

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR–GENERAL

ON

**THE FINANCIAL OPERATIONS OF
LAIKIPIA COUNTY ASSEMBLY**

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

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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF LAIKIPIA FOR THE PERIOD 1 JULY 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 Assembly were reliable for the management of the Assembly's finances in the discharge of its mandate.

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 Assembly 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
- Imprest and advances
- Cash and bank balances
- County Government Funds
- Human Resource Records
- IT environment
- Non-Current Assets
- Current Liabilities
- Prior Year outstanding issues

1.0 Key Audit Findings

1.1 Policies Implementation

The County Assembly did not prepare a procurement plan during the year under review contrary to laid down public procurement and disposal regulations. The County Assembly was therefore in breach of procurement regulations. During the year under review, the County Assembly irregularly overspent by Kshs.22,504,928.78 on various expenditure items, without approval of the Controller of budget. Further, no explanation was given for failure to produce the approval to overspend on the various expenditure items.

1.2 Failure to tax and remit statutory deductions

The County Assembly incurred a total of Kshs.8,803,700 in respect of sitting allowances for members of County Assembly and members of County Assembly Service Board between July and December 2013 as detailed on Schedule VIII.

However, the allowances were not taxed and therefore a total of Kshs.2,641,110.00 in respect of taxes were not remitted to Kenya Revenue Authority (KRA) as required.

No explanation was given for failure to tax sitting allowances for both Members of County Assembly and County Service Board.

1.3 Irregular payments to the newly established ward offices

The County Assembly established 23 ward offices contrary to County Government Act and the MCA's themselves irregularly recruited staff to run the said offices without involving County Public Service Board which is mandated to recruit all County employees. Consequently, the County Assembly paid Kshs.10,601,320, Kshs.1,217,000 and Kshs.2,760,000 for staff salaries, rent and office operating expenses respectively during the year 2013/2014. No explanation was given for this deviation.

1.4 Excess payment of allowances to County Assembly selection panel

The County Assembly selection panels were overpaid by Kshs.150,000 in respect of sitting allowances on various dates contrary to the requirements of Salaries and Remuneration Commission guidelines. However, no explanation was provided regarding the over payments.

1.5 Unsupported payments

Audit examination of payment vouchers for the year revealed that the County Assembly made unsupported claims amounting to Kshs.6,327,500 in respect of domestic travel and subsistence allowances. These payments were not supported by details of the journeys made, work tickets, imprest warrants, receipts etc. In the circumstances, the propriety of the payments could not be confirmed.

1.6 Irregular Procurement Procedures

The County Assembly procured furniture worth Kshs.9,229,540 from two firms based in Nairobi through request for quotation procurement method instead of Open National Tender contrary to Public Procurement and Disposal Act, 2005. In the circumstances, the County Assembly may not have achieved value for money in this procurement.

1.7 Renovation of County Assembly Speaker's Residence

The County Assembly incurred Kshs.6,273,551 in respect of renovation of County Assembly Speaker's residence. However, the value of works undertaken was not certified by inspection and acceptance committee as required. The County Assembly Clerks of Work certified amounts were not reconciled with the contractor's invoices' amounts at the time of payments. It was noted that 38% of the total contract price was not itemized in the Bills of Quantities (BQs), but was provided for as provisional and contingency sums, posing the risk of poor workmanship and manipulation of price. Further, the County Assembly irregularly varied the contract by 6% of the original contract sum without the approval of the tender committee.

No explanation was given for failure to apply procurement procedures and regulations in the provision of this service.

1.8 Direct procurement of legal services

The County Executive of Laikipia directly procured legal services for Kshs.3,684,000 in respect of a case involving the Governor and the Speaker as respondents Vs MP Laikipia North. The expenditure was shared equally between the Assembly and the Executive whereby the County Assembly paid an amount of Kshs1,842,000.

Records showed that the county executive used direct procurement method to procure this service contrary to the laid down public procurement regulations which was not justifiable. No explanation was given for this deviation from procurement procedures.

1.9 Construction of plenary hall and committee rooms

The County Assembly awarded the lowest bidder the contract for construction of Assembly plenary hall and committee rooms at a contract price of Kshs.3,387,840. However, the tender processing committee irregularly made changes to the BQs submitted by bidders during evaluation stage by eliminating from the BQs item No.13 in respect of supply and installation of tents. Consequently, supply and fixing of tents to the said plenary hall and committee rooms were done separately at contract sums of Kshs.3,387,840 and Kshs.2,450,000 respectively. This amounted to splitting of tender which is irregular. The splitting of this tender was not explained.

