

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR–GENERAL

ON

**THE FINANCIAL OPERATIONS OF
LAIKIPIA COUNTY EXECUTIVE**

FOR THE PERIOD

1 JULY 2013 TO 30 JUNE 2014

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

EXECUTIVE SUMMARY

Introduction

The Office of the Auditor General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution and Section 23 of Public Audit Act, 2003. Further, the County Government Act, 2012 replaced the Local government Act Cap 265, thus effectively dissolving all the 175 local Authorities and creating 47 County Governments.

Audit Objective

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

Terms of Reference

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

- County Government Policies Implementation
- Procurement of Goods , Works and Services
- Sitting and other allowances
- Travelling and accommodation expenses
- Hire of motor vehicles
- Motor vehicle running expenses
- Consultancy Services
- Seminars/workshop training expenses
- Residential and non-residential expenses
- Bursaries
- Imprest and advances
- Revenue records
- Cash and bank balances
- County Government Funds
- Human Resource Record
- IT environment
- Non-Current Assets
- Devolved Funds
- Current Liabilities
- Prior Year outstanding issues

KEY AUDIT FINDINGS

1.0 Budget Implementation

The County Executive of Laikipia 2013/2014 actual total expenditure of Kshs.2,200,808,577.60 against total expenditure budget of Kshs.2,730,960,904, resulting in under expenditure of Kshs.530,152,327. The County Executive exceeded the actual expenditure of Kshs.1,051,264.824.00 budget for devolved Ministries Staff of Kshs.865,000,000.00 by Kshs.186,264,824 during the same period. Further, the County Executive spent Kshs.1552, 830.00 on running of ECD Schools during the year under review which had not been budgeted for. No explanation was given on excess expenditure.

2.0 Failure to withhold taxes from contractors

During the financial year 2013/2014, the County Executive of Laikipia paid a sum of Kshs.47,326,240.00 to various contractors without deducting and withholding taxes amounting to Kshs.1,419,787.20. No explanation was given by the management for its failure to deduct and withhold taxes for various contractors who were tendering services to the County Government.

3.0 Irregular Payment of Auctioneer Fees

During the financial year 2013/14, the County Government engaged the services of an auctioneer to auction goats, sheep and cows during market days in Rumuruti on behalf of the County Government. However, the auctioneer was irregularly paid Kshs.2,195,235 for services not rendered since no auctions took place during the period under review. Further, the auctioneer had no contractual agreement with the County Government. In addition, there were no records of any revenue accruing from auctions.

No explanation was given by the management of the County Government as to why they resulted to engaging the services of auctioneer to collect revenue when they have adequate revenue collectors.

4.0 Implementation of Road Projects

The County Executive of Laikipia awarded tenders to various contractors to undertake road projects throughout the County, out of the pre-qualified contractors. The road works involved grading of roads and supply, delivery, spreading and compacting of murram of various roads. However, out of a sample of tenders awarded to various contractors amounting to Kshs.21,828,000 it was observed that although the contractors were pre qualified, it was unclear how they were identified to carry out the road works since no quotations were sent out to bidders.

Incomplete and shoddy works were paid for in full in some cases, completion certificates and BQs showing the details of the works involved were not availed for audit review.

The County Executive contravened Public Procurement Regulations and made full payments for works not effectively undertaken. Therefore, the County Government did not get value for her money in these procurements.

5.0 Failure to deduct taxes on allowances paid to members of the County Public Service Board

An amount of Kshs.3,024,000.00 in respect of sitting allowances to members of Laikipia County Public Service Board was not taxed as required by Income Tax Act. Consequently, the Government lost Kshs.907,200.00 inform of unpaid taxes. No explanation was given for failure to deduct taxes from these allowances.

6.0 Unsupported claims, travelling and subsistence allowances

A sum of Kshs.1,191,500.00 was paid to various County officers in respect of overtime allowance for working over the weekends, over lunch hour and late in the evening. No explanation was given to prove that the services rendered were not anticipated and could not therefore have been carried out during the normal working hours. Also, included in this amount are unsupported claims amounting to Kshs. 429,900.

Further, the County Government spent a total of Kshs.1,516,000 to pay staff members purportedly attending IFMIS training at Kenya School of Government which was not supported by relevant documents.

In addition, an amount of Kshs.3,060,000 was incurred in respect of staff travel and subsistence allowances. However, the expenditure was not properly supported journeys travels were not evidenced by bus tickets, expenditure schedules, work tickets or invitation letters for the various out-post functions.

In the circumstances, the propriety of the above expenditure amounting to Kshs.5,767, 500 could not be ascertained.

7.0 Irregular Procurement Procedures

An amount of Kshs.2,000,000 was incurred to purchase unspecified household items in cash contrary to public procurement and disposal regulations. In addition, the items purchased were not officially taken on charge in the County Government stores.

Further, the County Executive irregularly procured household items for the Deputy Governor worth Kshs.580,290.00 directly from Nakumatt Holdings Limited. The items procured were not officially taken on charge in the County Government stores.

The County Government did not explain why public procurement regulations and existing financial regulations were not adhered to.

