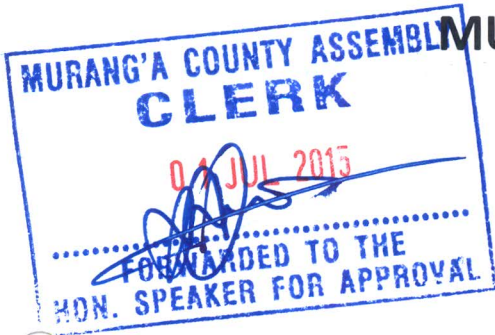


REPUBLIC OF KENYA

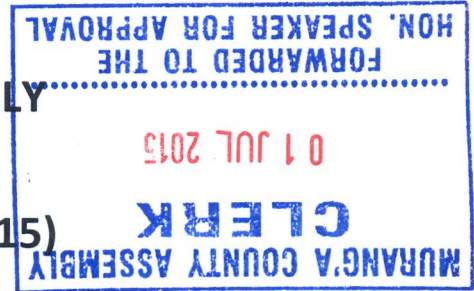
Paper laid by the
Champeon on
7/7/2015.



MURANG'A COUNTY ASSEMBLY

THE FIRST ASSEMBLY

THIRD SESSION (2015)



SPECIAL AUDIT REPORT

OF THE
AUDITOR GENERAL ON THE FINANCIAL OPERATIONS OF MURANG'A
COUNTY GOVERNMENT AND FORMER DEFUNCT LOCAL AUTHORITIES
FOR THE PERIOD JANUARY 1, 2013 – JUNE 30, 2013

BY THE

MURANG'A COUNTY ASSEMBLY PUBLIC INVESTMENT AND
ACCOUNTS COMMITTEE.

JUNE 7, 2015

TABLE OF CONTENTS

1. PREFACE	3
2. BACKGROUND.....	5
3. COMMITTEE PROCEEDINGS.....	6
4. GENERAL OBSERVATIONS AND RECOMMENDATIONS.....	8
5. EVIDENCE FROM WITNESSES.....	9
6. COMMITTEE OBSERVATIONS AND RECOMMENDATION ON THE 7 FORMER LOCAL AUTHORITIES.....	11
i. <i>Former Murang'a County Council</i>	10
ii. <i>Former Murang'a Municipal Council</i>	12
iii. <i>Former Maragua County Council</i>	14
iv. <i>Former Kangema Town Council</i>	17
v. <i>Former Makuyu Town Council</i>	19
vi. <i>Former Kandara Town Council</i>	21
vii. <i>Former Maragua Town Council</i>	23
viii. <i>Muranga County Government</i>	24
MEMBERS APPROVAL.....	2

Annexures

ACRONYMS AND ABBREVIATIONS

PIAC	- Public Investments and Accounts Committee
AG	- Auditor General
CA	-County Assembly
TA	-Transition Authority
MOF	- Ministry of Finance
MLG	- Ministry of Local Government
CG	- County Government
CEC	- County Executive Committee Member
IFMIS	- Integrated Financial Management Information System
G-PAY	- Government Pay
LAIFOM	- Local Government Integrated Financial Operation Management
M.C.C	-Murang'a County Council.
P.F.M	-Public Finance Management Act 2012

PREFACE

Mr. Speaker Sir,

On behalf of the Members of the Murang'a County Assembly Public Investments and Accounts Committee, I beg to move the adoption of the Special Report of the Committee of the Auditor General on the Financial Operations of the County Government of Murang'a and its Defunct Local Authorities for the period 1st January to 30th June, 2013.

The Public Investments and Accounts Committee is a select Committee established under the Standing Order No. 189 and is responsible for the examination of the working of public expenditure and investments including all utilities owned by the County Government. The Committee was constituted by the Assembly on 24, 2013 pursuant to Standing Order No 189.

Committee Mandate

1. The Committee is mandated to do the following:-
 - a) Examine the reports and accounts of the public investments;
 - b) Examine the reports, if any, of the Auditor General on the public investment;
 - c) Examine, in context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

2. The Committee shall however not examine:-
 - a) Matters of major Government policy as distinct from business or commercial functions of the public investments;
 - b) Matters of day-to-day running and
 - c) Matters for the consideration of which machinery is established by any special statute under which a particular public investment is established.

3. The powers of the committee are derived from Standing Order No. 175 of the Murang'a County Assembly, Article 195 of the Constitution of Kenya 2010, Section 39(2) of the County Government Act, the State Corporations Act (Cap.466) and the Public Audit Act (Cap.412) to summon witnesses, examine them on oath and receive evidence.

Committee Membership

4. The Committee is composed of the following Members:-

a) Hon. Eric Kamande Kimani	-	Chairperson
b) Hon. Peter Murigi Ngugi	-	Vice-Chair
c) Hon. Samuel Dishon Wandia	-	Member
d) Hon. Samson Kago Njoroge	-	Member
e) Hon. John Kiarie Ngugi	-	Member
f) Hon. David Muhoro Njeri	-	Member
g) Hon. James. B. Kagoni	-	Member
h) Hon Mary Waithira Njoroge	-	Member
i) Hon. Beth Wanjiku Ngugi	-	Member
j) Hon. Martin Macharia Mwangi	-	Member
k) Hon. Anderson Muchemi	-	Member

- l) Hon. Jane W. Ndegwa - Member
- m) Hon. Esther Nyakio Munywoki - Member

5. The major challenge the Committee has experienced in the execution of its mandate is lack of enough funds to carry out its oversight role due to the recent created expenditure ceilings in all County Assemblies in Kenya. The above notwithstanding, the Committee discharged its mandate as provided for by the Standing Orders.
6. Allow me Mr. Speaker to thank the entire Members of this Committee and staff attached to it for their hard work and commitment which made the taking of evidence and production of this report a success.