1.10 Irregular Payment from Temporary Imprests

An amount of Kshs.102,000 was irregularly paid to members of staff as subsistence allowances while attending training at Bantu Lodge in Nanyuki. It was not explained why officers were paid such allowances yet the training took place at Nanyuki, their normal duty station. Further, an amount of Kshs.207, 000 per diem allowances was paid to staff that did not attend training in Nyeri as they were required.

1.11 Irregular Tax Payment to Suppliers

The tender for supply of computers was awarded to a firm at a contract price of Ksh.7,351,000. However, during payment the quoted amount was added 16% VAT amounting to Kshs.1, 176,160, thereby increasing the total contract price to Kshs.8,527,160.

Further, another tender for drafting six County Assembly bills was awarded to a consultancy firm at a contract cost of Kshs.4,200,000 (Kshs.700,0000 per bill). However, during payment the quoted amount was added Kshs.672, 000, thereby increasing the contract amount paid to Kshs.4,872,000.

1.12 Cash and Bank Balances

The cashbook maintained by the County Assembly was not up to date and bank reconciliation statements were also not regularly prepared. No reason was given by the management for its failure to update the County Assembly cash book and regular preparation of bank reconciliation statements. There is the risk of misappropriation of cash without the knowledge of management.

1.13 MCAs Mortgage and Car Loan Fund

The County Assembly established Car and Mortgage Fund and Kshs.100,000,000 was transferred to the fund account at a commercial bank. However, there was no evidence of availability of funds to establish the funds, as the assembly only re-allocated Kshs.120,000,000 in its 2013/2014 supplementary budget by scaling down other County Assembly budget allocations. Consequently, this resulted to scaling down of the County Assembly operations. This was in contravention of Salaries and Remuneration Commission (SRC) requirement. No explanation was given by the management for failure to adhere to SRC guidelines.

1.14 Foreign Travel Cost

The County Assembly incurred a total of Kshs.23,103,059.00 on eight (8) foreign trips made during the year against a budget of Kshs.15,946, 119.00. Therefore, the County Assembly overspent by Kshs.7,156,940.00 on foreign travel without approval of the Controller of budget. Further, implementation study reports on these foreign trips were not availed for audit review. In the circumstances, the County Government of Laikipia may have not gotten value for her money in this expenditure.

1.15 Non compliance with recruitment, selection and appointment procedures

Records made available as regards to staff recruitment, selection and appointment revealed several irregularities regarding officers recruited during the year which include; recruitment for positions not advertised, qualifications in the approved establishment differed with those advertised and recruited, some officers recruited did not meet the minimum advertised qualifications, some officers were appointed to higher grades than advertised and some officers though recruited did not apply for the job. No explanations were given by the management for failure to follow the recruitment guidelines.

1.16 Irregular payment of accumulated leave days

The County Assembly paid a total of Kshs.1,574,983 accumulated leave days to twenty three (23) former employees of local authorities absorbed by the County Assembly. However, the accumulated leave days in excess of sixty (60) days were not forfeited as per terms and conditions of the officers in former local authorities. Further, no evidence was availed to support the fact that leave was applied and not granted.

In the circumstances, the propriety of these payments could not be ascertained.

1.17 Unpaid Suppliers

The County Assembly reported unpaid suppliers balances of Kshs.26, 880, 260 as at 30 June 2014. However, the balances could not be confirmed as accurate since creditors ledger was not maintained and some suppliers balances were not supported by invoices and statements. In the absence of proper and updated creditors' ledger, invoices and statements the above balances could not be confirmed.

1.18 Unsurrendered Imprests

Staff imprests amounting to Kshs.4,020,440 was outstanding as at 30 June 2014. The County Assembly should ensure that these imprests are recovered from the respective officers or surrendered. No explanation was given for failure to surrender/account for the imprests within the stipulated period.



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AUDITOR-GENERAL

Nairobi

25 May 2015

DETAILED REPORT ON THE FINANCIAL OPERATIONS OF COUNTY ASSEMBLY OF LAIKIPIA FOR THE PERIOD 1 JULY TO 30 JUNE 2014

The audit findings were identified in course included below:

1.0 Detailed Audit Findings

1.1 Budgetary Control and Performance

1.1.1 Irregular budget overruns

Audit review of the vote book and other payment documents revealed that the County Assembly irregularly overspent by Kshs.22,504,928.78 on various expenditure items (**See Schedule I**), during the year under review without approval of the Controller of budget. No explanation was given for failure to seek for an approval to overspend from the Controller of Budget

1.1.2 Procurement Plan

The County Assembly did not prepare procurement plan during the year under review contrary to laid down public procurement and disposal regulations. The County Assembly funds may not have been utilized optimally.