8.0 Irregular Procurement of legal services

The County Government of Laikipia directly procured legal services from M/s Sichangi Partners Advocates at a contract sum of Kshs.3,684,000, to represent the Governor and the Speaker in a case filed against them by the Hon. Member of Laikipia North Constituency concerning appointment of members of executive committee of the County Government of Laikipia contrary to laid down procurement regulations. Further, there was no evidence of award of the contract by the tender committee or approval for use of direct procurement. The County Government did not give an explanation for failure to adhere to proper procurement procedures.

9.0 Unaccounted For Expenditure

Payment vouchers for expenditure amounting to Kshs.992,380 were not availed for audit review. In the circumstances, the propriety of the expenditure amounting to Kshs.992,380 could not be ascertained.

10.0 Foreign Travel

Records held by Laikipia Executive Government revealed that an amount of Kshs.5,960,122.00 was incurred in respect of four (4) foreign trips to Namibia, Zambia, UK and Greece. However, the respective implementation status report for each tour were not availed for audit review. In the circumstances, it was not possible to confirm whether the County Government of Laikipia got value for money from this expenditure. No explanation was given for failure to avail implementation reports.

11.0 Revenue Records

(i) Sub-Counties Revenue

Unbanked Revenue

During the year under review, Laikipia County Government collected a total of Kshs.256,230,524.00 from its three Sub-Counties. The total revenue banked during the same period was Kshs.242,177,255.95 leaving unbanked balance of Kshs.14,053,268.05 contrary to government financial regulations and procedures. The unbanked revenue was not accounted for.

No explanation was given for failure to bank revenue intact.

(ii) Sub-Counties Hospitals Revenue

During the year 2013/2014, Rumuruti and Nyahururu Sub-Counties Hospitals over banked revenue amounting to Kshs.892,042, which was not explained. This implies that proper books of accounts are not maintained at the hospitals. Further, Nanyuki Sub-County

Hospital did not bank revenue amounting to Kshs.765,077.00 during the same period. The amount may have been misappropriated.

12.0 Human Resource Records

12.1 Unsupported payments of casual wages

The County Executive paid casual wages amounting to Kshs.1,755,792.00 engaged in bush clearing in various wards in Laikipia County. However, payment vouchers in respect of the said casual wages were not supported by signed schedules confirming that the casual were actually engaged and received the wages for the days worked.

No explanation was given by the management for its failure to produce the necessary payment schedules for casual employees' payments as required.

12.2 Irregular refund of salaries to non-existing staff

The County Government of Laikipia refunded a total of Kshs.43,086,946 to Nyandarua County Government in respect of salaries paid to staff engaged in Nyahururu Sub-County Hospital for the months of February and March 2014. However, scrutiny of Human Department records in Nyahururu Sub-County Hospital revealed that some paid staff did not exist in their establishment. The total salaries refunded in respect to non-existence staff in the month of February and March 2014 amounted to Kshs.8,813,848.

12.3 Non compliance with recruitment, selection and appointment procedures

The County Government of Laikipia did not have an approved staff establishment to determine the number of vacancies in each grade and the required/ expected posts for each grade. During recruitments, the County Public Service Board only received letters of intent to recruit from the Human Resource department in total disregard of the posts required in each post. The County Government of Laikipia did not have a scheme of service to spell out the terms of service of the staff being recruited.

Further, some officers were recruited yet they had not met the minimum advertised qualifications and some staff personal files lacked copies of academic and professional certificates and job application letters. No explanations were given by the management for failure to follow the recruitment guidelines.

13.0 Improper Handing over/taking over from the defunct local authorities

As similarly reported in 2012/2013 special audit report, the County Government of Laikipia had not officially taken over assets and liabilities of the former County Council of Laikipia, Municipal Council of Nanyuki, Municipal Council of Nyahururu and Town Council of Rumuruti at the time of conclusion of the audit in July 2014.

14.0 Creditors

The County Executive reported creditors amounting to Kshs.227,658,113.00 as at 30 June 2014. However, the same could not be confirmed as accurate since no creditors' ledger was maintained. Further, the figure included some huge liabilities inherited from former local authorities which could not be confirmed since the County Government had not officially taken over the assets and liabilities of the defunct local authorities.

In the absence of the creditors ledger, it was not possible to confirm accuracy of the creditors balance that the County Government took over from the former councils and if they had been settled or not.

Conclusion

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

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



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

NAIROBI

29 May 2015

DETAILED AUDIT REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF LAIKIPIA COUNTY EXECUTIVE FOR THE PERIOD 1 JULY TO 30 JUNE 2014

DETAILED AUDIT FINDINGS

1.0 County Executive Policies Implementation

1.1 Budget versus Actual Expenditure Analysis

During the year 2013/2014 financial, the County Executive of Laikipia approved budget was Kshs. 2,730,960,904 against actual expenditure of Kshs.2, 200,808,577.60 as analyzed below:

<u>Item</u>	<u>Budgeted Kshs.</u>	<u>Actual Expenditure</u>	<u>Under Kshs.</u>	<u>Over Expenditure Kshs.</u>
2013/2014				
Exchequer Issues	2,730,960,904	2,200,808,577.60	530,152,327	-
Devolved Ministries	865,000,000	1,051,264,824		186,264,824
ECD Schools	-	1,552,830		1,552,830

From the above analysis it was observed that;

- (i) The County Government incurred unauthorised over expenditure of Kshs.186,264,824 in respect of staff salaries for devolved ministries.
- (ii) The County Government spent further Kshs.1,552,830.00 on running of ECD schools. The amount had not been budgeted for during the year. Further, no approval from Controller of Budget authorizing this amount was made available for audit verification.

