REPUBLIC OF KENYA

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS

OF

NYANDARUA COUNTY EXECUTIVE

FOR THE PERIOD
1 JULY 2013 TO 30 JUNE 2014

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REPORT OF THE AUDITOR-GENERALON THE FINANCIAL OPERATIONS OF NYANDARUA 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 (4) and (5) of the constitution and public audit act,2003.

Audit Objective

The objective of the audit for Nyandarua County Executive was to ascertain whether the county government has put in place financial systems and adequate internal controls aimed at safeguarding public funds and whether the funds have been utilised for the benefit of the public.

Terms of Reference

The audit scope for the interim audit of Nyandarua County Executive involved but was not limited to the following areas:

- Budgetary controls and performance
- Annual operational / Activity plans
- Procurement of goods works and services
- Allowances including travelling and accommodation expenses for local and foreign trips.
- Motor vehicle running expenses – Fuel.
- Consultancy service.
- Bursaries.
- Imprests and advances.
- Cash and bank balances.
- Human Resource Records.
- I T Environment.
- Non-current assets.
- AIE's.
- Debtors.
- Creditors.

Audit Findings

1.0 Procurement

1.1 Irregularities in roads rehabilitation works

The County Executive of Nyandarua spent Kshs.657,947,191.00 in roads maintenance and rehabilitation in all its five sub-counties. The work entailed grading, gravelling, opening and murraming of all weather roads. This expenditure was 165% more than the amount provided for roads maintenance and rehabilitations in the 2013/2014 budget of Kshs.247,500,000.00 for financial year. Further, there was no procurement plan prepared for this works and all materials and services were procured directly without regard to procurement procedures provided by the Public Procurement and Disposal Act, 2005 and Regulation 2006.

The County Executive did not give details of the roads and the kilometres rehabilitated. Further, there were no bills of quantities prepared, showing specifications of work to be done and corresponding costs.

During physical verification, it was observed that some hard core delivered to some of the roads were still lying by the road sides; In some other roads e.g. Bosnia Matura was poorly done resulting into it being redone after the initial murraming, barely two months after the works had been purportedly completed, while Mathakwa-Mirangine road was being re-graded and re-murramed after the initial murram was found to be substandard.

1.2 Irregular procurement of feasibility study of OlKalou Town Sewerage system

During the financial period under review, the County Executive of Nyandarua entered into an agreement with TAHAL Group of Israel to carry out a feasibility studies and the preparation of designs for Ol-Kalou Town Sewerage system at a cost of Kshs.55,312,500.00 through a Public Private Partnership (PPP) agreement. The total cost of Kshs.110, 625,000.00 was to be shared equally between County Government of Nyandarua and TAHAL Group as per agreement signed on 30 April 2014.

However, the awarding of contract was not subjected to a competitive bidding and the identification of TAHAL and competitiveness of contract price and fees could not be determined. Further, there was no evidence of approval by Public Private Partnership's Committee and the County Executive Committee.

1.3 Irregular Leasing of the County Offices

During the period under review, the County Executive of Nyandarua rented a building (Njorah House) to house the County Government within OlKalou town. This was done (Njorah House) to house the County Executive within OlKalou town. This was done through single sourcing. Further, audit verification revealed that the County Executive entered into a short term renewable lease of two (2) years with the landlord at a cost of 3,600,000.00. This period was found to be too short for the County Executive to have realised value for investment on renovations and modification of the building in case owner refuses to renew the lease.

1.4 Irregular procurement of County Offices Refurbishment works

During the period under review, the County Executive of Nyandarua contracted a Company to carry out the works of refurbishing and partitioning its offices at the County Headquarter at a cost of Kshs.12,811,950.00. However, there were no documents produced to confirm whether procurement procedures were followed while awarding tenders for this project. Further, this contract was later varied to include additional works worth Kshs 8,847,391.00or 69% of the original contract sum without retendering.

1.5 Irregular procurement of Construction of- ECO Toilets

During the period under review, the County Executive approved construction of five(5) Eco toilets in Kasuku, Njabini, Miharati, Ndaragwa and Captain Markets in Nyandarua County each at Kshs.4,000,0000.00 totalling Kshs.20,000,000.00.

However, the contractors who were invited to bid were not in the list of prequalified suppliers for the financial year 2013/2014. Further, contract agreements, tender evaluation and award minutes for Ndaragwa toilet were not produced for audit review.

In addition, the Kasuku market project was abandoned after it was found to have been done on road reserve although a total of Kshs.695,241.36 had already been paid to the contractors.

Also, there was no Environmental Impact Assessment report produced for audit verification to prove that these projects met the environmental requirements before implementation.

1.6 Uncompetitive procurement of repairs and maintenance of motor vehicles, plant and machineries

During the period under review, the County Executive spent Kshs.9,662,207.14 on repair and maintenance of the county vehicles and heavy machineries. However, these services appear to have been procured without following the laid down procedures, since no quotations or other tender documents were produced for audit verification. In addition, there were no reports of Government Mechanical Engineer to support the repairs. Further, there were no reports of inspection and acceptance committee produced to confirm that the services were rendered as specified.

1.7 Irregular Procurement of pipes

During the period under review, the County Executive through the Ministry Environment, Water, Energy and Natural Resources purchased pipes worth Kshs.401,500.00 from a supplier who was not in the list of prequalified supplier of goods and services for 2013/2014 without any reason or explanation. In addition, it was not explained how the supplier was sourced. The County Government therefore, flouted the Procurement Procedures.

2.0 Expenditure

2.1 Unaccounted for funds for construction of County headquarter

The County Executive received Kshs.62,000,000.00 from the Transition Authority on 5 June 2013 to facilitate acquisition of office structures. However, the funds were not utilized for the intended purpose since no construction of the offices has not been done to date. Records showed that the funds were used to pay for other unapproved expenditure. Further, the County Government did not give details of how the amount was utilized and accounted for.

2.2 Unsupported fuel expenditure

The County Executive of Nyandarua procured fuel with Kshs.38, 065,012.00 for its motor vehicles and machineries during the period under review. However, fuel register maintained was not completed nor updated. We could not therefore, establish the details of fuel purchased and how it was consumed by the vehicles. Authorization to draw fuel through the use of detailed orders was not enforced and fuel drawn was not recorded in the work tickets. Further, most of the vehicles had malfunctioning odometer.

In the circumstances, the fuel purchased worth Kshs.38,065,012.00 could not be properly accounted for.

2.3 Unsurrendered imprests

The County Executive was found to have issued imprests totalling Kshs.25,763,259.00 during the financial year under review. These imprests remained unsurrendered as at 30 June 2014. This includes imprest to the office of the Governor and his deputy for entertainment and security amounting to Kshs 2,200,000.00 and Kshs. 200,000.00 respectively.

