	

However following anomalies were noted.

i) KRBF account had a balance of Kshs.388,409.00 as at 5/11/2012. The same account had a balance of Kshs.4,409.00 as at 30/6/2013. The bank statements for the period in between were not availed. Consequently, the withdrawal of Kshs.384,000.00 remains unaccounted for.

ii) These accounts had not been closed and the proceeds transferred to the county government as at the time of the audit as was required.

iii) No bank reconciliation statements were provided for audit scrutiny.

Based on the above analysis, the balance and the propriety of the amount withdrawn amounting to Kshs.384,000.00 for KRBF account could not be ascertained.

Recommendation

The County Government Management should ensure the withdrawn funds are properly accounted.

5.3. Unprocedural Procurement-Pre Transition Period

The Council procured goods and services worth Kshs.4,707,249.00 from different suppliers. It was, however, noted that despite the Council having prequalified suppliers within the financial year 2012/2013. It was observed that some suppliers who were not shortlisted during the year were also awarded tenders to supply goods and services. Several purchases were not properly supported by adequate documentation especially purchases made using imprests or cash payments for analysis. The council was, therefore, in breach of the law.

Recommendation

The responsible officer should be held responsible for this unprocedural procurement.

5.4. Accounts Payables

The Council availed the list of five (5) creditors totaling to Kshs.293,722,998 as being the total liabilities as at 28th February 2013.

Only staff arrears moved from Kshs.26,003,343.00 reported the previous year to Kshs. 50,726,341.00 an increase of Kshs.24,722,998.00 due to the implementation of new Collective Bargaining Agreement (C.B.A). However, the following anomalies were noted:

- i) The respective ledgers and loan agreements were not availed for the purpose of audit and therefore the balances could not be confirmed.
- ii) Records held in the Council revealed that some contractors who had been contracted to carry out specific works had not been paid in full. These liabilities had not been included and therefore the list provided was not complete and exhaustive.
- iii) It was not explained why the loans were not repaid or whether there were any intentions to repay the same in future.

Recommendation

The relevant documents supporting accounts payable should be availed for audit verification

5.5. Non Current Assets

(i) The Council had various categories of fixed assets before 28th February 2013 namely Motor vehicles, Land and buildings, plant and machineries, Furniture and fittings. The various categories of the fixed assets was communicated over to the Transition Authority on 13 November, 2012 vide council letter Ref NMC/10/12/Vol1/9 .No assets additions were noted during the period 28 February 2013 before the Council transited to the County Government. Physical verification of some of the assets was done particularly on computer and accessories, plant and machineries and the motor vehicles. However, the handing over report to the County Government through request letter ref ICS/MO/Vol 1 (2) dated 11 April, 2013 addressed to all the clerks of the former Councils was not availed for audit verification. We could not, therefore, verify all the listed, council assets as sent to the Transition Authority.

(ii) **Other issues noted related to the fixed assets were as follows;**

The Council has never done the valuation of assets to determine the nature, location and valuation of various assets in its jurisdiction;

Original ownership documents for various parcels of land were alleged to have been deposited with Kenya Commercial Bank –Nanyuki Branch for safe custody based on the discussion with the former Council Treasurer. Therefore it was not possible to confirm the authenticity of the same in absence of the letter of custody from the bank which could not be made available for audit verification.

Although the assets were handed over to the County Government as alleged by the former Chief Officers, the authenticity of the assets assumed by the County Government could not be confirmed in absence of completed fixed asset register, valuation report and independent confirmation on land through land searches at Lands offices Nanyuki.

5.6. Establishment & Payroll

Audit verification on the Council payroll from July 2012 to March 2013 revealed that the Council did not engage extra employees other than those who were seconded by the Former Ministry of Local Government through the normal transfers. The employees properly transited to the County government after 4th March 2013. Establishment matters were in order before 28th February 2013 and when the Council transited to the County Government.