BACKGROUND OF MURANG'A COUNTY GOVERNMENT AND ITS DEFUNCT LOCAL AUTHORITIES

7. The Auditor General has the mandate under Article 229 of the Constitution to audit and report on the accounts of the National and County Governments. Further, Section 134(1) of the County Governments Act, 2012 repealed the Local Governments Act, Cap 265 and effectively dissolving all the 175 Local Authorities and creating the current 47 County Governments.
8. According to the Transition to Devolved Governments Act, 2012, after the General Elections of March 4 2013; the functions, assets, liabilities and staff of the former Local authorities were to be taken over by the County Governments. The objectives of this special audit exercise was therefore to ensure the existence of a seamless transition process and proper systems for accountability of public resources before, during and after transition to the County Governments.
9. The audit of the Murang'a County Executive, Murang'a County Assembly and the former Town Council of Maragwa, former Town Council of Makuuyu, Former Town Council of Kandara, former County Council of Murang'a, former Municipal Council of Murang'a, former County Council of Maragwa and former Town Council of Kangema involved transactions for the period January 1 to June 30, 2013. It took into account transactions before, during and after the transaction period.
10. The terms of reference set for the audit included verifications and confirmations of transactions in respect to but not limited to the following areas;
 - a. Taking over of the former Local Authorities
 - b. and bank balances
 - c. Current debtors and suppliers balances
 - d. Motor vehicles and office equipment
 - e. IPPD Payroll and establishment
 - f. ICT and G-Pay System
 - g. Recurrent and development expenditure items
 - h. Procurement and procurement procedures
11. The audit teams faced several constraints during the audits, including delay in getting various documents and non-availability of key staff of the former Local Authorities. These constraints resulted in delays in concluding the audits within the planned timeline.

Committee proceedings

12. The Committee held a total of 16 sittings during the entire inquiry period where members interrogated the former chief officers on audit queries raised by the Auditor General.
13. During its sessions, the Committee closely examined and heard evidence from the witnesses and also reviewed various documents. All minutes of the Committee's sittings on evidence taken are annexed hereto. In its inquiry, the Committee received both oral and written evidence from the former chief officers of the Defunct Local Authorities, the T.A Coordinator, Chief Finance Officers of the Murang'a County Government and the County Executive Committee (CEC) Member for Finance and Economic Planning.
14. While taking evidence, the Committee was guided by the existing procedures and modalities of operations of the Murang'a County Assembly derived from the Constitution of Kenya 2010; Murang'a County Assembly Standing Orders, common practices and rulings and directives of the Chair.

a. Section 226 (1) (5) of the Constitution of Kenya, 2010 stipulates that:-

"If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not."

b. Section 74 of the Public Finance Management Act, 2012 states that:-

In pursuance of Section 226(1) (5) of the Constitution of the Republic of Kenya, Section 74 of the Public Finance Management Act, 2012 gives Accounting Officers powers to discipline errant officers under their jurisdiction. The same section of the Act also gives the Appointing Authority powers to discipline errant Accounting Officers. Further, Section 74(3) of the Act empowers the Appointing Authority to revoke appointment of errant Accounting Officers.

The Committee is glad to note the enactment of the Public Finance Management Act and calls on the Appointing Authority to strictly apply provisions of this Act to ensure fiscal discipline over public funds.

- c. In this report, the Committee has applied Sections 226(1) (5) of the Constitution of Kenya, 2010 and 74 of the Public Finance Management Act to recommend the investigation and surcharging of various persons that may have been responsible for the loss of public funds.

GENERAL OBSERVATIONS AND RECOMMENDATIONS

15. From the evidence adduced both orally and written the Committee made the following observations and recommendations.

Failure to close down all bank accounts as instructed.

- a. The Committee noted with deep concern over the failure by all Defunct Local Authorities to close down all bank accounts as instructed by the Ministry of Local Government Circular Ref. No. MOLG/IFMIS/1 (41) dated March 7, 2013. The Defunct Local Authorities continued operating most of the accounts up to July 2013 contrary to the directive by the Transition Authority.

- b. However the Committee noted that the Auditor General was not able to determine the correctness of the amounts held in the accounts of the Defunct Local Authorities prior to the transfers since four (4) out of the seven (7) did not prepare monthly bank reconciliations and there was no evidence of any cash surveys.
- c. The Committee also observed that service delivery to the public had to continue despite the directive of the circulars issued to the Defunct Local Authorities E.g. payments for salaries, electricity bills, collection of garbage, fueling of vehicles, cleaning of public places like the markets and drainages within the former County and Town Councils.

In this regard, the Committee recommends that:-

- a. Bank reconciliation statements should be done on a monthly basis and cash surveys done at the closure of every financial year to avoid misappropriation.
- b. Although the Auditor General raised a query on the closure and transfer of bank accounts, the Committee appraises the former chief officers as it was prudent to continue offering services to the people but emphasizes that a correspondence should have been conveyed and approval received from the Transition Authority.

Unsatisfactory Performance by the Transition Authority (TA)

- 16. The former chief officers expressed their displeasure over the performance and handing over by the Transition Authority during the transition period. The Transition Authority didn't respond to the queries raised.
- 17. Further, the Committee noted with deep concern the failure by the Transition Authority to guide the Defunct Local Authorities in regard to closing of all bank accounts and handing over to the County Government of Murang'a. The Transition Authority had the responsibility to ensure a smooth and seamless transition process.