Further, the County's Ministry of Agriculture, Livestock and Fisheries had issued imprest totalling to Kshs. 2,122,109.00 to various officers which also remained unaccounted for as at 30 June 2014. It was further observed that some officers were issued with additional imprest without having surrendered the previous one.

3.0 Irregularities in the Ministry of Education, Children, Culture and Social Services

(i) Improper procurement procedures and accountability of for Developments Projects

The County Executive disbursed Kshs.26,151,000.00 through the Ministry of Education to 33 (ECDs) Early Childhood Development schools and 6 youth polytechnics for construction of classrooms and other facilities during the period under review. During the implementation of the projects, the schools management did not adhere to procurement process since they used request for quotations to source for contractors instead of using the open national tendering, considering the budgeted amount was Kshs 600,000.00 for ECD classrooms and between one million and six million for Youth polytechnic facilities which was above Kshs 500,000.00 as set out under class C threshold matrix. In addition, no bills of quantities were made available for audit to show the extent of work to be done in each project. Further, physical verification in some institutions like Kangui Polytechnic revealed that the work done was not commensurate with the amount already paid of Kshs.1,000,000.00 since only foundation works had been done. It was also noted there was no proper accountability of the funds since some schools e.g. at Gachigirira E.C.D, had its own quarry where they were getting the building stones and therefore difficult to establish how the money was applied.

ii) Unaccounted for recurrent expenditure

An examination of bank statements revealed that the Ministry of Education,Youth,Children,Culture and Social Services incurred a total expenditure of Kshs.28,220,027.00 from both Development and Recurrent Vote. Out of this amount, Kshs.11,900,000.00 was spent on project development while Kshs.16,380,000.00 was recurrent expenditure. However, from the available records and payment vouchers, the Ministry could only account for total of Kshs.10,183,955.00 resulting to unaccounted for Kshs.6,196,072.00.No explanation was given for failure to account for the amount.

4.0 Pending bills and Flawed procurement procedures in the Ministry of Agriculture, livestock and fisheries

The County Ministry of Agriculture, Livestock and Fisheries procured goods and services worth Kshs 27,524,840.00 in the month of June 2014 out of which by 30 June 2014, the Ministry had paid out Kshs.16,611,750.00 to various suppliers leaving outstanding bills of Kshs.10,913,090.00.However, the procurement procedures were not followed in the purchase of these goods and services. Although quotations were issued to the pre- qualified suppliers, no opening, evaluation and awarding minutes were produced for audit verification. It was not therefore clear how the contracts were awarded. Further, these payments were made through local cheques instead of government approved Integrated Financial Management Information System (IFMIS). There is risk of public funds being lost through procurement of goods at exorbitant prices in absence of competitive bidding.

5.0 Unsupported expenditure on KICOSCA games

During the period under review, the Ministry of education spent Kshs.5,543,000.00 on K.I.C.O.S.C.A games in the month of August 2013. However, the supporting documents including hotel accommodation receipts, invoice or cash sale for the uniforms bought for the goods and other payments were not produced for audit verification.

6.0 Lack of proper Records in the Ministry of Environment, Water, Energy and Natural Resources

The Ministry received recurrent budgetary provision of Kshs.3,463,000 during the period. However, although the whole amount received was properly accounted for through the payment vouchers, the whole expenditure was not posted in the Ministry's cash book and no bank reconciliation was prepared. Further, the Ministry did not maintain the vote book to control the expenditure. In absence of cashbooks, bank

reconciliations and vote book, the money could be lost through fraud and errors that go undetected.

7.0 Irregular payment of Subsistence Allowance to Deputy Governor and County Executive committee member-Education

The County Executive paid accommodation allowances to the Deputy Governor and County Executive Committee member for Education Kshs.378,775.00 above their entitlement of quarter per diem while attending the African Forum on Religion and Government 3 (AFREG 3) organized for a Continental consultation/training in Lusaka – Zambia in September 2013. It was noted that the organizers of the training had catered for accommodation of the attendant and therefore the accommodation allowance for the two paid was unprocedural.

8.0 Irregular Rehabilitation of Dispensaries and Heath Centres

The M.C.As demanded to be allocated funds for renovation and rehabilitation of dispensaries and health centres in their respective ward through health facilitation committee at the ward level.

A total of Kshs.14,048,840.15 was spent in fifteen (15) wards for the projects. Quotations for renovation and rehabilitation of health centres and dispensaries in the wards were floated at the tenders awarded to different contractors. However, most of the contractors who were awarded the tenders were not prequalified during the year 2013/2014. In addition, no procurement documents were provided for audit verification. The regularity of ward health facilities development fund, process of awarding the contracts and payments thereon could not be confirmed.

9.0 Human Resource management irregularities

9.1 Un-procedural Hiring of staff

(a) The County Executive employed nineteen (19), instead of eleven (11) employees approved in the budget of office of the County Governor from July 2013 thereby incurring additional Kshs.11,434,107.00 for 2013/2014.

There was no evidence however, to show that the staff employed have been regularized by the County Public Service Board (C.P.S.B) as per the provisions of the circular from the Transition Authority;

(b) The County Public Service Board advertised for the position of Chief Officers on 24 September 2013. The applicants who applied, were shortlisted and the

interviews were conducted culminating in the C.P.S.B appointing them vide appointment letter dated 3 February 2014. For Chief Officer –Finance and Economic planning post, the C.P.S.B recommended for appointment of appointment of three individuals depending on merit of what they scored during interview.

It was however noted that an individual, who nevertheless was not among the three shortlisted candidates, was appointed to the post.

(c) The Governor irregularly appointed an individual as Chief Officer Land, Housing and Physical planning despite the County Public Service board issuing an adverse report on the officer including issue of integrity which required further investigations and failure to produce relevant documents during an interview.

The County therefore breached Section 65(1) (a-j) of the County Government Act No. 17 of 2012 and Chapter six of the Constitution on leadership and integrity, Section 73(1) a (i-iv) by irregularly appointing officers who were not the most qualified for those posts. Their suitability to perform those duties could also be ascertained.

9.2 Irregular hiring of casuals

The County Executive inherited ninety six (96) casuals from the defunct local authorities' i.e. County Council of Nyandarua and Town Council of Ol'kalou. The casuals were being paid Kshs. 205.00 per day thus translating to Kshs.5,195,520.00 for sixteen months up to 30 June 2014. The status of the long serving casuals has not been sorted out as 30 June 2014.

The County Executive was therefore violating the rights of these workers by engaging them on casual basis longer than permitted by law and is also against the employment Act which could lead to expensive ligations against the County Government.

9.3 Lack of staff establishment and organization structure

The County Executive was required by the Transition Authority letter Ref TA/7/3/Vol. 1/67 dated 24 July 2013 to carry out staff audit through head count to confirm job placement and needs assessment for proper management of the human resources aspect of the County. However, interview with the County Public Service Board (CPSB) revealed that the purported head count previously conducted was not conclusive as it was not fully involved in the exercise as enshrined in the County Government Act No 17 of 2012. The report was not implemented and as at 30 June 2014, no proper staff count and placement been done.