Recommendation

The County Executive should strictly adhere to the requirements of Public Finance Management Act and existing Government financial regulations.

1.2 Inter-Vote borrowings

It was observed in several cases that upon release of funds to the County's operational account, the County Executive of Laikipia irregularly allowed inter-vote borrowing totaling to

Kshs 3,228,100.00. Further, no approval from the Controller of budget authorizing these inter vote borrowings was made available for audit review.

Recommendation

The County Executive should allocate and manage funds per sector/department to avoid unnecessary budget inter-borrowing and budget overruns

2.0 Failure to deduct withholding Taxes

During the year under review, the County Executive of Laikipia paid a sum of Kshs 47,326,240.00 to various contractors without deducting withholding taxes. The withholding tax not deducted and remitted amounted to Kshs 1,419,787.20. The County Executive therefore contravened Income Tax Act. Heavy penalties are likely to be charged by KRA on the failure to deduct and remit the taxes in due date.

Recommendation

The County Government should institute measures to recover the undeducted taxes and remit the same to KRA.

Recommendation

The above amounts are not justifiable and should be recovered from the concerned officers.

3.0 Irregular Payments of Auctioneer fees

During the period under review, the county Government engaged the services of M/s Cleverline Auctioneer to auction goats, sheep and cows during every market day of the week at Rumuruti (i.e. every Thursday of the week). In order to collect the cess, the auctioneer uses own revenue collection receipts, while the county officials use their own official revenue collection receipts. Further, the Auctioneer charged Kshs 60 and Kshs 200 for every goat/sheep and cow sold respectively. On the other hand, the County Government charged Kshs 60 and Kshs 100 for every goat/sheep and cow sold respectively. The total cess collection (on the market day) by the County Government is surrendered intact to the main cashier at the Rumuruti sub county offices. However, the total cess (goat and cow) collected by the auctioneer is shared equally between the County Government and Auctioneer (on cash basis) at the end of the market day.

However, the following anomalies were noted:

- (i) There was no contractual agreement between the County Government of Laikipia and Cleverline Auctioneer on the collection of the goat/sheep and cow cess.
- (ii) The auctioneer does not actually auction since no auction was being done. In fact the auctioneer was merely collecting revenue along side with the county government staff.

- (iii) During the financial year 2013/2014, the auctioneer was irregularly paid a total of Kshs 2,195,235.00.

Recommendations

Since there is no auction done by the auctioneer, their services should be terminated and the revenue officers based within the division should be engaged for the purposes of the cess collection. The total amount of Kshs.2,195,235.00 irregularly paid to the auctioneer should be recovered.

4.0 Implementation of Roads Projects

4.1 The grading, supply, delivery, spreading and compacting of murram at Tutu – Endana Road at Segera Ward

The tender for grading, supply, delivery, spreading and compacting of murram at Endana Road, Segera Ward was awarded to M/s Tanad Transporters Limited at a contract cost of Kshs.4, 000,000.

Award of the Tender

It was not clear how the contractor was identified to carry out the above road works since no quotations were sent out to bidders. BQ for the works and completion certificates for this payment were not availed for audit review. The Contractor was paid full contract amount of Kshs.4, 000,000 before the work was completed and certified.

Physical Verification

Physical verifications showed that the road was properly done for the first 3km from Tutu. However, in the next 5km, the grading was poorly done, murraming though supplied and spread, no compacting was done. After 8km to Endana town (Endana Town is 13km from Tutu), there were no evidence of any grading work done.

In conclusion, the County Government contravened public procurement procedures while awarding this tender. Further, full payment was made to the contractor who did not complete the works and did shoddy work. Therefore, the County Executive did not get value for the money in this contract.

4.2 The supply, delivery, spreading and compacting of murram at Ilpolei- Kimanjo- Ewaso Road – 23km

The tender for supply, delivery, spreading and compacting of murram for 23km at Ilpolei-Kimanjo-Ewaso Road, Mukogondo West Ward was awarded to M/s Framu Contractors at a contract cost of Kshs.4, 000,000.

Award of the Tender

It was noted that although M/s Framu Contractors was prequalified, it was not explained how the contractor was identified to carry out road works since no quotations were sent out to bidders. Further, no BQ for the works were available for audit review.

The Contractor was paid full contract amount of Kshs.4, 000,000, although no completion certificates supporting this payment were made available for audit verification.

Physical Verification

It was observed that only road grading was done on the 20Km road between Ilpolei and Kimanjo. Murram was not supplied, spread and compacted at this area. From Kimanjo town to Ewaso (distance of about 3.1Km), some sections murram spreading was not done, except murram patching was done in some sections of the road.