5.7. LATF Projects

The Council budgeted Kshs.21,950,000.00 for various projects during the financial year 2012/2013. However, the audit verification revealed that the bulk of the work done was on road maintenance projects within the Municipality and other construction projects. This included opening and road formations, gravelling, murraming construction of classrooms; rehabilitation of community hall etc .Physical verification was done on some

few selected roads although the challenging issue was degeneration of those roads soon after too much rain within the region. Further, loads of murrum used for murraming were being confirmed by Inspection and acceptance committee thus enhancing internal control measures in the course of the assignments. See schedule on the status of the projects that was alleged to have been forwarded to the County Government by the former chief officers.

Recommendation

The former council officers should be made to account for all LATF funds disbursed to the council during the year 2012/2013

(i) Rehabilitation of open air market-Pre & Post Transition Period

The Council contracted a contractor to carry out the works of rehabilitating Nanyuki open air market. The contract between the Council and the contractor was signed on 30th January 2013.

The scope involved compacting gravel and providing and laying pre-cast cabro blocks to engineers specifications. The contract sum was Kshs.5,000,000.00. However, the following anomalies were noted:

- i) There was no evidence that technical evaluation was done on the contractor.
- ii) The contractor's profile was not availed and his capability of completing the works was questionable given that at some point he requested the Council to pay his suppliers.
- iii) A visit to the site on 11th September 2013 revealed that the works had not been completed as per the bills of quantity. Poor workmanship was evident as the cabro blocks were of poor quality. The council may not have received value for her money on this project which was not successfully implemented.

i) Rehabilitation of old bus park

The above contract was awarded to a contractor on 30th January 2013 for Kshs. 1,996,000.00. The scope involved providing, laying and compacting gravel and also providing, laying, rolling and compacting hot mixed asphaltic concrete class 2 with a thickness of 35mm.

However, the contract was later reviewed to include additional works valued at Kshs. 996,025.00 which was beyond the 15% acceptable level. The additional work was awarded to the same contractor. Physical verification showed that the original work was not complete. Further, no Engineer's certificates of completion were made available for audit verification. We could therefore not confirm whether there was proper charge of public funds.

Recommendation

The former chief officers should be made to account for misuse of LATF funds.

6.0. DEFUNCT COUNTY COUNCIL OF LAIKIPIA

6.1. Cash and Cash Equivalents-Pre Transition Period

(i) Cash and Bank

The defunct council did not provide cash books or bank confirmation certificates for bank accounts held as at 28 February, 2013 when they were required to have closed the bank accounts as per the Transitional Authority instructions. It was therefore not possible to confirm the cash and bank balances before transition in absence of relevant records. Further, the former council clerk and treasurer continued being the signatories of the bank accounts even after 28 February, 2013.

(ii) Cash and Cash Equivalents During Transition Period

The defunct council did not close the bank accounts as directed by the Transition Authority by the deadline of 28 February, 2013. The nine (9) bank accounts held by the council continued to operate by making payments including receiving revenue as shown below.

The following payments were made during the period of March 2013 even after the repeal of local government Act cap 265.

Bank A/c	March 2013 (Kshs.)
Equity – 027029922625	986,655
Necco – 100100000181	-
KCB -1123871450	14,032,903
KCB - 01103171623	6,107
TOTAL	15,025,665

(iii) Cash and Cash Equivalents-Post Transition Period

The following payments were made by the defunct council despite the council having been dissolved after the general elections with the repealing of the local government Act cap 265. The payments are therefore irregular.

Bank A/c	April (Kshs.)	May(Kshs.)	June (Kshs.)
Equity – 027029922625	1,543,185	2,853,518	6,345,933
Necco – 100100000181	-	-	489,538
KCB -1123871450	7,276,041	13,321,254	5,282,095
KCB - 01103171623	583,580	3,831,471	1,179,035
TOTAL	9,402,806	20,006,243	12,117,566

The rest of the bank accounts did not have major transactions apart from account maintenance fees.