It was also noted that there was no staff establishment, approved organization structure, human resource policy and scheme of service for some advertised posts to guide in training, promotion and placement of staff.

9.4 Failure to promote ethnic diversity in the county establishment

The county Executive through the County Public Service Board (C.P.S.B) and office of the Governor has employed two hundred and two (202) staffs in various departments as at 28 February 2015.

From this number, 97% of the total posts were occupied by one ethnic tribe which was against Article 175 (c) of the Constitution of Kenya 2010 which outlines that 30% of the recruitment should from other communities. The County Government was therefore in breach of the law

10.0 Unsupported Creditors Balances

The County Executive did not maintain accurate and complete records of its creditors. Invoices totalling Kshs.12,089,000.00 were not supported by either LPOs or LSOs as at 30 June 30 June 2014. The validity of the liabilities could not therefore be confirmed as representative of the charges incurred during the year. Further, possible errors and fraud could pass undetected due to incomplete records and weak accountability system.

11.0 Unaccounted and Un-procedural Bursary Awards

The County Executive disbursed Kshs.6,917,750.00 to various wards in respect of bursary funds to the County needy students during the period under review. However, it was noted that there was no approved budget and the corresponding regulations to cater for the bursary. The criteria used in the administration of the bursary could not be confirmed as there were no structures put in place to administer the bursary. For example, there were no ward committee minutes to indicate how the beneficiaries were identified and the acknowledgment documents from various beneficiary schools to confirm if they were indeed received.

12.0 Revenue

The County Executive had budgeted to collect Kshs.174,000,000.00 from the local sources during the year under review. However, the total revenue collection was Kshs.127,627,088.00 as at May 2014 with only one month to the end of the financial period.

The collection of Kshs.127,627,088.00 was Kshs.15, 110,716.00 less compared to Kshs.142,737,804.00 in the same period in 2012/2013 before the County Government

took over from the defunct local authorities. The drop in revenue collected was not explained.

Further, the County Executive took over land rates arrears totalling Kshs.3,173,936,312.00 on 4 March 2013. As at 31 May 2014, the arrears balance stood at Kshs.4,077,319,973.00. The County Government had only managed to collect Kshs.11,280,775.00 or 0.3% of total debt during the financial period under review. The County Government has not shown determination to collect this debt and their recoverability appears in doubt.

The revenue collection policy of the County Government therefore appear ineffective and the County Government could be losing revenue through misappropriation or failure to collect revenue.

12.1 Uncontrolled issue of Revenue collection books

It was noted that some officers were being issued with additional revenue collection books before surrendering the previously issued ones.

An audit review of Boda Boda fee collection records revealed that receipt books with nominal value of Kshs.2,820,000.00 had not been surrendered yet the collector had been issued with more books.

There is a possibility that revenue collected could therefore have been misappropriated.

12.2 Unsurrendered Revenue collections at Ol-kalou District Hospital

During the period under review, the Ol'kalou Hospital collected revenue totalling Kshs.28,059,777.00 up to May 2014. However, the hospital had only transferred Kshs.20,400,065.00 to the County Revenue Account, resulting to a difference of Kshs.7,659,712.00.

This meant that the hospital irregularly spent the funds without approval by Controller of Budget as required by Section 109(6) of the P.F.M Act 2012. In addition, the hospital did not maintain separate revenue bank accounts distinct from its normal operations account, where collections were to be banked for onward transfer to County Revenue Account as provided for by Section 109(2) of the Public Financial management Act 2012. The Hospital was therefore in breach of the law.

12.3 Non-appointment of Proper Revenue Collectors

During the period under review, the County Executive has not designated in writing, persons to be responsible for collecting, receiving and accounting for such revenue. This could partially be the reason for low collection of land rates.

It was also noted that some revenue collectors were engaged on casual basis. This posed the danger of the collectors disappearing or misappropriating the collected revenue due to absence of accountability mechanism including recovery of lost cash from their salaries.

The County Executive was therefore in breach of section 157 of the Public Finance Management Act 2012.

13.0 Fixed Assets Register

The County Executive of Nyandarua produced for audit review an Assets Register which showed the value of its fixed assets as Kshs.202,706,686.00.

However, most of the land included in the register did not have ownership documents and its ownership could not be established. The County government did not seem to be making effort to acquire title documents for the lands in order to secure public land under its jurisdiction. The assets of the County Government maybe lost or misused due to poor recording and management.

14.0 Implementation of IFMIS

The County Executive started using IFMIS in November 2013 and therefore the financial transactions from July to October 2013 were done through manual system.

Audit verification of the IFMIS utilization revealed that the reports generated through the system were not comprehensive. Other reports like suppliers statements, interrogation of vote book balances were not done. It was also noted that the staff capacity was limited and this has contributed to the slow implementation of IFMIS by the County Government.

Further, it was noted that the County Executive continued to use the LAIFOMS system previously being used by the defunct local authorities. However, the support system of the LAIFOMS by the vendor was found to be unreliable after the cessation of local authorities and therefore its sustainability could not be confirmed.

In the circumstances, the County Executive ability to successfully utilize the information technology is highly constrained.

15.0 Outstanding Prior Period issues

15.1 Handing over reports by defunct local authorities

All the defunct local authorities under the County Executive of Nyandarua were to prepare a list of assets, liabilities, bank balances and employees' details and hand them over to the County Government. However, no official take over reports by the County Government was made available for audit verification to date. We could not therefore ascertain whether there was proper transfer of assets and liabilities to the County Government.

15.2 Land rates

The County Executive took over land rates amounting to Kshs.3,173,936,312.00 on 4 March 2013 from the defunct Local Authorities which had however increased to Kshs.4,077,319,973.00 as at 31 May 2014.

However, the accuracy and collectability/recoverability of the amounts due could not be confirmed since the problem has been compounded by multiple allocations of plots and the County Government has not yet resolved the problem.

15.3 Ownership Documents

The County Executive took over land and buildings from defunct County Council of Nyandarua with book value of Kshs 349,723,156.00 as at 4th March 2013. However, the County Government has not yet acquired ownership documents for the said parcels of land. The defunct Town Council of Olkalou did not officially prepare and hand over a statement of assets and liabilities to the County Government of Nyandarua.

The position of Motor Vehicle and Other Non-Current Assets taken over by the County Executive of Nyandarua could therefore not be ascertained.

16.0 Cash and cash equivalents

The County Executive operated a total of six bank accounts as at 30/6/2014 namely two revenue accounts each at Equity Bank and Kenya Commercial Bank, one imprest

account at Cooperative Bank and three accounts held at the Central Bank of Kenya namely County Revenue, Development and Recurrent accounts.