Recommendations

The County Assembly should always prepare an annual procurement plan which shall be integrated with applicable budget processes and based on indicative or approved budgets, as appropriate. Further, the County Assembly should stick to the allocated budget.

1.2 Failure to tax and remit statutory deductions on sitting allowances

Observations

Laikipia County Assembly spent Ksh.25, 542, 167 against approved budget of Kshs.25, 717, 465 on sitting allowances paid to Members of County Assembly (MCAs) during the year under review.

However, MCAs sitting allowances amounting to Kshs. 4, 849, 700 for the period between July and December, 2013 were not taxed and remitted to Kenya Revenue Authority (KRA) contrary to the Income Tax Act.

Further, the County Assembly spent Ksh.11, 495, 944 against approved budget of Kshs. 11, 761, 430 on sitting allowances paid to members of County Assembly Service Board (CASB) during the year under review. However, the sitting allowances paid to the members of CASB amounting to Kshs. 3,954,000 between July and December 2013 were also not taxed and remitted to KRA.

Therefore, the Government lost Kshs.2, 641, 110 inform of unpaid taxes.

Recommendation

The County Assembly to recover the unpaid taxes amounting to Kshs.2, 641,110 from future sitting allowance payments.

1.3 Irregular Payments to the newly established ward offices

Observations

- (i) During the period under review, the County Assembly unlawfully established twenty three (23) ward offices for both elected and nominated Members of County Assembly (MCAs) contrary to County Governments Act and MCAs irregularly recruited staff to run the said ward offices. However, the County Assembly Human Resource department did not have records or personal files for the said staff. Further, it was observed that this department was not involved in recruitment of the new said staff.
- (ii) The County Assembly paid a total of Kshs. 10,601,320 to the ward offices' newly employed staff during the year under review. It was noted that the staff salaries for the period between July and December 2013 were irregularly paid directly to the MCAs. Under such circumstances it was not possible to ascertain whether these salaries were subsequently paid to the new employees.
- (iii) The County Assembly paid a total of Kshs1, 217, 000 in respect of rent for the irregularly established ward offices during the year under review.

The rent per month ranged between Ksh.5, 000 and Kshs.7, 000 for all the above said ward offices. The sourcing of the office spaces was not subjected to competitive bidding contrary to public procurement regulations. Further, most of the lease agreements were signed by MCAs themselves as lessees, although the agreements appeared to have been between respective lessors and Laikipia County Assembly as the lessee.

- (iv) The MCAs were paid Kshs.10, 000 each (total of Kshs.230, 000 per month) as office operating allowances per month. However, we could not ascertain how the amounts were spent since no expenditure returns were availed for audit review.

Recommendation

The County Assembly should only meet the costs that are lawful and any irregularly payments made should be recovered from the respective beneficiaries.

1.4 Irregular Procurement of motor vehicle Insurance Cover

Observations

An amount of Kshs.183, 154 was paid to an insurance agency firm in respect of provision for insurance cover for motor vehicle KBU 607T. However, it was not explained how the said insurance agent was identified since they were not among the prequalified suppliers. Further, it was not explained why the County Assembly sourced for insurance cover

through an insurance agency contrary to financial regulations. The County Assembly may have not gotten value for money in this transaction.

1.5 Excess Payment to County Assembly Selection Panel

Observations

The members of the County Assembly Selection Panel were paid on various dates allowances in excess of their entitlement in total disregard of Government circular ref TA/HRM/7/1 of 27 May 2013, which provided that Chairpersons of selection panel be paid Kshs 5,000 and members Kshs 3,000.00 per day to maximum of ten days.

The letter ref SRC/ADM/CIR/1/13(122) of 16 April 2014 states that Kshs 15,000.00, Kshs 12,000.00 and Kshs 10,000 be paid to the chairperson, vice chairperson and a member respectively from private sector and Kshs 5,000.00 and Kshs 4,000.00 for the chairperson and members respectively from the public service.

However, all panelists were paid a flat rate of Kshs 20,000.00 per sitting for the entire period, resulting to an excess payment of Kshs. 150,000 in total disregard of the above circulars. **(See schedule II)**

Recommendation

The excess allowances paid should be recovered from the panelists or the officer responsible for the authorization should be surcharged.