In this regard, the Committee recommends that:-

- a. The Transition Authority should have clearly stated guidelines and procedures in regard to the closing of all bank accounts by the Defunct Local Authorities. In addition, the Transition Authority should have taken stock of all Defunct Local Authorities assets and liabilities and handed over in good time to the County Government of Murang'a.

Failure by former chief officers to act in time while dealing with the Auditor General

- 18. In the course of the audit, the Auditor General issues management letters to chief officers to take positive action on audit queries before the final audit report is produced. However, in all the former local authorities the chief officers failed to act on the management letters leading to audit queries that would have otherwise been avoided.

In this regard, the Committee recommends that:-

- a) All Chief officers must take management letters issued by the Auditor General very seriously and act on them promptly;
- b) Where Chief/Accounting Officers fails to ensure that matters capable of being resolved with the Auditor General are resolved, they should be sanctioned by the Appointing Authority.

Pending Bills.

19. Pending Bills continued to dominate as one of the most persistent audit queries in the seven (7) Defunct Local Authorities. As at 30th June, 2013, the total pending debtors balance was **Kshs. 366,719,145.00**, however the same figure was not supported with ledger for verification.

Pending creditors

20. Municipal Council of Murang'a handed over creditors amounting to kshs 73,649,169.00 comprising of L.G.L.A Kshs 5,111,000.00, USAID kshs 11,500,000.00, County Council of Murang'a 683,000.00 and Various Creditors Kshs 56,355,169.00.

21. The Committee observed that failure to settle bills in time adversely affects the provisions for the subsequent year to which they have to be charged. The Committee further observed that failure to settle bills in time portrays the Defunct Local Authorities in bad light and may discourage suppliers from dealing with the County Government thereby affecting service delivery.

In this regard, the Committee recommends that:-

- a) The current Accounting Officers in conjunction with the Treasury should put in place sufficient austerity measures to ensure that bills are always cleared within the financial year they relate to;
- b) The County Government of Murang'a should liaise with the Transition Authority and ensure that the pending Bills are finalized and immediate action taken on its report.

Unsatisfactory performance by the Accounting Officers

22. The Committee noted several cases where the performance of the said former Chief / Accounting Officers was wanting. The unsatisfactory performance related to carrying out inventory of all assets, debts and liabilities including movable and immovable assets. All the seven (7) Defunct Local Authorities did not maintain individual debtors' ledger hence it was not possible to confirm the completeness and accuracy of the balances provided. Further, there was no evidence in the form of confirmations or correspondences to support the debtors balance of **Kshs. 366,719,145.00**. Further, the debtors' balances were not consolidated at the County Head Office. Individual debtors' ledger should have been maintained.

In this regard, the Committee recommends that:-

- a) Debtors to be transferred to the County Government and be verified and consolidated in the Murang'a County Government books after confirming their correctness.
- b) The County Government should maintain a fixed assets register to ensure proper accountability of all immovable assets.
- c) The County Government of Murang'a should have enhanced the process of securing all the land by valuing and acquiring title deeds for all the parcels of land under its jurisdiction in order to safeguard the County assets.
- d) A creditor's register/ledger should be opened and maintained at all times. In addition, the liabilities transferred to the County Government of Murang'a should be verified and

confirmed before being adopted as the liabilities of the County Government.

CONCLUSION

23. The foregoing observations clearly indicate that the process of taking over of assets and liabilities, including staff of the former Councils was not properly handled due to apparent lack of necessary arrangements by officials of the Transition Authority who had the responsibility to ensure a smooth and seamless transition process. The County Government of Murang'a should however, ensure full control of function, including revenue collection, recording and proper accounting of the same while awaiting guidance from the National Treasury on the accounting and reporting systems to be developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the Public Finance Management Act, 2012.
24. Expenditure should be incurred in accordance with requirements of the Public Finance Management Act, 2012 and for the benefit of the tax payers. Further, the County Assembly, being the watch dog should ensure proper operations within the County and also take necessary action where there are deviations.

ACKNOWLEDGEMENT

25. The Committee wishes to record its appreciation to the Speaker and the Clerk of the Murang'a County Assembly for facilitating the operations of the Committee. The Committee also wishes to appreciate the witnesses who appeared and adduced evidence before it. Further, the Committee is indebted to the secretariat of the Committee, The Kenya National Audit Office (KENAO), The Transition Authority and the Ministry of Finance for the services rendered. It is their commitment and dedication to duty that made the work of the Committee and production of this report successful.

Mr. Speaker Sir,

On behalf of the Committee, I now wish to table the report and urge the House to adopt it and the recommendations therein.

Signed;


HON. ERICK KAMANDE KIMANI (MCA)

CHAIRPERSON, PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE.

Date: 01/07/2015

MEETING WITH THE FORMER TOWN CLERKS AND TREASURES OF THE DEFUNCT LOCAL AUTHORITIES

FORMER MURANG'A COUNTY COUNCIL

26. The committee met Mr. J.M Muthamia, the former County Clerk and Mr.B.K Nkodo, the former County Treasurer on August 6, 2014 who adduced the following evidence;

Compliance with Circulars on Closing Banks of accounts and Handing over to the County Government

27. The Ministry of local Government Circular reference no. MLG/1333/TY/52 dated 18th February 2013 required all Town Clerks to prepare a statement of assets and liabilities as at 28th February, 2013. In addition, the letter reference no. MOF/IFMIS/1/41 dated 7th March, 2013 instructed the previous local authorities to freeze their bank accounts with the exception of the receiving accounts. However, they did not prepare and submit a statement of assets and liabilities to the Auditor General for audit and also continued to operate its bank accounts up to 30th June, 2013. Further, no bank reconciliations were done to confirm the bank balances.