However, the County Executive did not maintain cash books for Central Bank of Kenya recurrent, development and County Revenue Fund account. Also, no bank reconciliations were done for those accounts. The County Government did not however, provide certificate of balances for all accounts maintained at the CBK.

The County Executive internal controls therefore continues to be exposed due to failure to maintain cash books and bank reconciliations.

Edward R. O. Ouko, CBS
Auditor-General

NAIROBI

29 May 2015

Detailed Findings

1.0 Procurement

1.1 Irregularities in roads rehabilitation works

The County Executive of Nyandarua spent Kshs.657,947,191.00 in roads maintenance and rehabilitation in all five sub-counties.The work entailed grading, gravelling, opening and murraming of weather roads. However, the amount spent was Kshs. 410,447,191.00 or 165% more than amount provided for roads maintenance and rehabilitations in the budget which was Kshs. 247,500,000.00 for financial year 2013-2014. Further, the following anomalies were observed:

i. The County Executive hired graders, shovels, loaders, excavators and tippers/lorries at government dry rates, it would fuel them and engage temporary drivers and casual workers to supply and spread murram and perform the clearing work. However, there was no procurement plan prepared for this works and all materials and services were procured directly without regard to procurement procedures provided by the Public Procurement and Disposal Act, 2005 and Regulation 2006.

ii. Details of the roads rehabilitated in kilometres and width were not made available for audit verification. Further, there were no bills of quantities prepared, showing specifications of wok to be done and corresponding costs.

iii. There were instances where the date of invoice was earlier than the Local Service order (LSO). This means that invoices were raised before the work was given out and done.

iv. There were no completion certificates, site meetings minutes or inspection and acceptance report before the works were paid for as required by regulation 17 (1) of the Public Procurement and Disposal Regulations 2006.

v. The fuel control register was not properly maintained and detail orders to support fuel use were not provided for audit verification. Further, fuel drawn was not posted in the vehicle work tickets.

vi. Most Work tickets for the hired machineries were not signed by the officers in charge of road works and it was not possible to ascertain propriety of the journeys made.

vii. During physical verification, it was observed that some hard core delivered to some of the roads were still lying on the road sides; In some other roads e.g. Bosnia Matura was poorly done resulting into it being redone after the initial murraming barely two months after the works had been done while Mathakwa-Mirangine road was being re-graded and re-murramed after the initial murram was found to be substandard, thus a proof of poor workmanship.

In view of the foregoing, the propriety of spending Kshs.657,947,191.00 on roads works by the County Executive cannot be confirmed. It cannot also be confirmed that value for money was attained.

Recommendation

The management of County Executive should adhere to the laid down rules and regulations on public procurement.

1.2 Irregular procurement of feasibility study of OlKalou Town Sewerage system

During the financial period under review, the County Executive of Nyandarua entered into an agreement withTAHAL Group of Israel to carry out a feasibility studies and the preparation of designs for Ol-Kalou Town Sewerage system at a cost of Kshs.55,312,500.00 through a Public Private Partnership agreement. The total cost of the project was to be Kshs.110,625,000.00 but was shared equally between County Government of Nyandarua and TAHAL Group as per agreement signed on 30 April 2014. However, the awarding of contract was not subjected to a competitive bidding and the following anomalies were observed;

i. Price setting and success fees could not be confirmed as competitively determined in absence of competitive bidding. This was also against section 28(1) of the P.P.P. Act No 15 of 2013.

ii. The project was not approved by Public Private Partnership's committee and the cabinet as per the section 7 (d) and 24(1) of P.P.P Act No 15 of 2013;

iii. There was no established public private partnerships node in the County Government as per Section 16(1) of the P.P.P. Act No 15 of 2013;

The County Executive was therefore in breach of the law.

Recommendation

The management of County Executive should ensure that provisions of the Public Private Partnerships are adhered to. This will ensure that public funds are safeguarded.

1.3 Irregular Leasing of the County Offices

During the financial period under review, the County Executive of Nyandarua rented a building (Njorah House) to house the County offices within OlKalou town. This was done through single sourcing and other building owners in Olkalou town were not invited to bid. Further, audit verification revealed that the County Government entered into a short term lease of two (2) years renewable at a cost of Kshs 300,000.00 per month payable twelve (12) months in advance amounting to Kshs 3,600,000.00 per year. This was found to be too short for the County Government to have realised value for investment on renovation and modification of the building in case owner refuses to renew the lease contract. However, no funds had been paid out by end of June 2014.

The regularity of the leasing procedures could not be confirmed.

Recommendation

The management of County Executive should explore ways renegotiate the lease agreement to cover longer period to enable it recover the investments on renovations and modification. Further, procurement procedures should be followed when procuring services including leasing of properties.

1.4 Irregular procurement of County Offices Refurbishment works

During the financial period under review, the County Executive of Nyandarua contracted a contractor to carry out the work of refurbishing and partitioning its offices at the County Headquarter at a cost of Kshs.12,811,950.00. However, the following anomalies were observed on this process;

i. The contractors was said to be procured through use of restricted tendering method from a list of contractors obtained from the Ministry of Public Works at Nyahururu but this bit of information could not be confirmed as it was not supported by any documentary evidence.

ii. This contract was later varied to include additional works of Kshs 8,847,391.00or 69% of the original contract sum. This was done without resulting to retendering process as required by section 31 (c) of the Public Procurement and Disposal regulations 2006 for contract variations above 15%.

The regularity of procurement procedures for the refurbishment of the County headquarters could not be confirmed.

Recommendations

i. Documentary evidence to prove that proper procedures were followed to be provided for audit verifications.

ii. The Management of County Executive to ensure that in future, proper procurement procedures are followed while engaging the services of a contractor.

1.5 Irregular procurement of Works

During the financial period under review, the County Executive approved construction of five(5) Eco toilets in Kasuku, Njabini, Miharati, Ndaragwa and Captain Markets each at Kshs.5,000,0000.00 totalling Kshs.20,000,000.00. However; The following anomalies were observed;

i. The contractors who were invited to make quotations were not in the list of prequalified suppliers in the financial year 2013/2014.

ii. For Ndaragwa toilet, contract agreements, tender evaluation and award minutes were not made available for audit;

iii. The Kasuku market project was abandoned after it was found to have been done in road reserve. A total of Kshs 695,241.36 had already been paid to the contractors although upon inspection, the only work which was found to have been done was digging of trenches and some materials on the site which did not correspond with the amount paid.

iv. There was no Environmental Impact Assessment report that was produced for audit verification to prove that these projects met the environmental requirements before implementation.

The propriety of the expenditure and the regularity of the procurement procedures could not be confirmed.

Recommendations

The County Executive should ensure that procurement procedures are adhered to particularly in selection of contractors to be issued with quotations which should only be done from the list of the prequalified contractors. Tender minutes, contract agreements, offer and acceptance letters and tender opening minutes for the eco toilets should be made available for audit verification.