The bank balances certificates for the following council's bank accounts as at 30 June 2013 were not provided for audit verification, hence no confirmation of bank balances could be done for six (6) accounts.

Further, though the Necco Society bank account was used for banking of revenue, it was noted that the account initially was shown as A/c no. 2894040255, but the current bank statements for this accounts indicates Account No. 100100000181. The change of the account number was not explained. In the absence of certificate of balance, the authenticity of the bank account and bank balance could be confirmed.

(iv) Maintenance of the Main Cash Book

The council did not maintain the main cash book. Therefore, in the absence of the main cash book, it was not possible to establish the cash book balances at any one time and even prepare accurate Bank Reconciliation statements.

Further, no bank reconciliation statements were prepared and therefore not provided for audit scrutiny during this period.

Recommendation

Revenue records should be properly kept and updated to ensure proper revenue accountability.

6.2. Irregular Payments- Pre Transition Period

Irregular Payments to Former Councillors

A scrutiny of payments made in January 2013 revealed that a total of Kshs. 2,000,000.00 was irregularly paid to former councilors purportedly for onward payment of casual employees doing bush clearing in the councilor's respective wards. This was irregular since paying of casuals should be done by the council management. Further, the payments were made in the last week before the councils were dissolved, raising doubts as to whether they were genuine. These amounts should be recovered from the former councillors.

Further, no details of the alleged casual employees were made available for audit review.

Recommendation

The amount paid should be recovered from the responsible officer.

6.3. Other Irregular Payments

During the month of January 2013, just before the councils were dissolved, payments amounting to Kshs.846,742.00 were also irregularly made as follows.

The propriety of these payments could not be confirmed since they were not properly explained.

Recommendation

The management should ensure proper accountability of these funds, and where necessary, those responsible should be held to account.

6.4. Unsupported Payments

An examination of the payment records made during the month of January to June 2013 revealed eleven (11) payments made by encashing of cheques by the cashier and also lacking supporting documents which amounted to Kshs.1,180,000.00 as follows:

The veracity and propriety of these payments could not be established.

Recommendation

The necessary supporting documents should be provided.

6.5. Procurement of Goods and Services

The council did not prequalify suppliers for goods and services during the year 2012/13. Further, no explanations were provided or procurement plan used during the year. The following issues were observed,

(i) Procurement of Goods and Services on Cash Basis:

The council would issue cheques to the cashier who would withdraw the amounts to make various payments to the tune of Kshs.1,267,710. Therefore, the propriety of these payments could not be ascertained

(ii) Other Goods and Services Paid in Unclear Circumstances:

Cheque nos. 1843 – 45 of 05/07/13 for Kshs.762,500 and invoice dated 15/05/13 was made to a vendor. It was not clear what was being paid for and the delay in payment considering the PFM transition Act only provided for payment of goods and services initiated before 28th February 2013.

6.6. LATF Unsupported Payments- Pre & Post Transition Period

Payments amounting to Kshs.1,382,448.00 were made without valid supporting documents. The documents which were missing from the payments were Local Purchase Order (LPO), Invoices and /or Imprest Warrants. These payments were spent from the LATF Account.

The propriety of these payments could not be ascertained.

Recommendation

All payments should be supported as required.

6.7. Irregular Recruitment of Staff- Pre Transition Period

On 27th September, 2012 the Permanent Secretary – Ministry of Local Government issued a circular to all Town clerks and County clerks suspending Regular Employment in all the Local Government / Authorities. The County council of Laikipia went contrary to this direction and recruited 24 staff.

Violating this direction has seen the County Council lose (from February 2013 when they first appeared in the payroll to June 2013 end of FY) an estimated amount of Kshs.738, 760.00

6.8. Salary Increase Kshs.3, 306, 610.00

There was notable increase of salaries on the month of February 2013 of Kshs. 3,306,610. The management attributed the increase to the implementation of long pending collective bargaining agreement (CBA) between the Association of Local Government Employers (implemented on its behalf by County Council of Laikipia) and Kenya Local Government Workers Union (KLGWU).