They informed the Committee that:-

- a) They did not comply with the Ministry Circular as operations of the defunct authority could not cease from 1st March, 2013 since there were no structures to carry on the operations for example payments for salaries, fueling of vehicles collection of garbage, cleaning of public places like the markets and drainages within the former County Council until April, 2013 when a circular was issued by the County Government to close all bank accounts.
- b) They did not have minutes of the handing over report since there was no meeting and that there was no acknowledgement for delivery. Further, they stated that the P.S also enquired if handing over was done and the same copy of report was given to him. They stated that they did not have any proof of authenticity that the report before the committee was indeed the same as the one submitted to Interim County Secretary.
- c) The Council did not prepare bank reconciliation statements as at 28th February 2013.
- d) They did not close the bank accounts as required but seized to be signatories on March 4, 2013 when the Accounts were taken over by the County Government
- e) That after March 4, 2013, the Chief and Principle Finance Officers authorized expenditure of council funds since they were the ones who were the signatories.
- f) That Kshs 15,000,000 was used to renovate the Governors offices as the Transitional Authority did not send money immediately and so the Council's money had to be used.

Observations:

- a) The Transition Authority was responsible for preparing and submitting the hand over report.
- b) There was no alternative account provided for to transfer the money after closure of the said Defunct Local Authorities bank accounts.
- c) There were no clear guidelines as to how operations were to continue after closure of the said bank accounts hence operations and service delivery would adversely be affected.
- d) Management did not convey correspondences to the TA, MOF or the MLG in regards to the challenges experienced, guidance and way forward after closure of the said bank accounts.
- e) There was laxity and negligence of duty in responding to the AG's Management letter and the Committee for audit verification.

Recommendations:

- a) That the County Government should follow up with the TA and ensure that proper handing over is done.
- b) Management in future should adhere to instructions given by authorities and ensure that all bank reconciliations are done on a monthly basis.
- c) The incurred expenditure should be presented to the Assembly for ratification

Creditors, Assets and Liabilities

- 28.** Transition Authority Circular Ref. No. TA/2/5 dated 9th January, 2013, required the Clerks of local authorities to carry out an inventory of all assets, debts and liabilities including movable and immovable assets. However, the Council did not maintain an automated system on debtors' management and the debtors balance as at 30th June, 2013 supported by an aging analysis schedule. Further, there was no correspondences file with customers for evidence of completeness/correctness of the debtors' figure thus exposing the accounts to misstatement.
- 29.** In addition, section 1(f) and (g) of the Local Authorities Financial Management Regulations (LAFMR) required each Local Authority to properly register, acquire titles, value and maintain a fixed assets register among other records. Further, regulation M. 2A (3) states that the assets shall as far as possible be marked and numbered. However, the local authority did not maintain a fixed assets register. Further, the local authority had not valued, marked and numbered its property and equipment as at 30th June, 2013. In addition, the management had not acquired title deeds for various parcels of land under its jurisdiction as at 30th June, 2013.

Observations:

- I. The Council did not maintain and updated assets register.
- II. They didn't submit a valuation of asset document.
- III. The debts were not handed over properly since there was no information to fully support them. The treasurer said that there was a communication to the Interim County Secretary on the debts but he did not have it with him
- IV. That some plots have matters in court that have not been settled regarding payment of rates
- V. That they did not have documents to support the said debts but the auditor was provided with the schedules.
- VI. No document for proof of ownership was presented to the Committee for audit verification.
- VII. There was laxity and negligence of duty in submitting the documents to the Auditor General as well as to the Committee for audit verification.
- VIII. There was unsatisfactory performance by the Management to safeguard and secure assets.
- IX. The Committee noted with deep concern over the failure of the Officers to display the principle of utmost good faith.

Recommendations:

- I. The TA should conduct an audit and verify all assets from the Defunct Local Authority in readiness of handing over to the County Government.
- II. The Council should update her assets register in order to safeguard the County's assets.
- III. The County should have their assets valued, marked and numbered.
- IV. The County Council through the County Government Department of Land, Housing and

- V. Physical Planning should conduct official land searches for all the parcels of land under its jurisdiction without further delay for proper identification, ownership and accountability.
- VI. Appropriate action is taken against culpable officers where laxity, negligence of duty and malpractices are established.
- VII. The Committee reiterates its concerns and recommends that the Accounting Officers to always act in good time.
- VIII. That CEC Member for finance to follow up and ensure that all assets and liabilities are well documented and those financial regulations are adhered to.
- IX. The County Government to liaise with the TA so as to ascertain/confirm the accuracy and completeness of the debtors.
- X. That the County Government should fast track the handing over report by the TA
- XI. An automated system should be maintained and updated at all times on the debtors' management and the debtors balances must be supported by a schedule
- XII. The Murang'a County residents should be involved in the identification of Assets

Expenditure

- 30. The County Assembly Appropriation Act, 2013 and the Public Finance Management (PFM) Act, 2012 required that all expenditures be appropriated by the County Assembly. However, the Local Authority continued to incur expenditure without the approval of the County Assembly. Further an expenditure of Kshs 45,600 was paid to a lawyer which was not supported by any documents.

Committees recommendations

- The Committee recommends forthwith that all expenditures incurred during the transitional period by the Former Murang'a County Council be prepared and audited by the Auditor General and thereafter presented to the County Assembly for approval within the next 60 days after the approval of the report. Thereafter disciplinary action shall be meted on officers where laxity, negligence of duty and malpractice is established.

FORMER MUNICIPAL COUNCIL OF MURANG'A.