1.6 Irregular Refunds to Members of County Assembly.

On 11 December 2013, the County Assembly paid a total of Kshs 19,000.00 to a member of the County Assembly being refund of cash contributed by members of the assembly during wards visits. The members had agreed to contribute Kshs 10,000.00 to Tigithi ward to assist Kabanga aged women group to buy a tent. Again, during a visit to Ol'moran ward, the members agreed to contribute Kshs 9,000.00 towards construction of a pit latrine at Nagumu Primary School.

However, the Assembly Clerk did not explain why the refund to the MCA was made when in fact they had contributed their money in form of harambee. The authenticity of this payment could not be confirmed.

Recommendation

The monies paid under the above circumstances should be recovered from the payees.

1.7 Unsupported Payment/Expenditure

Observations

The County Assembly incurred expenditure totaling to Kshs.48, 792,779.00 in respect to Domestic Travel and Subsistence Allowances.

However, an audit examination of payment vouchers for the year under review revealed that the County Assembly vide sampled payment vouchers made unsupported claims amounting Kshs.6, 327, 500.00 (**See Schedule III for details**). The payment vouchers were not supported by details of journeys made, work tickets, receipts, imprest warrants, bus tickets.

In absence of proper supporting documents, the propriety of the payments made could not be confirmed.

Recommendations

Safari imprests should be issued to staff or MCAs through imprest warrants. Surrender of the same should be done within 48 hours after return to the duty station as per financial regulations.

1.8 Irregular Procurement Procedures

Observations

Scrutiny of procurement documents revealed the following anomalies:

- (i) An amount of Kshs.376, 000 was paid to a firm for the supply of five (5) Samsung Galaxy Note 3 phones. However, it was noted that the County Assembly specified a particular supplier's brand (Samsung) in the quotation sent out to suppliers contrary to laid down public procurement regulations.
- (ii) The Tender Committee during its meeting held on 23rd December, 2013, vide Min. No.2/23/12/2013-2014, approved procurement of office furniture from 'reputable outlets' owing to the urgency and quality of the items required. Following floatation of quotations to suppliers and subsequent evaluation, the tender committee awarded the supply and delivery of various furniture to one firm for Kshs.8,160, 950 and to another supplier for Kshs.1, 068,590 (Total Kshs.9, 229,540).

The total contracts sums of Kshs.9, 229,540 were within the threshold of the National Tender Procurement Method. However, the alternative method of request for quotations was irregularly used. Further, the two suppliers had not been pre qualified to supply furniture during the year under review.

Recommendation

The County Assembly should strictly adhere to the Public Procurement Regulations.

1.9 Renovation Works at County Assembly's Speaker Residence

Observations

A construction company was awarded the tender for renovation works at County Assembly speaker's residence at a contract sum of Kshs.5, 897,851.80 on 18 December, 2013. However, the following anomalies were noted:

- (i) The value of works undertaken was only certified by the clerks of work i.e. Inspection and acceptance committee did not ascertain the value of works done before payments were made.
- (ii) The contractor invoiced Kshs.4,500,000 as the value of work done for the first payment against the County Assembly Clerks of Work certified amount of Kshs.2,020,000. However, the County Assembly paid the total invoiced amount of Kshs.4,500,000 in disregard to clerks of work certified amount of Kshs.2,020,000.
- (iii) The Contractor valuation report for the second payment dated 24 January, 2014 amounted to Kshs.1, 067, 550 against the County Assembly's Works officer valuation of Kshs.1, 773,551. However, the two valuation reports were not reconciled, although the contractor was paid Kshs.1, 773,551, as per the Works Officer valuation.
- (iv) It was noted that a total of Kshs.6,273,551 was paid to the contractor as detailed above. The County Assembly varied the contract by 6% of the original contract sum without approval of the tender committee contrary to laid down public procurement regulations.
- (v) It was further observed that three key and material works were not itemized in the BOQ, but were provided for as PC and Contingency sums. This included putting up of new servant quarter for Kshs.1.3 million, double typical car shed for Kshs.250,000 and Contingency of Kshs.400,000 for construction of external public toilet blocks. This represented 38% of total contract price. This posed risk of poor workmanship and value for money not achieved.

Recommendations

Payment for works should only be made upon certification by tender processing committee (inspection & acceptance committee). In case of limited capacity, the County Assembly should utilize the services of department of Public Works in development of BOQ and supervision of major projects.