In conclusion, the County Executive contravened public procurement procedures. Further, full payment was made to the contractor who did not complete the works. Therefore, the County Executive did not get value for their money in this contract.

4.3 Grading of Roads within Marmanet Ward

The tender for grading roads within Marmanet Ward was awarded to M/s Shangdong Construction Limited at a contract cost of Kshs.2, 400,000.

Award of the Tender

Although the contractor was prequalified, it was not clear how they were identified to carry out road works since quotations were not sent out to bidders.

Further no BQ for the works was available for audit review. The Contractor was paid full contract amount of Kshs.2, 400,000 although no completion certificates supporting this payment were made available for audit verification.

Physical Verification

It was observed that the grading works on Karandi road did not meet the required standards. The road was not raised well to allow proper drainage to avoid destruction during the rains. Some parts of it had started growing grass.

In conclusion, the County Government contravened public procurement procedures. Further, poor workmanship was noted in some sections of the road. Therefore, the County Executive did not get value for her money in this contract.

4.4 Dozer works In Githiga ward, Kamwenje area

The tender for 300 hours Dozer Works at Kamwenje area, Githiga Ward was awarded to Shangdong Construction Limited at a contract cost of Kshs.2, 700,000

Award of the Tender

It was not clear how the contractor was identified to carry out road works since no quotations were sent out to bidders. Further, no BQ showing the details of required works were availed for audit review. The Contractor was paid full contract amount of Kshs.2, 700,000 although no completion certificates supporting this payment were made available for audit verification.

Physical Verification

A physical verification showed that poor workmanship was noted in some sections of the road. In a certain section of the road, a tree stem was seen at the middle of the road. The tree stem had not been uprooted during the roads work.

In conclusion, the County Government contravened public procurement procedures in this contract. Further, poor workmanship was noted in some sections of the road. Therefore, the County Executive did not get value for their money in this contract.

4.5 Culvert Drift construction at Githiga Ward

The tender for Culvert Drift Construction at Githiga Ward was awarded to M/S Freeza Enterprises at a contract cost of Kshs.1, 000,000.

Award of the Tender

It was not explained how the contractor was identified to carry out this road works since quotations were not sent out to bidders. Although the contractor was prequalified, no BQ showing the details of the work to be done and the costing were made available for audit review. In addition, the contractor was paid full contract amount of Kshs.1, 000,000 although no completion certificates supporting this payment were made available for audit review.

Physical Verification

During the project visit, the work was in progress. The gabions had not been done to the required standards and complete drainage excavation were not done to the water pans. It's only the temporary exaction of drainage that had been done.

In conclusion, the work done was too shoddy though full payment for the project of Kshs.1, 000,000 had been made.

4.6 Heavy Grading In Rumuruti Ward

The tender for heavy grading in Rumuruti Ward was awarded to M/s J.K. Construction at a contract cost of Kshs.2, 400,000.

Award of the tender

Although this tender was awarded to M/s J.K Construction who were a prequalified contractor, it was not explained how the contractor was identified to carry out road works since no quotations were sent out to other bidders. Further, no BQ showing the details of the work involved was produced for audit review.

The contractor was paid full contract amount of Kshs.2, 400,000 although no completion certificates supporting the payment were made available for audit verification.

Physical Verification

It was noted that the heavy grading was not done to specifications as the road was not even, shrubs at the road side had already spurt and grass had grown (appeared not to have been uprooted in some sections).

In conclusion, the County Executive contravened public procurement procedures. Further, poor workmanship was noted in some sections of the road. Therefore, the County Executive did not get value for her money in this contract.

4.7 Murraming at Akorino Ndaiga Primary – Muramati Road

The tender for murraming of Akorino Ndaiga Primary School – Muramati Road was awarded to M/s Shalton Contractors at a contract cost of Kshs.2, 000,000.

Award of the tender

Although the tender was awarded to M/s Shatton Contractors who were prequalified contractors, it was not explained how the contractor was identified to carry out road works since no quotations were sent out to bidders. Further, no BQs showing the details of the work involved were availed for audit review. The contractor was paid full contract amount of Kshs.2,000,000 vide payment voucher No.7340 dated 17 April 2014 although no project completion certificates supporting the payment were made available for audit verification.

Physical Verification

Physical verification of the project revealed that, the murraming of the road was not done at all despite the fact that the full contract amount had been paid.

In conclusion, the County Executive lost Kshs.2, 000,000 for effecting full payment for works not undertaken at all.

4.8 Grading in Nanyuki ward

The tender for grading of 22.4km feeder roads within Nanyuki Ward was awarded to M/s Lampstand Holdings Limited at a contract cost of Kshs.2, 400,000.

Award of the tender

It was not explained how the contractor was identified to carry out road works since no quotations were sent out to bidders. BQ for the works were not available for audit review. The contractor was paid full contract amount of Kshs.2, 400,000 before work and the completion certificates were issued.

Physical Verification

Physical inspection of grading works of 2.9km Ntrukuma road showed that the road was partially and poorly done.