- 31. The committee met Mr. S. G Njogu, the former Town Clerk and Charles Wamagata, the former Town Treasurer on September 1, 2014 who adduced the following evidence;

Compliance with Circulars:

- 32. The Ministry of local Government Circular reference no. MLG/1333/TY/52 dated 18th February 2013 required all Town Clerks to prepare a statement of assets and liabilities as at 28th February, 2013. In addition, letter reference nos. T.A/7/5 (20) dated 12th February, 2013 and MOF/IFMIS/1/41 dated 7th March, 2013 instructed the previous local authorities to freeze their bank accounts with the exception of the receiving accounts. However, they did not prepare and submit a statement of assets and liabilities to the Auditor General for audit and also continued to operate its bank accounts up to June 30, 2013.

They informed the Committee that:-

- a) They did not comply with the Ministry Circular as operations of the defunct authority could not cease from 1st March, 2013 since there were no structures to carry on the operations
- b) The Council did not prepare statements, assets and liabilities as at 28th February 2013.
- c) They did not freeze all bank accounts as required.

- d) The Municipal Council can now confirm that it has prepared bank reconciliation statements and the same have been submitted to the Committee during the Audit verification and hearings.

Observations:

- a) The Transition Authority was responsible for preparing and submitting the handing over report.
- b) There were no clear guidelines as to how operations were to continue after closure of the said bank accounts hence operations and service delivery would adversely be affected.
- c) Management did not convey correspondences to the TA or the Ministry of Finance in regards to the challenges experienced, guidance and way forward after closure of the said bank accounts.
- d) There was laxity and negligence of duty in submitting the documents to the Auditor General as well as to the Committee for audit verification.

Recommendations:

- a) That the County Government should follow up with the TA and ensure that proper handing over is done.
- b) Management in future should adhere to instructions and directives given by authorities and at all times ensure that all bank reconciliations are done on a monthly basis.

Official Handing Over

33. The Auditor asked the officers why there was no official handing over of the Council Assets and liabilities as per the Former Ministry of Local Government circular no. MLG/133/TY/52 of 18th February 2014. In reply, they informed the Committee that:-

- a) That they wrote a handing over report and handed it over to the then Interim County Secretary with a copy to the T.A
- b) That the T.A was to witness the handing over but it didn't as no physical verification of the assets was done
- c) That they cannot be able to safeguard the properties
- d) That the assets register got lost and were to reconstruct it again.
- e) That they based their handing over report using a valuation done in 2009
- f) That the division of assets from the former MCC has never been done

Bank Balances

34. The officers informed the Committee as follows

- a) That the accounts had not been closed as at 30th June 2014 as transactions were still going on due to operational purposes
- b) That the PFO authorized for the officers to continue operating the accounts
- c) That they did not reply to the Audit queries as they were not given the management letter.
- d) The committee noted that the bank reconciliations were not done and therefore, the balances in the accounts could not be confirmed.

Creditors

35. The officers provided the following explanations regarding the creditors

- a) That a total of Kshs 73,649,169 was handed over to the County Government but the officers could not confirm the figure
- b) That the original ledger got lost and so couldn't confirm which creditors were handed over.
- c) That some accounting books related to the creditors were lost
- d) That the money paid to the lawyers totaling Kshs 6.9 Million was made by the executive

Without their involvement

- e) That salary arrears increased through the bargaining agreement signed by the former ministry of local government that made the Council unable to pay due to the limited resources
- f) The members concluded that it was important for the original ledger to be produced and forwarded to the Committee so that the actual creditors can be verified.

Staff Establishment

36. In regard to the above issue, the officers responded as follows;

- i. That there were no additional staff and that the Council had 122 staff members who were transferred to the County Government
- ii. That the former local government ministry had done a staff rationalization policy. However no report was tabled to support the exercise was actually done

Committee Observations

- I. There was no current valuation of assets done.
- II. No document for proof of ownership was presented to the Committee for audit verification.
- III. That there was unsatisfactory performance by the chief officers to safeguard and secure the assets.
- IV. That a fixed assets register was not provided but a computer generated fixed asset register was provided which didn't include all the details

Committee Recommendations:

- a) The Committee recommends that the CEC Member for finance and Economic Planning to produce the original fixed Assets register of the defunct Municipal Council of Murang'a within 60 days after the adoption of this report.
- b) That the CEC Member for finance and economic planning should carry out forensic Audit of all Assets of the defunct Municipal Council of Muranga within 60 days after the adoption of this report
- c) The County secretary should ensure that a proper handing over of all the defunct Council assets is done after proper verification is carried out
- d) That the CEC Member for Finance should ensure that no payments of all defunct Council creditors are paid until a proper authentication and verification process is done and a report tabled in the County Assembly
- e) That after verification of the creditors, the County Secretary/ CPSB should ensure that an appropriate action is taken against culpable officers where laxity, negligence of duty and malpractices are established.
- f) The Committee recommends forthwith that all expenditures incurred by the Former Murang'a Municipal Council be prepared and confirmed by the Auditor General and thereafter presented to the County Assembly for ratification and approval within the next 60days. Thereafter disciplinary action shall be meted on officers where laxity, negligence of duty and malpractice is established.

FORMER MARAGUA COUNTY COUNCIL

37. Mr. D. N Ngugi, the former County Clerk and Isaac Khalisia, the former County Treasurer appeared before the Committee on August 27, 2014 and adduced the following evidence

Compliance with Circulars:

38. The Ministry of local Government Circular reference no. MLG/1333/TY/52 dated 18th February

2013 required all County Clerks to prepare a statement of assets and liabilities as at 28th February, 2013. In addition, a letter reference No. MOF/IFMIS/1/41 dated 7th March, 2013 instructed the previous local authorities to freeze their bank accounts with the exception of the receiving accounts. However, they did not prepare and submit a statement of assets and liabilities to the Auditor General for audit and also continued to operate its bank accounts up to April, 2013.