1.10 Direct Procurement of Legal Services

Observations

Audit review of legal files revealed that part payment for fee note regarding a case involving H.E. the Governor and the Hon. Speaker as the respondents' Vs the Member of Parliament (MP) for Laikipia North as the petitioner was made vide payment voucher no. 478 dated 6/2/2014 amounting to Kshs.1,842,000.00. The other part payment was made by the Laikipia County Executive amounting to Kshs.1,842,000.00.

However, direct procurement method was used by the County executive to procure the above service contrary to laid down public procurement regulations, which was not justifiable.

1.11 Construction of plenary hall and committee rooms

Observations

Background Information

- (i) The Contract for construction of Plenary Hall and Committee rooms was awarded to a contractor on 2 April 2014. Five contractors were invited to bid for the proposal and they were all pre-qualified. According to the Minutes of the Tender committee meeting that was held on 25 March 2014, three of the contractors responded and their prices evaluated by the tender processing committee which later presented their evaluation report to the Tender Committee.

The tender committee rejected the report and asked the committee to analyze the costing and resubmit the report the following day. The Tender Committee did not give a valid reason as to why they rejected the Tender processing committee evaluation report and on what grounds.

- (ii) The tender processing Committee chairperson presented the evaluation report as was agreed the previous day.

The evaluation committee made changes to the BQ by eliminating item no.13 from the BQ of supply and installation of plenary tent and the contract works was awarded to the lowest evaluated bidder at a contract sum of Kshs.3,387,840.00. However, no detailed preliminary as well as financial/technical evaluation report was availed for audit verification.

- (iii) Further the tender for design and supply, and fixing of tents was awarded to another firm who supplied one plenary hall tent at a quoted price of Kshs.1,670,000.00 and 4 committee tents at a quoted price of Kshs.780,000.00, thus total contract sum amounted to Kshs.2,450,000.00. This amount was higher than what was quoted earlier by the three bidders in their initial BQs for the construction of the plenary hall tents.

In addition, the Tender Evaluation Committee minutes were not availed for audit verification to show how the evaluation of the tenders was done for the second time.

Payments

As at the time of audit, a total of Kshs.2,617,840.00 had been paid to the contractor for the works done and was supported by relevant interim payment certificate. However, weekly site reports to show the progress of the works as at 30 June 2013 were not availed for audit verification.

Physical Verification

A physical verification carried out on 16 September 2014 revealed that the works were not fully complete. The procurement for the construction works of plenary hall and committee rooms and the design, supply and fixing of tents were done separately by two different suppliers and this amounts to splitting of tender which is irregular.

Recommendation

The County Assembly should strictly adhere to Public Procurement Regulations

1.12 Irregular Payments from Temporary Imprests

Findings

Examination of payment records maintained by the County Government revealed the following anomalies;

- (i) An amount of Kshs.102, 000 was paid to members of staff who attended Public Procurement Oversight Authority training held at Bantu Lodge in Nanyuki. It was not explained why the officers were paid subsistence allowances yet the training took place at Nanyuki, their normal duty station.
- (ii) Per diem allowances totaling to Kshs.1,060,000.00 was paid vide payment voucher dated 28/5/2014 to various staff members for 3 days training in Nyeri County for C.A staff from 15 – 17 May 2014 which was held at the Queens Hotel-Nyeri County. Audit review revealed that some of the staff who did not attend the training but whose names were appearing on the attendance list and not signed against their names were paid full per diem. The total amount paid to staff who did not attend the meeting amounted to Kshs.207,000.00 (**See Schedule IV for details**)

Recommendations

The County Assembly should fully account for the above expenditure and recover payments made to the staff members who did not attend the training.

1.13 Double payments to County Assembly members

Observations

Some members of the county assembly service board claimed and were paid allowances for meetings held from 16 December to 23 December 2013. However, it was noted that the same members made claims and were paid subsistence allowance amounting to Kshs.170,000 for attending other meetings in Mombasa during the same period as detailed below:

| Name of MCA | Board meeting Date | Amount (Kshs) | Mombasa meeting Date | Amount (Kshs) |
|--------------------|---------------------------|----------------------|-----------------------------|----------------------|
| Assembly Clerk | 16 – 23 Dec. 2013 | 72,000 | 17 – 21 Dec 2013 | 50,000 |
| Ephraim Mwangi | 16 – 23 Dec. 2013 | 90,000 | 17 – 21 Dec 2013 | 40,000 |
| Mary Ngima | 16 – 23 Dec. 2013 | 72,000 | 17 – 21 Dec 2013 | 40,000 |
| Paul Lebeneiyoy | 16 – 23 Dec. 2013 | 72,000 | 17 – 21 Dec 2013 | 40,000 |
| | | 306,000 | | 170,000 |

Recommendation

The County Assembly should recover the excess payments from the beneficiaries.