In conclusion, proper procurement procedures were not followed in identifying the contractor and the County Executive may have lost value for her money in this contract.

4.9 Sewerage area road grading – 1.5Km

The tender for grading of 1.5km road within Sewerage area, Nanyuki Ward was awarded to M/s Lampstand Holding Limited at a contract cost of Kshs.928,000.

Award of the tender

It was unclear how the contractor was identified to carry out road works since quotations were not sent out to bidders. BQ for the works were not available for audit review. The contractor was paid full contract amount of Kshs.928, 000 although no completion certificates supporting the payment were made available for audit verification.

Physical Verification

This road was poorly done such that it could not allow proper drainage of rain water.

In conclusion, the County Executive of Laikipia contravened public procurement regulations and may have lost value for her money since works were not undertaken as per required standards.

Recommendations

Payment should be made based on quantified or certified works. Where shoddy work has been done, the contractor should be compelled to re- do the work to the required standards. The Bill of Quantities for road grading should be clear and specific on the works to be done.

5.0 Failure to Deduct Taxes on Allowances paid to members of the County Public Services Board

It was noted that allowances totaling to Kshs 3,024,000.00 paid to members of the Laikipia County Public Service Board were not subjected to tax deduction contrary to the provisions of Income Tax Act.

Further, it was noted that the Board members were paid allowances which exceeded 8 meetings contrary to the Transition Authority's directive contained in circular Ref. No. SRC/TC/CGOVT/3/61 of 13 June 2013.

Therefore there was loss of public funds due to non collection of taxes and unauthorized payments of excessive sitting allowances.

Recommendations

The County Executive of Laikipia should recover the unpaid taxes totaling to Kshs 907,200.00 from board members and remit the same to Kenya Revenue Authority. Further, the County Executive of Laikipia should recover excess sitting allowances paid to the members of County Public Service Board.

6.0 Unapproved allowances and Unsupported Claims

A sum of Kshs 1,191,500.00 was paid to various county officers for working over the weekends and overtime allowances. Also, included in this amount are unsupported claims amounting to Kshs. 429,900. In the circumstances, the propriety of these payments could not be confirmed.

6.1 Unsupported Payments for Participants attending IFMIS training at Kenya School of Government (KSG)

Laikipia County Staff were paid allowances and transport expenses amounting to Kshs. 755,000 vide payment voucher No. 1251 to attend training on IFMIS at Kenya School of Government for six days although no imprests were issued to the officers. Further, no evidence was adduced to show that the training took place as there was no supporting evidence of correspondence between the County Secretary and Kenya School of Government requesting for the training.

Further, the internal audit staffs were also required to attend the course at Kenya School of Government between 5th–16th August 2013. They were also paid allowances amounting to Kshs. 761,000 for the 13 days they were in Nairobi vide payment voucher No. 372 dated 18/02/2013.

It was further noted that between the period 5th – 15th August 2013, the training was cancelled by IFMIS ACADEMY due to shortage of space at KSG. Supporting schedules for the above payments were not dated. No imprest was applied and authorized for the above training.

Recommendation

The County Executive management should account for these payments in full.

6.2 Unsupported travelling and subsistence allowance

Observations

During the year under review, various travelling and subsistence allowances payments were not properly supported. In most cases, travels were not evidenced by bus tickets, air tickets, expenditure schedules, work tickets as well as invitation letters for the various functions. Some specific cases sampled revealed the following:

- (i) An amount of Kshs.1,200,000 was paid vide payment voucher No. 1117 dated 4 December 2013 to Cecima Contractors (K) Ltd in respect of transport for Laikipia Musical Festival participants and capacity building expenses. No expenditure schedules were made available for audit verification. Further, no tender documents were produced to show how the supplier was sourced and awarded the tender.
- (ii) Audit verification revealed that a total of Kshs. 236,000.00 was spent in facilitating official visit on water issues. The payments were done on 1 March 2014. However, this expenditure was only supported by claim forms. Hence, the propriety of the payment could not be confirmed.
- (iii) A total of Kshs.154,000.00 was incurred by the County Government of Laikipia County in respect of Water Bill Workshop held at Kirimara Springs hotel. Included in the said payments were payments in respect of transport expenses paid to two facilitators. However the payment was not supported. Further, the recipients did not acknowledge receipt of the money.

Further, a total of Kshs.70,000.00 was paid to various individuals (Kshs.1, 000.00 each) whose nature was not disclosed or specified i.e. the purpose or type of allowance was not disclosed.

- (iv) An amount of Kshs.1,414,970 was issued to officers as travel and subsistence allowances/imprest. However, the officers did not fully account for the imprests.

Recommendation

The County Executive should justify that the expenditures were proper charge to public funds.