1.6 Uncompetitive procurement of repairs and maintenance of motor vehicles, plant and machineries

During the financial year under review, the County Government spent Kshs 9,662,207.14on repair and maintenance of the county vehicles and heavy machineries. However, these services appear to have been procured without following laid down procedures; No quotations or other tender documents were produced for audit verification and there were no reports of Government Mechanical Engineer to support the repairs.Further, there were no reports of the inspection and acceptance committee produced to confirm that the services done as required.

The County Executive was therefore in breach of the law and the propriety of the expenditure could not be confirmed.

Recommendations

The County Executive should involve the Ministry of Public works mechanical engineer for inspections before repairs are done further request for quotations from at least three pre-qualifies service providers should be obtained to enhance competitiveness in procurement of the motor vehicle repairs.

1.7 Irregular Procurement of pipes

During the financial year under review, the County Executive through the Ministry of Environment, Water, Energy and Natural Resources procured pipes worth Kshs. 401,500.00 from a supplier who was not in the list of prequalified supplier of goods and services in the financial year under review. It was not clear why the County Government ignored other suppliers who were shortlisted. Further it was not explained how the supplier was sourced.

The County Executive flouted the Procurement Procedures by not sourcing the quotations from the prequalified suppliers.

Recommendations

The Accounting Officer who authorized the use of non-prequalified suppliers should be held responsible for failure to adhere to the laid down rules and regulations.

2.0 Expenditure

2.1 Unaccounted for funds for construction of County headquarter

The County Executive received Kshs 62,000,000.00 from the Transition Authority on 5 June 2013 to facilitate acquisition of office structures. However the funds were not utilized for the intended purpose since the construction has not been done to date. These funds were used to pay for other unapproved expenditure. Further, the County Government did not show how the amount was utilized and accounted for.

Recommendation

The management of County Executive should account for the funds

2.2 Unsupported fuel expenditure

The County Executive of Nyandarua procured fuel totalling Kshs.38,065,012.00 for its motor vehicles and machineries during the year. However, fuel register was not completed with the details of fuel purchased and how it was consumed by the vehicles, authorization to draw through the use of detailed orders was not enforced and fuel drawn was not recorded in the work tickets. Further, most of the vehicles which had malfunctioned odometer. In the circumstances, the fuel purchased could not be properly accounted for.

The propriety of the fuel expenditure amounting to Kshs 38,065,012.00 could not be confirmed as a correct charge to public funds.

Recommendation

The Accounting Officer should ensure that the applicable fuel accounting documents including fuel register, detailed orders and work tickets are in place to show how fuel is utilized.

2.3 Unsurrendered imprest

The County Executive was found to have issued imprest totalling to Kshs. 25,763,259.00 during the financial year for various reasons which remained unsurrendered at the time of audit. This include imprest to the office of the Governor and his deputy for entertainment and security amounting to Kshs 2,200,000.00 and Kshs. 200,000.00 respectively.

Further, the County's Ministry of Agriculture, Livestock and Fisheries Department had issued imprest totalling Kshs. 2,122,109.00 to various officers which remained unaccounted for at the conclusion of the audit. It was further observed that some officers were issued with additional imprest without having surrendered the previous one.

The propriety of the expenditure amounting to Kshs 30,285,368.00 could not be confirmed as correct charge to public funds.

Recommendation

The management of County Executive should ensure that the surrender is done accordingly and the same be communicated to the audit office for verification.

3.0 Irregularities in the Ministry of Education, Children, Culture and Social Services

a. Improper procurement procedures and accountability of Kshs. 26,151,000.00 for Developments Projects

The County Executive disbursed Kshs. 26,151,000.00 through the Ministry of Education to 33 (ECDs) Early Childhood Development schools and 6 youth polytechnics for construction of classrooms and other facilities during the financial year under review. During the implementation of the projects, the schools management did not adhere to procurement process since they used quotations to source for contractors instead of using the open national tendering, considering the budgeted amount was Kshs 600,000.00 for ECD classrooms and between one million and six million for Youth polytechnic facilities which was above Kshs 500,000.00 as set out under class C threshold matrix. In addition, no bills of quantities were made available for audit to show the extent of work to be done in each project. Further, physical verification in some institutions like Kangui Polytechnic revealed that the work done was not commensurate with the amount already paid of Kshs 1,000,000.00 since only foundation works had been done. It was also noted there was no proper accountability of the funds since some schools e.g. at Gachigirira E.C.D, the school had its own quarry where they were getting the building stones and therefore the payments paid could not be accounted for. In addition, there was no evidence to show that the work being done was supervised by the engineers from the Ministry of Public Works as required.

b. Unaccounted for recurrent expenditure of Kshs 6,192,072.00

An examination of bank statements revealed that the Ministry of Education,Youth,Children,Culture and Social Services had a total expenditure of Kshs 28,220,027.00 for both Development and recurrent.

Out of this amount, Kshs 11,900,000.00 was spent on project development while Kshs 16,380,000.00 was recurrent expenditure. However, from the available records and payment vouchers, the Ministry could only account for total of Kshs 10,183,955.00 resulting to unaccounted for Kshs 6,196,072.00.No explanation was given for failure to account for the amount.

The propriety and accountability of the Development expenditure of Kshs 11,900,000.00 and re-current expenditure of Kshs. 6, 196,072.00 could not be confirmed.

Recommendations

The management of County Executive should ensure full accountability of the funds or else the amounts not accounted for be recovered from the accounting officer. Further, proper supervisory measures should be put in place to ensure that the work meet the set standard.

3.1 Pending bills and Flawed procurement procedures – Ministry of Agriculture, livestock and fisheries

The County Executive through the Ministry of Agriculture, Livestock and Fisheries procured goods and services totalling Kshs.27,524,840.00 in the month of June, 2014. On 30 June 2014 alone, the Ministry had paid out Kshs.16,611,750.00 to various suppliers leaving outstanding bills of Kshs.10,913,090.00. Further, the procurement procedures were not followed in the purchase of these goods and services; quotations were issued to the pre- qualified suppliers but there were no opening, evaluation and awarding minutes produced for audit verification. It was not therefore clear how the contracts were awarded. Further, these payments were paid through local cheques instead of government approved Integrated Financial Management Information System (IFMIS).

Public funds must have been wasted through procurement of goods at exorbitant prices due to absence of competitive bidding. The ministry was also in breach of the laid down rules and regulations regarding government accounting standards, procedures and policies

Recommendations

The management of County Executive to explain why these goods and services were procured without following proper procurement procedures. Further, the Ministry should desist from making payments outside the I.F.M.I.S system to minimize distorting the monitoring of expenditures and budgetary process of the ministry due to lack of real time updating of vote book.