1.14 Irregular Tax Payments to Suppliers

Observations

Section 19.1 of Government Financial Regulations provides that, “The Accounting Officer is directly and financially responsible for the efficient performance of the supplies functions within his/her ministry or department”.

Review of procurement and payment documents revealed the following:

(a) Procurement of computers

The following suppliers of computers were invited to bid and all responded;

- (i) Maandy Computers
- (ii) Prisconet Systems Ltd
- (iii) Gerbring Suppliers
- (iv) Printerbase Enterprises

Out of the four (4) bidders, Maandy Computers Services was the lowest evaluated bidder at a cost of Kshs. 7,351,000. It was further noted that during payment to this supplier the quoted amount was added 16% of VAT amounting Kshs. 1,176,160, the amount which was not disclosed during bidding. Therefore, the total payment increased to Kshs 8,527,160.

If the tax element was disclosed, Maandy Computer Services could not have been the lowest evaluated bidder.

(b) Procurement of legal drafters of County Assembly bills

The County assembly of Laikipia sought service of legal drafters to draft the six bills.

Three consultants were invited to quote for the above services and they all responded as follows for each bill;

- | | | |
|-------|--|-----------------|
| (i) | Public Policy & Management Consultancy | - Kshs. 700,000 |
| (ii) | Elijah & Co. Associates | - Kshs. 500,000 |
| (iii) | Obwacha & Associates | - N/A |

The tender committee awarded the tender to M/S Public Policy & Management Consultancy at Kshs.700,000 per bill. It was noted that the Consultant, besides the above payment was paid an additional Kshs.112, 000 16% VAT per bill drafted totaling to Kshs.672,000 for the six bills. Thus the total cost per bill increased to Kshs.812, 000.

Therefore, public funds amounting to Kshs.1,848,160 was lost in terms of additional VAT, as the two suppliers ought to have paid the VAT from the amounts paid as initially quoted.

Recommendation

The County Assembly needs to pursue the issue of tax refunds with the suppliers or recover the overpayment from the officers who authorized the variation of the tender price.

1.15 Cash and Bank Balances

Observations

The County Assembly operated an Imprest bank account No.0270261206585 held at Equity Bank – Nanyuki Branch. The monies in this account were transfers from the County Governments CBK account. Even though, the County Assembly of Laikipia did maintain a cashbook, the cashbook was not up to date. It was lastly up dated in the month of February 2014.

Further, the County Assembly had not opened an account with Central Bank, but relied on the Executive arm of the County Government of Laikipia to make payments. This adequately affected its operations.

Recommendations

The Cashbook should be updated as the transactions arise and that bank reconciliation statements be prepared on regular basis as required by financial regulations. Further, the County Assembly needs to take necessary action to have an account opened with Central Bank to give it financial and operational independence.

1.16 MCAs Mortgage and Car Loan Fund

Observations

Salaries & Remuneration Commission Circular Ref. No.SRC/TS/CGOVT/3/16 dated 15 November, 2013 provides in part that all MCAs are entitled to Car Loan and Mortgage Facility, a cash backed fund subject to availability of funds and budgetary allocation.

The County Assembly during the year under review established a Car and Mortgage Funds and effectively transferred Kshs.100, 000,000 to the fund, held at Kenya Commercial Bank. However, there was no evidence of availability of these funds to establish the said fund as the assembly only re-allocated Kshs.120 million in its 2013/14 budget under supplementary budget. This effectively resulted to scaling down of the County Assembly operations. This was in contravention of the above stated Salaries and Remuneration Commission Circular. The County Assembly operations may have been adversely affected due to scaling down of the budget to create room for the said funds.

It was observed that a total of Kshs.57.05 million had been advanced to MCAs at the 30 June 2014, comprising of Kshs.29.05 million car loans and Kshs.28 million mortgage loans. Enquiry made with the County Assembly management revealed that the process of obtaining joint ownership of the properties financed and charging of the same as security for the loans had not been finalized.