39. The officers informed the Committee that:-

1. They did not comply with the Ministry Circular as operations of the defunct authority could not cease from 1st March, 2013 since there were no structures to carry on the daily operations of the former Council.

Official Handing Over

40. The Auditor asked the officers why there was no official handing over of the Council Assets and liabilities as per the Former Ministry of Local Government circular No. MLG/133/TY/52 of 18th February 2014. In reply, the officers informed members as follows;

- a) That logbooks and handing over report was done as requested by the T.A and given to the then Interim County Secretary
- b) That a grounded vehicle KAB 036Q did not have a logbook
- c) That all documents relating to the former Council were with the interim County Officials
- d) That a valuation of all Council assets was done in February 2013
- e) That the status of plots was not established as per the valuation report. Further verification will be necessary.
- f) As per the report produced, the valuation was done from Council documents as there were no pictures or maps showing the actual visits to the field
- g) No acknowledgement letter of the said handing over report was presented
- h) That they paid the valuer an extra 800,000 to do the searches. However the officers didn't produce the official searches paid for.
- i) Committee rejected the report as supportive documents were not produced

Cash and Bank Balances

41. Asked why the bank accounts were not closed as directed by the Transition Authority, the officers replied as follows;

- a) That the chief officers appointed by the T.A were managing the Accounts
- b) That LATF money given to the Council totaling Kshs 40 million was used to pay the new County Government salaries and fuel
- c) That they also had some payments to make before closing the accounts
- d) That they were given authority to spend by Mr. Edwin Kimuyu and Mr. Peter Gicheha who were officers appointed by the T.A.
- e) The officers agreed they went against the circular and continued operating the account. The former chief officers Mr. Isaac Khalisia and Mr. Danson N. Ngugi from the defunct local authority closed the accounts later.
- f) That though they had received the circular, the then PFO, Mr. Edwin Kimuyu allowed them to continue operating the accounts but could only withdraw money after signing the 'Authority to spend form'.

Creditors

42. The officers provided the following explanations regarding the creditors;

- a) That the Council had a creditors amount of Kshs 2,410,161 which was not confirmed by official documents

- b) That the updating of the creditors list was being done manually and was not updated. The Auditor said he gave a management letter but the queries were not responded to.

Payment of Legal Court Cases owed to lawyers by Former Murang'a Municipal Council

43. After several deliberations with the officers members made the following observations;
- I. That there was no legal Audit done to justify a payment of Kshs 4,692,000 and Kshs 2,067,467 to the two law firms paid on behalf of Municipal Council of Murang'a.
 - II. That the payments done were doubtful
 - III. That the proceedings were not certified by the Court
 - IV. That the payments were done after 4th March 2014.
 - V. That the officers didn't provide certified court proceedings to prove that the cases were are actually genuine and that public money was properly utilized.

Committee Observations

- I. That the Handover report presented was not signed by the T.A
- II. There was unsatisfactory performance by the T.A in regard to the handover exercise entrusted on them
- III. That there was no value for money for the 9.7 Million Valuer's report that the council compiled as the submitted report was not conclusive, there were no photo evidence of assets existence and official searches paid for at a total cost of Kshs 800,00 were not produced.
- IV. That Valuers Report did not have evidence of being received by the Maragua County Council.
- V. The Current Status of the Assets, as at June 30, 2013 could not be established.
- VI. There were Doubtful Claims on legal services which were paid amounting to kshs 2,067,467 in respect to Maragua County Council and kshs 4,692,000 on behalf of the former municipal council though the authority of T,A officers.
- VII. That there was no evidence/ Court Proceedings to justify the payment of legal fees paid I iv above.

Committee Recommendations

44. The Committee recommends ;
- a) That pursuant to Article 226 of the Constitution, 2010, the former Chief Officers should present a comprehensive assets register to the County Assembly and the CEC Member for Finance and Economic Planning
 - b) That the former chief officers of the former Maragua County Council **be suspended** for not providing a proper valuation of assets report. On failure to do so, they should be surcharged for the total contract amount they improperly paid to the valuer.
 - c) That the County secretary immediately prepares an inventory of all past and ongoing court cases of all the defunct local authorities and submit it to the County Assembly for approval before any other payments are done.
 - d) The Committee recommends forthwith that all expenditures incurred by the Former Maragwa County Council be prepared and confirmed by the Auditor General and thereafter presented to the County Assembly for ratification and approval within the next 60days after the approval Of the report. Thereafter disciplinary action shall be meted on officers where laxity, negligence of duty and malpractice is established.

FORMER KANGEMA TOWN COUNCIL

45. Mr. G. K Wambugu, the former town Clerk of Kangema Town Council was accompanied by the former Town Treasurer of the Council Mr. David Kahoro Mwangi. They appeared before the committee on August 14, 2014 and adduced the following evidence:

Compliance with Circulars:

46. The Ministry of local Government Circular Reference No. MLG/1333/TY/52 dated 18th February 2013 required all Town Clerks to prepare a statement of assets and liabilities as at 28th February, 2013. In addition, letter reference no. MOF/IFMIS/1/41 dated 7th March, 2013 instructed the previous local authorities to freeze their bank accounts with the exception of the receiving accounts. However, they did not prepare and submit a statement of assets and liabilities to the Auditor General for audit and also continued to operate its bank accounts up to June 30, 2013. Further, it continued to incur expenditure without the approval of the County Assembly contrary to the Public Finance Management Act, 2012.