3.2 Unsupported expenditure on KICOSCA games

During the financial year under review, the Ministry of education spent Kshs. 5,543,000.00 on KICOSCA games in the month of August 2013. However, the supporting documents including hotel accommodation receipts, invoice or cash sale for the uniforms bought and other payments were not produced for audit verification.

Item	Amount	Remarks
Participants and officers Night outs	3,941,000.00	Only Kshs 696,000.00 paid to Relax Hotel for accommodation was traceable resulting to un-accounted for funds of Kshs 3,245,000.00. There was no list of attendants.
Implements and uniform	1,172,000.00	Expenditure not supported.
Transport	280,000.00	It was not clear how passenga secondary Bus @ Kshs 140,000.00 and Nuclear Sacco @ 140,000.00 were procured.
Contingencies	150,000.00	Expenditure not supported
Total	**5,543,000.00**	

The propriety of the expenditure of Kshs.5,543,000.00 could not be confirmed as a correct charge to the County funds.

Recommendation

The management of County Executive should produce the supporting documents for the payments or recovery measures be instituted from the payees.

3.3 Lack of proper Records in the Ministry of Environment, Water, Energy and Natural Resources

The Ministry received Kshs.3,463,000 during the financial year 2013/2014. All the funds received by the ministry were properly accounted for. However, the expenditure was not being recorded in the cash books and therefore bank reconciliations could not be prepared. Further, no vote books were maintained to control expenditure.

In absence of cash books, bank reconciliations, the County Executive is highly exposed to loss of funds through fraud and other malpractices.

Recommendation

The management of County Executive should facilitate various departments with right number of staffs to facilitate proper maintenance of records.

4.0 Irregular payment of Subsistence Allowance to Deputy Governor and County Executive committee member-Education

In September, 2013 The African Forum on Religion and Government 3 (AFREG 3) organized for a Continental consultation/training in Lusaka – Zambia and invited Deputy Governor and Committee Executive member for Education.

The flight charges/fees amounting to Kshs.267,495.00 for the two officers were arranged (paid for in full) by the County Government of Nyandarua to Tours and Travel Company whereas accommodation and local travelling was catered for by The Host Committee of African Forum on Religion and Government 3 (AFREG 3).

The Deputy Governor and the County Executive member for Education were paid 6 night outs at full standard rates (full perdiem) worth to Kshs371,700.00 i.e. (Kshs 206,325.00 and Kshs 165,375.00)and a further Kshs. 100,000.000 (combined) to cater for contingencies. The two officers should have instead received one-quarter (1/4) of the standard rate of their subsistence allowances worth Kshs. 92,925. This resulted to an irregular overpayment of Kshs. 378,775.00to the two officers.The County Executive was therefore in breach of the law.

Recommendation

The management of County Executive should recover overpaid subsistence allowances from respective officers.

5.0 Irregular rehabilitation of health centres and dispensaries

The M.C.As demanded to be allocated funds for renovation and rehabilitation of dispensaries and health centres in their respective ward through health facilitation committee at the ward level.

A total of Kshs.14,048,840.15 was spent in fifteen (15) wards for the projects. Quotations for renovation and rehabilitation of health centres and dispensaries in the wards were floated at the tenders awarded to different contractors. However, most of the contractors who were awarded the tenders were not prequalified during the year 2013/2014.In addition, no procurement documents were provided for audit verification. The regularity of ward health facilities development fund, process of awarding the contracts and payments thereon could not be confirmed.

Recommendation

The management of County Executive should ensure that project implementations are done based on the laid down rules and regulations.

6.0 Human Resource management irregularities

6.1 Un-procedural Hiring of staff

The County Executive of Nyandarua employed nineteen (19) instead of eleven (11) employees, as approved in the office of the County Governor from July 2013 thereby incurring additional Kshs 11,434,107.00 as at 30 June 2014. The following further anomalies were observed on this;

There was no evidence to show that the staff employed have been regularized by the County Public Service Board (C.P.S.B) as per the provisions of the circular from the Transition Authority.

The County Public Service Board advertised for the position of Chief Officers on 24 September 2013. The applicants applied, were shortlisted and the interviews were conducted culminating in the C.P.S.B appointing them vide appointment letter dated 3rd February 2014.On Chief Officer; Finance and Economic planning, the C.P.S.B recommended for appointment of three candidates based on the merit of scores from the interview.

It was however noted that one of the Officer who was not among the three shortlisted candidates, was appointed to the post.

The Office of the Governor irregularly appointed Chief Officer Land, Housing and Physical planning despite the County Public Service board issuing an adverse report on the officer including issue of integrity which required further investigations and failure to produce relevant documents during an interview.

The County breached Section 65(1)(a-j) of the County Executive Act No. 17 of 2012 and Chapter six of the Constitution on leadership and integrity, Section 73(1) a (i-iv) by irregularly appointing officers who were not the most qualified for those posts. Their suitability to perform those duties could also be ascertained.

Recommendation

The management of County Executive should adhere to the provision of the County Government Act no 17 of 2012.

6.2 Irregular employment of casuals

The County Executive inherited ninety six (96) casuals from the defunct local authorities' i.e. County Council of Nyandarua and Town Council of Ol'kalou. The casuals were being paid Kshs. 205.00 per day thus translating to Kshs. 5,195,520.00 (Kshs 205x22 days x 96x12months) for eleven months up to 30 June 2014.The status of the long serving casuals has not been sorted out as at the time of the audit.

The County Executive was violating the rights of these workers by engaging them on casual basis longer than required and is also against the employment Act which could lead to expensive ligations against the County Government.

Recommendation

Long serving casuals' matters should be streamlined according to the provisions of the Employment Act 2007 Section 35(1) and Section 21(3) of the Government Code of Regulations.

6.3 Incomplete staff audit

The County Executive was required by the Transition Authority letter Ref TA/7/3/Vol. 1/67 dated 24 July 2013 to carry out staff audit through head count to confirm job placement and needs assessment for proper management of the human resources aspect of the County. However, interview with the County Public Service Board revealed that the purported head count previously conducted was not conclusive and that the C.P.S.B was not fully involved in the exercise as enshrined in the County Government Act No 17 of 2012. The report was not implemented and at the time of audit, no proper staff count and placement been done.

Failure by the County Executive to follow up on the various enacted legislations, circulars and other information from the various constitution bodies to help in management of devolved human resources may result to breach of the law.

Recommendation

The management of County Executive should do audit through head count, the C.P.S.B should be facilitated to conclude the process to facilitate proper placement and comprehensive need assessment of all the staffs.