Further, the County Assembly had not established a clear policy on recovery of Cars and Mortgage loans advanced to the MCAs. The recoveries were not being effected through the payroll, but through sitting allowances paid in cash to MCAs, thereby increasing the risk of default and under recoveries.

Recommendations

The County Assembly should strictly abide with laws and regulations in force. MCAs cars and mortgage loans recoveries should be effected through the payroll for their effective management.

1.17 Foreign Travel

Observations

The County Assembly incurred a total of Kshs.23,103,059.00 on eight (8) foreign trips made during the year. This cost relates to subsistence allowances amounting to Kshs.15,139,385.00 against a budgeted sum of Kshs.8,101,907.00 and flight costs amounting to Kshs.7,963,674.00 against a budgeted sum of Kshs.7,844,212.00. Therefore, the County Assembly overspent by Kshs.7,156,940.00 on foreign travel costs without approval of the Controller of budget.

The details of trips undertaken are as follows:

Rwanda Trip

The total cost for the Rwanda Trip amounted to Kshs.1, 852,342.80. This cost relates to subsistence allowances amounting to Kshs.1,477,692.80 and flight cost amounting to Kshs.374,650.00. The trip was made by five (5) County Assembly members of the committee for Education and ICT and five (5) staff members of the Assembly between 10 and 15 April, 2014. This was an educational tour on devolution of Early Childhood Development Education (ECDE) and Youth polytechnics in the country.

The committee report on its visit to Rwanda was presented to the County Assembly for deliberation and adoption by the Assembly members as per the Hansard official report

dated 17 June 2014. However, implementation status report was not availed for audit review. In the circumstances, it was not possible to confirm whether the County Assembly got value for her money on this trip.

Denmark Trip

The total cost for the Denmark trip amounted to Kshs.4, 545,949.00. This cost relates to per diem cost amounting to Kshs.3, 453,664.00 and flight cost amounting to Kshs. 1,092,285.00. The trip was made by the eight (8) County Assembly members of the committee for Education and ICT and three (3) members of staff of the Assembly, between 17 and 26 May 2014. This was an educational tour on devolution of Early Childhood Development Education (ECDE) and Youth polytechnics in the country.

Although the report was done by the committee members, it was not tabled to Laikipia County Assembly for adoption by the members. Further, a similar trip had been made earlier as stated above, to Rwanda by the same committee. In the circumstances, the County Assembly did not get value for money in this trip.

Singapore Trip

The total cost for the Trip to Singapore amounted to Kshs.4,305,311.92. This cost relates subsistence allowance amounting to Kshs.2,797,091.92 and flight cost amounting to Kshs.1,508,220.00. The trip was made by five (5) County Assembly members of the Transport and public works committee and four (4) staff members of the Assembly.

The purpose of the trip was to sensitize members of county assemblies and their staff on the importance of planning and incorporating social, economic aspects into the spatial planning of cities and counties moving forward. It was also a show case, on the importance of land use management, policies, principles, norms and standards for spatial development and planning.

The committee report on its visit to Singapore was presented to the County Assembly for deliberation and adoption by the Assembly members as per the Hansard official report dated 26 June 2014. However, implementation status report was not availed for audit review. In the circumstances, it was not possible to confirm whether the County Assembly got value for money in this trip.

Portland-Oregon in United States of America (USA) Trip

The total cost for the USA Trip amounted to Kshs.5,438,428.00. This cost related to subsistence allowances amounting to Ksh.3,710,328.00 and travel cost amounting to Kshs.1,728,100.00. The trip was made by a delegation consisting of representatives of the Assembly and one member of the County Executive Committee of the Executive arm of the County Government of Laikipia. The purpose of the trip was for the delegation to learn about unique strategies for creating a vibrant, sustainable city.

The committee report on its visit to Portland, Oregon, USA was presented to the County Assembly for deliberation and adoption by the Assembly members as per the Hansard report dated 16 July 2014. However, implementation status report was not availed for

audit review. In the circumstances, it was not possible to confirm whether the County Assembly got value for her money in this trip.

Namibia Trip

The total cost for the Namibia Trip amounted to Kshs.1,649,772.00. This cost relates to subsistence allowances amounting to Kshs.674,772.00 and flight cost amounting to Kshs.975,000.00. This was a benchmarking trip and was made by four (4) County Assembly members of the Agriculture, Environment and Natural resources committee and two (2) staff members of the Assembly.