6.3 Other Unsupported claims/Irregular payments

The following anomalies were noted in respect to expenses incurred by The Deputy Governor, out of the sampled payments:

- (i) An amount of Kshs.65,000 was claimed by the Deputy Governor and paid in respect of per diem during purported meeting with KETRACO officials, vide payment voucher No. 1163 dated 9 December 2013. The payment was only supported by claim form. Under such circumstances, we were unable to ascertain the propriety of this payment.
- (ii) An amount of Kshs.64,976 was paid to H.E. the Deputy Governor, being expenses incurred by him while attending various meetings on various dates, vide payment voucher No.1569 dated 13 January 2014. However, the nature and specific dates of the purported meetings were not disclosed. Some of the receipts supporting this payment also appear unofficial. Under such circumstances we were unable to ascertain the authenticity of this payment.
- (iii) An amount of Kshs.43,403 was claimed and paid to the Deputy Governor, being expenses incurred by him during various meetings on various dates. However, the nature and specific dates of the purported meetings were not disclosed. Some of the receipts supporting this payment appear unofficial. Further, included in the said claim was an amount of Kshs.16, 000 refund for fuel expenses which was not supported. Under such circumstances we were unable to ascertain the authenticity of these payments.

Recommendation

The Deputy Governor should fully account for the above expenditure, otherwise the same should be recovered from him.

7.0 Procurement of House Hold Items

It was observed that a total of Kshs.2,000,000 was incurred to purchase unspecified household items in cash, in total disregard of public procurement and disposal regulations. Further, the items procured were not officially taken on charge in the County Government stores records. In addition, we were unable to verify the purchased items since they were not in the store.

Recommendation

The County Government should strictly adhere to Public Procurement Regulations.

7.1 Procurement of house hold items for the Deputy Governor

During the year under review, the County Executive irregularly procured household item for the Deputy Governor worth Kshs.580, 290.00 directly from Nakumatt Holdings Limited. The items procured were not officially taken on charge in the County Executive store. In addition, we were unable to verify the purchased items since they were not in the store.

Recommendations

The County Executive should institute measures to recover the above amount from the beneficiary.

8.0 Direct procurement of legal services

Background Information

The Member of Parliament (MP) for Laikipia North Constituency filed a case No. 229 of 2013 on 30 May 2013 against the Governor, County Government of Laikipia and the Speaker, Laikipia County Assembly, complaining that the Governor did not take into account the principle of fair representation of all Laikipia County minorities, marginalized groups and communities in selecting members of the executive committee.

Consequently, on 31 May 2013, the court issued conservatory order restraining the Speaker from approving the nominees to the Laikipia County Executive Committee pending the hearing and determination of the case.

Award of the tender

The County Executive of Laikipia directly procured legal services from Sichangi Partners Advocates at contract cost of Kshs.3, 684, 000, to represent the Governor and the Speaker in the above said case, contrary to laid down procurement regulations. There was no evidence of award of the contract by the tender committee or approval for use of Direct Procurement.

Payments

The payment of Kshs.3, 684, 000 to the advocates was to be shared equally between the County Executive and the County Assembly. Consequently, the tender committee during its meeting held on 23 April 2014, approved the processing of the County Executive Government share of the payment of Kshs.1.8 million to Sichangi Partners Advocates. The said legal firm was paid Kshs.1, 842, 000 on 8 May 2014.

In conclusion, the County Executive of Laikipia may have lost value for her money in this procurement, by being denied the benefits of competitive bidding by directly procuring legal services.

Recommendation

The County Executive should strictly adhere to public procurement regulations.

8.1 Other Irregular Procurement Procedures

Review of procurement and payment records revealed the following anomalies;

- (i) An amount of Kshs.40,000 was paid to Mwangi Commercial Services vide payment voucher no.6748 dated 21 March 2014, in respect of purchase of Samsung Galaxy Note Tabs for County Executive Member of Finance. The description of the above item was not uniform to all the suppliers as indicated in the quotations. A specification of a certain supplier's brand was given, in this case 'Samsung', contrary to the provisions of the public procurement regulations.
- (ii) An amount of Kshs.30,900 was paid to Gema Auto Diesel vide payment voucher No.1180 dated 9 December 2013 in respect to supply of spares. The supplier was not among the prequalified suppliers, thus direct procurement method was irregularly used.
- (iii) An amount of Kshs.50,000 and Kshs.148,000, vide payment voucher No.7937 dated 15 May 2014, and voucher No.7938 dated 14 May 2014 respectively, in respect of payment of banners, Posters and invitation cards for Ministries of Gender and National Youth Fund were made to M/s Silicon Computers who were not among the prequalified suppliers.
- (iv) An amount of Kshs.390,000 was paid to M/s Jopecha Building and Civil Works Ltd vide payment voucher No. 1685 dated 22 January 2014. The payment was in respect of 500 doses of Anti Rabies vaccine. It was noted that the supplier was a prequalified building contractor. It was however not explained whether a building contractor was competent to supply drugs. The payment therefore appears suspicious.

Recommendation

The County Executive should strictly adhere to the laid down Public Procurement Regulations.

9.0 Unaccounted for Expenditure

Sampled payment vouchers amounting to Kshs 992,380.00 were not availed for audit examination. Therefore expenditure of Kshs.992, 380 was unaccounted for.

Recommendation

The Executive Government of Laikipia should fully account for this expenditure.