The salary increase was in order and, therefore, the County Government can adopt the former County Council payroll.

6.9. Non Current Assets - Pre and During Transition Period

The Audit of the above items revealed that the Assets for the County council of Laikipia were intact. However, the following was observed:

- There was massive transfer of Assets (Furniture & Fittings) within the departments at the County Head Office, from the County Head Office to Sub-county Offices. There were no records of such transfers kept for future reference.
- Some Assets that had been earlier tagged to ensure Asset identification had no tags; they had fallen off/ gotten lost.
- Although the council had maintained a Fixed Asset Register, the register was fairly kept.

- The County Government can adopt the list of assets from the defunct County Council.

6.10. Revenue Collection-Pre & Post Transition Period

(i) During the period of 1 January 2013 to 30 June 2013, the defunct Council collected a total of Kshs.31,491,496.00 as per the schedules provided by the Council. This amount differed with Kshs.29,705,840.00 as per the revenue analysis of the revenue control sheets which was inclusive of all the Divisions in that County, thereby overstating the amount collected by Kshs.1,785,656.00.

(ii) Bankings for the same period were made in various bank accounts totaling to Kshs.31,368,700.00, hence under bankings and overbankings were noted in various divisions. It was also noted that some of the divisions did not make revenue returns for the months of February 2013 and June 2013, i.e.

Division	Month
Nyahururu	February 2013 and June 2013
Rumuruti	June 2013
Ngarua	February 2013

(iii) Further, revenue collected during that period was not surrendered by the responsible officers from various divisions. This means that between the time of the receipt of the revenue and the time of banking, public money was spent at source contrary to Section 6.8.6 of the Government Financial Regulations and Procedures which requires revenue to be banked intact. Details are as analyzed below:

Division	Amount Collected (Kshs.)	Amount banked (Kshs.)	Under/Overbankings (Kshs.)
Nyahururu	1,000,257.00	997,957.00	2,300.00
Munyaka	2,424,350.00	2,547,350.00	(123,000.00)
Rumuruti	3,973,787.00	3,784,043.00	189,744.00
Ngarua	5,066,348.00	5,666,919.00	(600,571.00)
Central	2,994,379.00	2,995,389.00	(1,010.00)
Mukogodo	3,652,820.00	3,650,270.00	2,550.00
Lamuria	973,500.00	973,500.00	-
Headquarter	9,620,399.00	10,753,272.00	(1,132,873.00)
TOTAL	29,705,840.00	31,368,700.00	(1,662,860.00)

(iv) A comparison of the same period's revenue collection with similar period the previous year (1 January to 30 June 2012) also revealed that there was actually some improvement in the collection of the revenue by about Kshs.1,401,046.00 as follows;

Period	2011/2012	2012/2013	Variance
January to June	30,090,450.00	31,491,496.00	1,401,046.00

6.11. Debtors -Pre Transition Period

The Debtors balances of Kshs.510,778,899 for the defunct Council have been outstanding for a long time. These balances were confirmed from the council's LAIFOM ledger as at 28th February 2013.

These debts which have been taken over by the County Government may not be collected if proper measures are not put in place to ensure recovery.

6.12. During and Post Transition Period

The Debtors balances for the defunct Council stood at Kshs.505,687,590 as at 30 June 2013 were as follows:

The efforts taken by the entity to ensure full recovery of the above large debts owed to the former council were not substantive. Otherwise the sub-county might end up losing the much needed revenue for its daily operations.

Recommendation

The County Government should institute measures to ensure that all outstanding debts are received.