Hansard report was not availed for audit verification. Therefore, it was not possible to establish whether the report was tabled to the house for adoption by the members of the County Assembly. Further, implementation status report was not availed for audit review. In the circumstances, it was not possible to confirm whether the County Assembly got value for her money in this trip.

South Africa Trip

The total cost for the South Africa Trip amounted to Kshs.3, 887,584.50. This cost related to subsistence allowances amounting to Kshs.2, 274,184.50 and flight costs amounting to Kshs.1, 613,400.00. The trip was made by the Speaker, County Assembly Clerk, ten (10) MCAs and three (3) members of the county assembly staff. The purpose of this trip was to learn and gather some useful information concerning devolution from South Africa.

The report on the visit to South Africa was presented to the County Assembly for deliberation by the Assembly members as per the Hansard official report dated 19 September 2013. Implementation status report was not availed for audit review. In the circumstances, it was not possible to confirm whether the County Assembly got value for money in this trip.

Recommendations

The County Assembly should only undertake foreign trips that are beneficial to the County. The planning of foreign trips should be integrated to the County budgeting process to facilitate timely implementation of the resulting recommendations.

1.18 Human Resource Records

1.18.1 Non Compliance with Recruitment, Selection and Appointment procedures

Observations

The following observations were made in relation to the recruitment, selection and appointments done by the County Assembly Service Board (CASB) of Laikipia.

- (i) The CASB irregularly recruited and appointed officers for positions not advertised,

- (ii) The grading of the officers was contrary to Transition Authority letter Ref TA/8/22/(31) dated 14 November 2014 on Remuneration and Benefits for Staff serving in the County Assembly e.g. Officer I graded as Senior Officer II.
- (iii) It was noted that in some cases, qualifications in the approved staff establishment differ with those advertised and recruited,
- (iv) Some officers were recruited yet they had not met the minimum advertised qualifications e.g. academic qualifications, years of relevant experience and membership to relevant professional bodies.
- (v) Merits in performance during the interview were not followed in some cases,
- (vi) Some officers were appointed to grades higher the ones advertised,
- (vii) Some personal files lacked copies of academic certificates, application letters, and copies of personal identification cards and
- (viii) Some officers, though recruited did not apply for the job .i.e. missing application letters among other anomalies.

See Schedule V for the detailed analysis of the above observations.

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.

Recommendation

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

1.18.2 Payment of leave Days

Observations

The Terms and Conditions of Service of the Officers in defunct Local Authorities clearly states that leave days in excess of 60 days should be forfeited. Further, its states that for leave days to be commuted, the same should be approved and valid reason given.

The County Assembly computed accumulated leave days for twenty three (23) officers of the defunct local authorities within Laikipia County. These officers had been absorbed by the County Assembly of Laikipia.

However, the accumulated leave days in excess of sixty (60) days were not forfeited as per the Terms and Conditions of the officers in local authorities. Further, no records were provided as prove of leave days applied for and the reason why the leave was not granted.

As a result of the commutation of the accumulated leave days, the County assembly lost a total of Kshs 1,574,983.00 in form of unwarranted payment of leave allowances.

Recommendation

The County Assembly management should carry out an in-depth audit with a view of determining the genuine accumulated leave claims.

1.19 ICT Environment

Observations

It was noted that the County Assembly IFMIS was not operational until January, 2014. Further, the County Assembly has been relying on IPPD and G-PAY systems of the Executive arm of the County Government of Laikipia.

Recommendation

The County Assembly should institute measures to ensure that the IPPD and G-PAY Systems/ platforms are installed and operational.

1.20 Unpaid Bills – Creditors

Observations

Unpaid suppliers amounting to Kshs.26,880,260.00, including salary arrears of former local authorities' staff were outstanding as at 30 June 2014. However, no creditors' ledger was maintained during the year. Further, some suppliers' balances could not be verified due to lack of invoices. Suppliers' statements were also not obtained as at the time of audit review. Therefore, the movement of the balances could not be ascertained due to lack a creditors' ledger.

Recommendation

The County should ensure that an accurate and up to date creditors' ledger is maintained at all times.

1.21 Unsurrendered Imprests

Observation

It was noted that a total of Kshs.4, 020,440 staff imprests was outstanding as at 30 June 2014. **(See Schedule VII for details).**

Recommendation

Temporary/Safari imprest should be surrendered within 48 hours after completion of the related task; otherwise it should be recovered from the officers' salary.

Conclusion

- Procurement of goods and services should be as per the requirements of Public Procurement and Disposal Act, 2005.

- The County Assembly 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

25 May 2015