10.0 Foreign Travel

Laikipia County Executive did not have a separate budget for domestic travel cost and foreign travel cost during the financial year 2013/2014. The combined budget for Domestic travel and foreign travel cost including subsistence allowances was Kshs. 52,442,858.00

against actual cost of Kshs.50, 200,531.00, resulting in under expenditure of Kshs.2, 242,327.00.

Records held by Laikipia Executive Government revealed that an amount of Kshs.5, 960,122.00 was incurred in respect of foreign travel. The foreign trips included visit to Namibia in respect of benchmarking exercise, Zambia in respect of first congress on conservation of agriculture, UK in respect of visit to Torbay hospital and Greece in respect of carrying out due diligence for milk coolants.

However, implementation status reports were not availed for audit review. In the circumstances, it was not possible to confirm whether the County Government of Laikipia got value for her money in this expenditure.

Recommendations

Laikipia Country Executive should only undertake foreign trips that are beneficial to the County. Further, the planning of foreign trips should be integrated to the County Government budgeting process in order to facilitate timely and effective implementation of the resulting learning points from the trips.

11.0 Revenue Records

11.1 Sub-Counties Revenue (excluding Sub-Counties Hospitals revenue)

(i) During the year under review, Laikipia County Government collected a total of Kshs.256, 230,524.00 as per the schedule provided for audit. This was revenue collected from all the three sub counties, i.e. Laikipia North, Laikipia East and Laikipia West.

The total revenue banked during the same period was Kshs242, 177,255.95. Therefore, revenue amounting to Kshs.14, 053,268.05 was not banked during the year contrary to government financial regulations and procedures. The unbanked revenue was not accounted for.

(ii) Comparison of the same period's collection with similar period the previous year also revealed that there was decline in the revenue collection by Kshs. 8, 064,263.00 as shown below:

Period	2012/2013	2013/2014	Variance
July to June	264,294,787.00	256,230,524.00	8,064, 263

11.2 Sub-Counties Hospitals Revenue

(i) Rumuruti Sub-County Hospital

During the year under review, Rumuruti Sub-Hospital collected revenue amounting to Kshs.1, 785, 050 and banked Kshs.1, 912, 015, resulting in unexplained and unreconciled over banking of Kshs.126, 965.

(ii) Nyahururu Sub-County Hospital

During the year under review, Nyahururu Sub-Hospital collected revenue amounting to Kshs.40, 144, 196.00 and banked Kshs.40, 909, 273.00, resulting in unexplained and unreconciled over banking of Kshs.765, 077.

(iii) Nanyuki Sub-County Hospital

During the year under review, Nanyuki Sub-County Hospital collected revenue amounting to Kshs.45, 110, 273.80 and banked Kshs.41, 829, 833.00, resulting in unexplained and unreconciled under banking of Kshs.3, 280, 441.80.

Recommendations

The County Government should fully account for all Sub-Counties revenue collected. Further, the County Government revenue collected should be banked intact as per Government Financial Regulations requirements.

11.3 Cash and Bank Balances

It was noted that cashbooks were not properly maintained and updated as transactions arose. Although bank reconciliations statements were prepared, the reconciliations were done against the actual payments effected through the G-Pay System.

Recommendation

A cashbook should be maintained for every bank account held by the County Government and bank reconciliations done regularly.

12.0 Human Resource Records

12.1 Unsupported Payments of Casuals Engaged in Bush Clearing Works in various Wards in Laikipia County

Payment vouchers in respect of casual wages were not supported by signed schedules to confirm that casuals were actually engaged and received the wages for the days worked.

12.2 Irregular refunds to County Government Nyandarua

Nyandarua County Government made a claim to Laikipia County Government of Kshs. 21,543,473 for February 2014 salaries paid to staff engaged in Nyahururu Sub-County Hospital and Maina Dispensary.

It was further noted that the same amount for March salaries was refunded to Nyandarua County by County Government of Laikipia. The supporting documents for the payments were a list of staff members attached to the payment vouchers. Audit verification on records maintained by the Human Resource department in Nyahururu Sub-County Hospital revealed the paid staff did not exist in their establishment. Total salaries paid to them in the month of February and March amounted to Kshs. 8,813,848.

12.3 Non Compliance with Recruitment, Selection and Appointment procedures

The following observations were made in relation to the recruitment, selection and appointments done by the County Public Service Board (CPSB) of Laikipia County:

- (i) The County Government of Laikipia did not have an approved staff establishment to determine the number of vacancies in each grade and the required/ expected posts for each grade. In the circumstances, it was not possible to determine the number of vacancies /per position/grade. The County Executive of Laikipia had a total of 1,725 members of staff as at 30 June 2014. However, during recruitments, the CPSB only received letters of intent to recruit from the Human Resource department in disregard of the posts required in each post.
- (ii) The county Government of Laikipia did not have a scheme of service to spell the terms of service (engagement of employees – e.g. designation, structure, salary scale, job descriptions and job specifications at all levels)
- (iii) Some officers were recruited yet they had not met the minimum advertised qualifications e.g. academic qualifications and years of relevant experience.
- (iv) Some personal files lacked copies of academic and professional certificates and job application letters.