6.4 Inadequate staffing structures/matters within the County Government

The following issues were noted;

There were no approved organization structure to date detailing the flow of information, authority and the interconnectivity between the departments;

There has been no approved staff establishment to guide employment of staff within the County Executive. It therefore meant that the County Executive might be overstaffed/overstaffed due to lack of information on the total staff number requirements vis a vis the work load. This has lead to some complaints from county executive members and previous the County secretary to the County Public Service Board (C.P.S.B). e.g. A letter to the C.P.S.B by the CECM-Ministry of Agriculture, livestock and fisheries Ref .MOEL/NYA/CEC/CON/COR/Vol1/1 of 15 January 2015 was requesting suspension of recruitments for the department until full staff positions/established were established indicated there was a lapse in the recruitment process between the C.P.S.B and the different ministries. Further, communication through letter Ref:NYA/CNT/GOVT/HR/3/3 dated 11 November 2014 from the interim county secretary requested for consultations between the departments and County Public Service Board before media adverts on recruitment. This was meant to manage the costs implications and to agree on the terms and condition of service for various cadres of staffs

There was no human resource policy to guide in the management of staff matters. Job description and specifications have not been redeveloped to facilitate proper integration of devolved staffs from the central government and those that came from the defunct local authorities;

Review of the appointment letter issued by the C.P.S.B to the newly recruited staffs revealed that some staff were given appointment letters without probation period while other were issued with letter appointing them on permanent and pensionable basis at the date of the letter together with other clause which indicated that the staffs were to work on probation period of one year. This was against section B 13 subsection 1 of the county human resource 2013 which advises that a newly recruited officer should be put into probation period of 6 months according to the employment act 2007.

Communication channels between the CPSB and the County Executive particularly the County Secretary who is the head of County Public Service was found not to be very consultative. Despite the board enjoying independence from the County Government Act 2012 section 58 among others, there was need for constant consultation by the two offices for smooth running of the human resource affairs; Further, the C.P.S.B should consider application of section 86 of the County Government Act by ensuring that mundane issues like opening the files for new recruit is placed in the human resource department to avoid the board being tied down in mundane issues that can be handled by other departments;

Despite the County Government having been in existence for almost two years, no skill audit has been done to determine the skill capacities for all the staffs. It was therefore difficult for the county Government to do staff training and placements. Further, without skills audit, it was difficult to fully justify the various new recruitments that have been done by the County Public Service Board;

It was also noted that there are no scheme of services designed for some of the new posts e.g. ward administrators. This was against County Human Resource manual 2013 section B.19 which stresses the need for a scheme of services to guide in the appointment of staffs;

6.4.1 Irregular admission of applications after the closure date

It was noted that some applications were irregularly accepted after the official closure date for applications. A case in point was noted in the recruitment of County Policing Officers where two extra applicants were received after the closure date of 28 February 2014.The number of applicants at the closure date was one Hundred and seventy nine (179) while the extra applicants were allocated numbers 267 and 268. This gave unfair treatment and favourism in the recruitment.

6.4.2 Unfair discrimination of qualified and recruited candidates

It was noted that some qualified candidates were not employed even after having the requisite qualifications. A case in point was noted in the appointment of ward administrators where a candidate named Jemima W. Kimani was interviewed and shortlisted for recruitment for the post of ward administrators together with other twenty (20) candidates.

However, she was later disqualified on the basis of not being a resident of Nyandarua County. This violated the constitution which required promotion of fairness in all recruitment.

Further, all applicants for four other wards were disqualified and not shortlisted for interviews on other basis other than the advertised qualifications required; The five posts for Nairobi, Kipipiri, Murungaru and Githabai were ear marked for re-advertisement which meant that the C.P.S.B was to incur further expenditure on re-advertisement.

6.4.3 Failure to promote ethnic diversity in the county establishment

The county Executive through the C.P.S.B and office of the Governor has engaged two hundred and two(202) staffs in various departments as at 28 February 2015.The following distribution of new recruited staffs based on ethnic balance is as follows

Ethnicity	Number
Kikuyu	196
Kalenjin	2
Luhya	1
Luo	1
Kisii	1
Nandi	1
Total	**202**

From the distribution, the Kikuyu which was the dominant community occupied 97% of the total posts which was found to be against section 175© of the Constitution of Kenya 2010 which outlines that 30% of the recruitment should from minority communities.

6.4.4 Inefficient and uneconomical use of funds in placement of adverts in the media

Audit verification revealed that the C.P.S.B has regularly placed adverts in the newspapers inviting applicant for various posts. Instances were noted where some posts were being advertised twice or thrice and this exposed the County government to serious financial implications. Due to lack of staff establishment, the County Executive could not enjoy economies of large scale in advertisements.

This was because without approved staff establishment, there was likelihood of piece meal advertisement for various posts in the media which was noted to be very costly in the long run.

The county may not achieve the 30% threshold from the minority communities within the establishment as per section 175 (c) of the constitution of Kenya 2010.

Recommendations

The County Public Service Board should ensure that the provision of section 175 (c) of the Constitution of Kenya 2010 is adhered to.

The C.P.S.B in conjunction with the County Secretary office should give priority to the development of staff establishment, performance of skill audit and development of organization structure to guide the recruitment of staffs, promotions, training and placements. Further, recruitment should be suspended until proper structures have been put in place.

7.0 Unsupported Creditors Balances

The County Executive did not maintain accurate and complete records of its creditors. It was also noted that there were no laid down procedures of managing the accountable documents including Registers for LPO's/LSO's were in place. The used LPOs/LSOs were also not being cleared from the Counter Foil Receipt book register (CRBR) therefore exposing them to possible fraud and other malpractices. Further, invoices totalling Kshs.12,089,000.00 were not supported by either LPOs or LSOs at the end of financial year. Their validity could not therefore be ascertained.

The validity of the liabilities (unpaid) could not be confirmed as representative of the liabilities incurred. Further, possible errors and fraud could pass undetected due to incomplete records and weak accountability system.

Recommendation

The management of County Executive should complete and accurate creditors records should be instituted, the county government should also put in place proper accountable system for managing the LPOs/LSOs.

8.0 Unaccounted and Un-procedural Bursary Awards

The County Executive disbursed Kshs 6,917,750.00 to various wards in respect of bursary funds to needy students within the county during the financial period under review. However; the following audit issues were noted;

i. There was no approved fund and the corresponding regulations to cater for the bursary as outlined in PFM Act 2012, section 116(1);

ii. The criteria used in the administration of the bursary could not be confirmed as there were no structures put in place to administer the fund, i.e. there were no ward committee minutes to indicate how the beneficiaries were identified.

iii. The acknowledgment documents from various beneficiary schools were not produced to confirm they were indeed received.

In the absence of proper structures as outlined in the PFM Act 2012, Section 116(1), the County Government was therefore in breach of the law.

Recommendation

The management of County Executives should operationalize the Nyandarua County Bursary Fund bill 2014 established on 29 April 2014 to help manage the bursary fund in

future. It should also ensure that all payments are adequately supported and money received are always acknowledged.

9.0 Revenue

The County Executive had budgeted to receive Kshs.3,150,207,289.00 from the National Government in the F/Y 2013/2014. As at 31 May 2014 the County executive had received Kshs.2, 646,174,124.00. The balance of Kshs.504,033,166.00 was expected in the month of June 2014.