They informed the Committee that:-

- a) The chief officers from the former Town Council of Kangema informed the Committee that although the above stated circular from the Transition Authority had instructed that all bank accounts except for receiving accounts be closed, the Council had not received instructions from the County Government in this regard and were of the view that the closure of these accounts would have resulted in the halting of delivery of services to the community. They said that this would have jeopardized operations and general outlook of the Town. However, they did not inform the Transition Authority reasons as to why they would not adhere to the circular stating their reasons as to why they declined to close the accounts as directed.
- b) The Council had complied with the statement of assets and liabilities and had responded to this audit query by providing documents to prove the same.

Official Handing Over

47. Asked why there was no official handing over of the Council Assets and liabilities as per the Former Ministry of Local Government circular No. MLG/133/TY/52 of 18th February 2014, the officers adduced their evidence as follows;

- a) That the handing over report was requested by the County Government on 4th March 2014 but no formal handing over was done.
- b) The handing over report was not witnessed as nobody wanted to take responsibility in signing any formal document
- c) There was no prove of acceptance/acknowledgement of the said report by the County Government
- d) That the report consisted of both the fixed and movable assets. He then presented the report which was not signed. The report was therefore rejected by the committee.
- e) That the issue at Kangema Town Council was very complex as the initial division of assets was no done and that some land was not surveyed
- f) That they had prepared the list from the physical identification of the assets but did not do a formal identification and valuation of assets
- g) That the T.A. had indicated they would do the Audit of the assets but they never did. Members rejected this explanation as an excuse not to carry out the audit.

Observations

- a) There was no formal handover of the Council Assets and Liabilities to the County Government
- b) The fixed assets register presented was not owned
- c) Specific identifications of council lands were missing-LR Nos
- d) Details of valuation done were missing in the documents.

Recommendations

- a) The Chief Officers to provide an Assets Register
- b) TA to carry out a comprehensive assets Identification, Valuation and Handover
- c) In case there are any cases of asset loss, the Chief Officers should be surcharged and a disciplinary action be taken by the CPSB against them

Cash and Bank Balances

- i. The officers adduced evidence as follows;
- ii. That the accounts remained open due to operational issues as they were still collecting the revenue
- iii. The interim County PFO Mr. Edwin Kimuyu directed them to operate the account but the closure came later
- iv. The officers agreed they went against the circular and continued operating the account. The county PFO closed then accounts later.
- v. Transferred Kshs 125,000 to the County Revenue fund Account
- vi. That though they had received the circular, the then PFO, Mr. Edwin Kimuyu allowed them to continue operating the accounts but could only withdraw money after signing the 'Authority to spend form'.
- vii. That money which was in the accounts was transferred to the main Murang'a County Government account sometimes in April 2013.

Observations

- a) The Council Accounts were not closed as at 30th June 2013
- b) The Bank Reconciliations statements for March 2013 to June 2013 were presented
- c) Bank balance certificates were presented
- d) There were no Statements of Expenditure incurred between 4th March 2013 to 30th June 2013

Recommendations

- a) The Committee Recommends that;
- b) The County Assembly be provided with the Statement of Accounts from March to July 2013 for ratification.

Mileage Claims

48. The Committee observed that the Chief Officers presented evidence and explanations that satisfied the committee.
49. The officers provided the following explanations regarding the creditors
- a) The Council had a creditors amount of Kshs 11,566,794
 - b) Members noted the account remained high and was not supported by details like receipts

- c) and invoices
- d) The creditor's ledger was not provided.
- e) The Chief Officers were not invited for the exit meeting between the Auditors and T.A officials

Irregular Consultancy Services

50. The Committee observed that;

- i. There was evidence for the contract between the Council and a Surveyor
- ii. A firm of surveyors was paid kshs 1,110,816.00 as survey fee. The contractual agreement was not availed to confirm the number of plots surveyed and survey fees charged..
- iii. There was negligence on financial procedures in allowing the alleged deposits into Council Revenue Accounts which was not supported with any documentation.
- iv. That there was scanty information on the sourcing of the Consultancy.

Recommendations

51. In regard to the above observations, the committee recommends that;

- a) That within 60 days the CEC Member for finance immediately carries out a forensic Audit on the operations of the survey contract in the former Kangema Town Council and if **laxity, negligence of duty and malpractice is established, the former chief officers be surcharged for losses incurred by the Council..**
- b) The Committee recommends forthwith that all expenditures incurred by the Former kangema Town Council be prepared and confirmed by the Auditor General and thereafter presented to the County Assembly for ratification and approval within the next 60days. Thereafter disciplinary action shall be meted on officers where laxity, negligence of duty and malpractice is established.

FORMER MAKUYU TOWN COUNCIL

52. Mr. Benson Njihia, the former town Clerk of Makuyu Town Council and Mr. James Mbugua Kimotho appeared before the Committee on September 3, 2014 and adduced the following evidence

Compliance with Circulars:

53. The Ministry of local Government Circular Reference No. MLG/1333/TY/52 dated 18th February 2013 required all Town Clerks to prepare a statement of assets and liabilities as at 28th February, 2013. In addition, letter reference no. MOF/IFMIS/1/41 dated 7th March, 2013 instructed the previous local authorities to freeze their bank accounts with the exception of the receiving accounts. However, they did not prepare and submit a statement of assets and liabilities to the Auditor General for audit and also continued to operate its bank accounts up to June, 2013.