Therefore, in the above instances, the process of recruiting, selection and appointment contravened the values and principles of public services as stipulated in Chapter Thirteen clause 232 of The Constitution of Kenya.

Recommendations

- The County Executive of Laikipia should provide details of areas where the casuals were engaged and reasons as to why the payment schedules were not endorsed by the paying officer as per financial regulations mentioned above.
- The County Executive of Laikipia should explain the basis of refund of the said salaries.

- All present and future should be based on the values and principles stipulated in the constitution and other relevant laws, rules and regulations.

13.0 Non Current Assets

It was noted that the County Executive did not maintain asset register during the year under review. Further, the County Executive had not officially taken over assets inherited from defunct local authorities.

In the absence of the assets register, we could not ascertain all the assets owned by the County Government of Laikipia.

Recommendations

The County Executive should maintain accurate and complete records of all its assets. Further, the County Government of Laikipia should ensure that an inventory of all the assets inherited from defunct councils is done and that all the assets are officially handed over to it, soonest possible.

14.0 Current Liabilities

The County Executive reported liabilities amounting to Kshs. 227,658,113.00 as at the time of conclusion of the audit. However, the same could not be verified due to lack of a supplier's/creditor's ledger, hence no concrete details were provided on the creditor's position. Further, liabilities, especially those inherited from the defunct local authorities had huge balances that had been outstanding for a long period of time. Further, it was noted that the County Government of Laikipia had not officially taken over liabilities relating to the defunct local authorities.

Recommendations

The County Government should ensure that accurate and complete records of its liabilities are maintained. Further, the County Government should liaise with Transition Authority and other relevant Government bodies to arrange for proper handing over of defunct local authorities' liabilities.

15.0 Other Audit Findings: Interference by the Members of the County Assembly on Affairs of the County Executive - Project Implementation

Section 9 (2) of The County Governments Act No.17 of 2012 states that a Member of the County Assembly shall not be directly or indirectly involved in the – (a) Executive functions of the county government and its administration or (b) delivery of services as if the member was an officer or employee of the county government.

It was noted that on various occasions, some Members of the County Assembly (MCA) were exerting undue influence or pressure to some County Executive Committee Members

(CECM). This was evidenced by various unreferenced letters which were written by the MCAs to CECM demanding alteration of the work to be done contrary to what had been procured. Some of the cases noted include the following:

- (i) On 3 April, 2014, the MCA for Marmanet wrote a letter to the CECM – Roads, Transport & Public Works instructing the CECM to change the earlier issued LSO for services of a dozer to those of a grader. According to the MCA, he had seen a need for the grader and not dozer due to the nature of the roads and infrastructure. The MCA further stated that the grader would be working for 300hours.
- (ii) On 3 June 2014, the MCA for Ngobit and Sosian wards through a letter reference CGL/CA/WV/50/10 to the CECM – Infrastructure and Housing informed the CECM that they had agreed that a total of Kshs 1.8m be transferred from Sosian Ward to Ngobit Ward so that the roads being murramed at Ngobit can be completed. They further stated that the contractor was on site and that they wanted him to continue murraming until the funds are exhausted.
- (iii) On 27 June 2014, the MCA for Githiga ward sent cash sale receipts to the CECM – Infrastructure demanding a cash refund of Kshs 76,430.00 being refund of expenses for repair of caterpillar and dozer while working at Githiga ward.
- (iv) On the 11 March 2014, the chairperson of the Transport and Public works Committee through letter ref: CGL/CA/CM/006/12 informed the Interim County Secretary to issue a notice to stop a construction taking place on plot No.131 and stop any approvals in the same area and construction around Jua Kali and old market place until further notice is given.
- (v) We carried out physical inspection of some projects in Sipili Ward, Laikipia West and noted that the MCA of the said Ward instructed members of the public to install some culverts on some sections of the roads without involvement of any contractor.
- (vi) Upon inquiry from the members of the public during our physical inspection of the projects in Ngobit Ward, we were informed that the MCA was indeed in charge of road works in his Ward.
- (vii) Cases of MCAs supervising the road works were noted. This was evident in Githiga Ward among others.

Recommendations

The MCAs should strictly adhere to their roles as stipulated in the constitution and other laws governing devolution. Further, the offices of Head of Treasury & Accounts and Procurement should be allowed to operate independently without undue influence.

15.1 ICT Environment


The County Government of Laikipia has installed the Integrated Financial Management Information Systems (IFMIS) and the Government Payment Systems (G-Pay).

Both softwares are operational and some members of staff have been trained on the use. However, the IFMIS though installed was not operational for the period between July and September, 2013.

Conclusion

- All moneys collected and received by the County Government should be receipted and banked intact as per Section 109 of Public Finance Management Act, 2012.
- The County officers travelling locally and abroad on official duties should fully account for their travel, subsistence and hospitality expenditure.
- The County Government should come up with sound policies on management of its assets and liabilities.
- Procurement of goods and services should be as per the Public Procurement and Disposal Act, 2005.
- The County Government should strictly adhere to their budgetary allocations.
- All irregularly paid funds should be recovered from the beneficiaries.

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



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

NAIROBI

29 May 2015