6.13. Handing Over Report

The defunct County Council was required by law to have prepared a handing over report, detailing the assets, liabilities and staff it was supposed to hand over to the incoming County Government. However, no such report was prepared and handed over to the County Government even after the Council was reminded of the same by the PS Ministry of Local Government vide letter reference No. MLG/1333/TY/52 dated 18th February 2013.

The Council continued to operate as in the past receiving revenue and making payments despite the Local Government Act Cap 265 having been repealed on 4th March 2013.

Recommendations

In absence of a signed handing over report, the County Government should strive and carry out an inventory of all the assets and staff with the defunct council and also carry out due diligence audit on all the liabilities either paid after the County Government came into being in March 2013 and also on the outstanding liabilities as at 30th June 2013 to establish their genuineness or otherwise.

6.14. LATF Capital Projects

A review of the LATF projects status report indicated Kshs.15,271,490 was spent on various LATF projects during the year ended 30th June 2013. However, no documentary

evidence was availed to support the expenditure in terms of the identified LASDAP capital projects budgeted for during the year.

A review of the identified projects indicated in the LATF projects status report revealed that the projects were not implemented even though in the report they are indicated as done and paid for. We could, therefore, not confirm how the total of Kshs.15,271,480.00 reimbursed for LATF projects were utilized and accounted for.

Recommendation

The responsible officer should account for all LATF funds received during the year.

6.15. Creditors and Liabilities

The defunct Council did not maintain any creditor's ledger, hence no concrete details were provided on the creditor's position. Further, no handing over was done on the liabilities held by defunct Council to the incoming County Government.

A listing of the liabilities amounting to Kshs.39,514,614 as at 31/5/13 was provided but the same could not be verified due to absence of invoices or signed handing over report:

Therefore, in absence of documents to verify the above liabilities, it was not possible to confirm the total liability provided of Kshs.39,514,618.

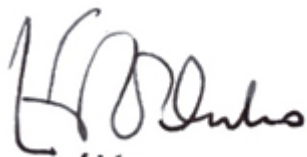
Recommendation

The relevant documents should be provided in order to confirm the correct liability position for the defunct council. This calls for a more in-depth audit to confirm creditor's position during the transition period of January to June 2013.

7. Conclusion

- The Integrated Finance Management system (IFMIS) should be put in place and all financial transactions be done as per the requirement.
- All moneys collected and coming to the County should be banked as per Section 109 of Public Finance Management Act 2012.
- The executive through a minute of their resolution should come up with a policy of reimbursing non-receiptable public service delivery for example, local travel, subsistence and hospitality. This is due to the nature of their work within and outside the County. All other officers should have all supporting documentations.
- Procurement of goods and services should be as per the Public Procurement and Disposal Act. The executive committee member for finance under whose procurement department falls should advise the County Government on procurement procedures as laid down by the Law.

- The County Government should employ enough personnel in Finance Department to ensure adequate segregation of duties and smooth flow of accounting functions of the department. Such personnel to include ICT and accountants.
- All entities should stick to their budgetary allocations as per the guidance and direction of the County Treasury.
- The underfunding of the County Finance Sector should be urgently addressed to facilitate smooth and efficient operations of the County since it is the epicenter of the county activities.
- All illegally allocated plots should be recovered and returned to the County Government.
- All the salaries paid to illegally employed staff at Rumuruti Urban Council should be computed and the total be surcharged to the former Clerk of the Council responsible for illegality.
- All non-valuable assets such as plant and machinery should be bonded and disposed off and the proceeds adequately accounted for. This will not only bring additional cash to the county but also enable the county to renew its aged and inefficient machinery.
- The foregoing observations indicate that proper accounting and recording systems controls both manual and computerized needs to be put in place this is a requirement of the Public Sector accounting standards board as emphasized by section 194 of the Public Finance Management Act, 2012. Budgetary controls should be improved to avoid disadvantaging developments. Finally procurement procedures as required by the public procurement and disposal Act 2005 should be followed.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

20 February 2014