Further, it had budgeted to collect Kshs 174,000,000.00 from the Local sources in the same year. However, it had collected Kshs 127,627,088.00 as at May 2014 with only one month to the end of the financial year.

This meant that the County might not achieve its target on local revenue collections. Further, the following anomalies were noted;

i. The collection of Kshs 127,627,088.00 was Kshs.15,110,716.00 less compared to Kshs. 142,737,804.00 in the same period in 2012/2013 before the County Government took over from the defunct local authorities.

ii. The County Government took over land rates arrears totalling Kshs.3, 173,936,312.00 on 4th March 2013. As at 31st May 2014, the balance stood at Kshs.4, 077,319,973.00. The County Government managed to collect only Kshs 11,280,775.00 or 0.3% of total debt during the financial period under review. The County Government has not shown determination to collect this debt and their recoverability appears in doubt.

The revenue collection policy of the County Government therefore appear ineffective and the County Government could be losing revenue through misappropriation or been uncollected.

Recommendation

The management of County Executive should put in place a well-defined policy that will prevent loss of funds.

9.1 Uncontrolled issue of Revenue collection books

It was noted that some officers were being issued with additional revenue collection books before surrendering the previously issued ones. An audit review of BodaBoda fee

collection records revealed that receipt books with value of Kshs 2,820,000.00 had not been surrendered yet the collector had been issued with more books.

Revenue collected could have been misappropriated.

Recommendation

The management of County Executive should ensure that collectors surrender all the outstanding collection books before being re-issued with new ones.

9.2 Unsurrendered Revenue collections at Ol-kalou District Hospital

During the period under review, the Ol'kalou Hospital collected revenue totalling Kshs.28,059,777.00 up to May 2014. However, the hospital had only transferred Kshs.20,400,065.00 to the County Revenue Account, resulting to a deficit of Kshs.7,659,712.00 which was spent without approval from the Controller of Budget. In addition, the hospital did not maintain separate revenue bank accounts distinct from its normal operations account where collections were to be banked for onward transfer to County Revenue Account as provided for by Section 109(2) of the Public Financial management Act 2012.

The hospital was therefore in breach of the law.

Recommendation

The management of County Executive should ensure that all the funds generated by different subunits under its management be banked in the County Revenue Fund**.**

9.3 Non-appointment of Proper Revenue Collectors

During the financial period under review, the County Government has not designated in writing, persons to be responsible for collecting, receiving and accounting for such revenue. This could partially be blamed for low land rates collection.

It was also noted that some revenue collectors were engaged on casual basis. They are listed in.

This posed a danger of the collector disappearing with the collected revenue or misappropriating due to absence of accountability mechanism including recovery of lost cash from their salaries.

Failure by the County Executive Committee member for finance to adhere to the laws on revenue enhancement and accountability may result to breach of Section 157 of PFM Act, 2012.

Recommendation

The management of County Executive should enhance its revenue collections improve recovery measures for land rates and accountability of revenue by the County institutions.

10.0 Fixed Assets Register

The management of County Executive of Nyandarua produced for audit review an Assets Register which showed the value of its assets as Kshs. 202,706,686.00. Further, most of the land included in the register did not have ownership documents and its ownership could not be established. The County government did not seem to be making effort to acquire title documents in order to secure public land in its control.

The assets of the County Government may be lost or misused due to poor recording and management.

Recommendation

The management of County Executive should ensure the County Fixed Assets Register is as completed with all details of the assets for proper control.

11.0 Implementation of IFMIS

The County Executive started using I.F.M.I.S in November 2013 and therefore the financial transactions from July to October 2013 were done through manual system. Audit verification of the IFMIS utilization revealed that the reports generated through I.F.M.I.S were not comprehensive. Other reports like suppliers statements, interrogation of vote book balances were not done. It was also noted that the staff capacity was limited and this has contributed to the slow implementation of IFMIS by the County Government.

Further, it was noted that the County Executive continued to use the LAIFOMS system that was being used by the defunct local authorities. However, the support system of the LAIFOMS by the vendor was found to be unreliable after the cessation of local authorities and therefore its sustainability could not be confirmed.

Based on the above, the County Executive ability to successfully utilize the information technology is highly constrained.

Recommendation

The management of County Executive should facilitate adequate staff capacity building on information technology to facilitate adequate and comprehensive usage of all IFMIS features.

12.0 Outstanding Prior Year issues

12.1 Handing over reports by defunct local authorities

All the defunct local authorities under the County Executive of Nyandarua were to prepare a list of assets, liabilities, bank balances and employees' details and hand them over to the County Government. However, no official take over reports by the County Government was made available for audit verification to date.

We could not therefore ascertain whether there was proper transfer of assets and liabilities to the County Government.

12.2 Land rates

The County Government took over land rates amounting to Kshs.3, 173,936,312.00 on 4 March 2013.The land rates balance stood at Kshs. 3,174,041,428.00 as at 30 June 2013 while the rate increased to KShs .4, 077,319,973.00 as at 31 May 2014.

However, the accuracy and collectability/recoverability of the amounts due could not be confirmed since the problem has been compounded by multiple allocations of plots and the County Government has not yet resolved the problem.

12.3 Ownership Documents

The County Government took over land and buildings from defunct County Council of Nyandarua with a balance of Kshs 349,723,156.00 on 4th March 2013. However, the county has not yet acquired ownership documents for the said parcels of land. The defunct Town Council of Olkalou did not officially prepare and hand over a Statement of assets and liabilities to the County Government of Nyandarua. The position of Motor Vehicle and Other Non- Current Assets taken over by the County Government of Nyandarua could not therefore be ascertained and the County Government has been in breach of the law.

13.0 Cash and cash equivalents

The County Executive operated a total of six bank accounts as at 30/6/2014 namely two revenue accounts at Equity Bank and Kenya Commercial Bank, one imprest account at cooperative account and three accounts held with the Central Bank of Kenya namely County Revenue, Development and Recurrent accounts.

However, the County Executive did not maintain cashbooks for Central Bank of Kenya recurrent, development and County Revenue Fund account. Also, no bank reconciliations were done for those accounts.

The County Executive did not provide certificate of balances for all accounts maintained at the C.B.K.

The County Executive internal controls continue to be exposed due to failure to maintain cashbooks and bank reconciliations.

The County Executive internal control continue to be exposed due to capacity challenges.

Recommendation

The management of County Executive should ensure that all cash books are prepared and maintained accordingly.

Conclusion

From the foregoing, it's therefore clear that the management has yet to institute robust systems of accounting and ensuring internal controls are effective to safeguard public fund from misuse as well as well as loss.

The County Executive should address the anomalies noted in order to ensure effective delivery of services to the people of Nyandarua.

Edward R. O. OUKO, CBS
AUDITOR-GENERAL

NAIROBI

29 May 2015