They informed the Committee that as follows:-

Official Handing Over

54. The Auditor asked the officers why there was no official handing over of the Council Assets and liabilities as per the Former Ministry of Local Government circular No. MLG/133/TY/52 of 18th February 2014. In reply, the officers informed members as follows;

- a) That a handing over report was handed to the representatives of the T.A and former ministry of Local Government on 28th February 2013. However members said the report was a status report as no witnessing was done
- b) The officers presented a valuation report by Inter-Urban Consultants which was rejected as no contract to undertake the works was attached.
- c) That the T.A was to witness the handing over but it didn't as no physical verification of the assets was done
- d) That they handed over all assets and liabilities to the seconded T.A officers
- e) Agreed that the physical handing over was not done. The assumption was that they are all working for the same government .Officially nothing had been handed over to the County Government from the defunct local authority

Fixed Asset Register

- a) That the former Council had a fixed assets register but the officers failed to produce the same.
- b) That members were concerned as the County had no document to rely in settling the land disputes in the area
- c) That identification of assets was done but handing over was not carried out as required
- d) That division of assets was not done with the former Muranga CC
- e) Asked about the various double allocations in Makuyu area, the officers said they lacked a way to clarify on the original owners as some documents were still with the former and larger Murang'a CC.

Bank Balances

- 55.** Asked why the bank accounts were not closed as directed by the Transition Authority, the officers replied as follows;
- a) That the accounts remained open up to June 30, 2013
 - b) That the PFO authorized for the officers to continue operating the accounts
 - c) That the bank reconciliations were not done
 - d) That they operated three accounts; 2 in family bank and 1 in equity bank
 - e) That the Council paid salaries for the County Government for March 2013. This was for those employees who had accounts at family bank.
 - f) That they did not ignore the T.A circular but followed instructions by the interim chief officers who were also representing the T.A.
 - g) However, the officers agreed this was illegal as the circular to reinstate and operate the accounts was not there.
 - h) That they transferred money meant for LATF projects to salaries. This was contrary to the PFM Act
 - i) A Project status report was not done.

Creditors

56. The officers provided the following explanations regarding the creditors

- a) That they did not reply to the Audit queries as they were not given the management letter. However, Mr. Njuguna said the same was forwarded through the Interim County Secretary.
- b) That the creditors register for staff was for the retrenched nursery school teachers who were reinstated.

- c) However, the committee noted that there were some cancelled figures in the register which had been replaced with new ones.

Payment of Non-Practicing Certificate

57. In regard to the above issue, the officers responded as follows;

- a. That they used to get Kshs 5,000 but this was increased to Kshs 10,000 as the payments were approved by the Council. However officers were requested to produce their original certificates to support their claim.

Committee Observations

- a) A comprehensive Assets register was presented
- b) The Assets register presented was not validated.
- c) There were no bank reconciliations presented
- d) Bank balance Certificates were presented

Queries regarding payment of non-practicing payments paid were comprehensively answered and evidence presented.

Committee Recommendations

The Committee Recommends as follows;

- a) That the T.A .verifies the contents of the presented Assets Register
- b) That the Immediate former Clerk and Treasurer be **suspended for not presenting the reconciled accounts** to the Committee and the Auditor General for verification
- c) The Committee recommends forthwith that all expenditures incurred by the Former Makuyu Town Council be prepared and confirmed by the Auditor General and thereafter presented to the County Assembly for ratification and approval within the next 60days. Thereafter disciplinary action shall be meted on officers where laxity, negligence of duty and malpractice is established.

FORMER KANDARA TOWN COUNCIL

58. Mr. Zachary Ngatia, the former town Clerk of Kandara Town Council and Mr. Nelson Njeru, the former Treasurer appeared before the Committee on September 13, 2014 and adduced the following evidence;

Compliance with Circular.

59. The Ministry of local Government Circular Reference No. MLG/1333/TY/52 dated 18th February 2013 required all Town Clerks to prepare a statement of assets and liabilities as at 28th February, 2013. In addition, letter reference no. MOF/IFMIS/1/41 dated 7th March, 2013 instructed the previous local authorities to freeze their bank accounts with the exception of the receiving accounts. However, they did not prepare and submit a statement of assets and liabilities to the Auditor General for audit and also continued to operate its bank accounts up to June, 2013.

Official Handing Over

60. The Auditor asked the officers why there was no official handing over of the Council Assets and liabilities. In reply, Mr. Ngatia said as follows;

- a) That they sent a handing over report to the then interim county secretary on February 28, 2013

- b) That the County secretary never gave an acknowledgement letter after receiving the report
- c) That the handing over was not witnessed by officers from the County Government
- d) That there was no formal handing over of the fixed assets
- e) That he had communicated with officers from the Transition Authority through several emails. However, he never tabled the said emails. Consequently, this explanation was rejected by the members

61. Further, the Former Town Treasurer, Mr. Nelson Njeru agreed that the exercise of handing was not properly done as no officers went to Kandara Town Council to witness the handing over. In addition, Mr. Ngatia clarified as follows;

- a) That former Kandara Town Council was created from the former Murang'a County Council and that no division of assets was done at the time.
- b) That all movable assets of the former Kandara Town Council were taken over by current Murang'a County Government.
- c) The officers presented a copy of the handing over report but the same was rejected by the committee as it was not signed or witnessed. Further members noted lack of commitment and laxity of the officers in regard to the handing over exercise.
- d) It was further Resolved that no formal handing over was done at Kandara Town Council

Fixed Assets Register

62. Asked about the fixed assets register, the officers responded as follows:

- a) That they didn't have a fixed assets register
- b) That instead, they had opened a journal which was also not updated as they did not own the property
- c) The committee noted that the officers didn't initiate the ownership process as they did not do a valuation of the Councils assets.

Cash and Bank Balances

63. Mr. Njuguna asked the Treasurer why the 4 bank accounts operated by the former Kandara Town Council were not closed by March 4, 2014 as directed by the Transition Authority through the circular of February 12, 2014. In reply the treasurer gave the following explanations;

- a) That the accounts remained open due to operational issues
- b) That they had issued out postdated cheques to various creditors
- c) That though they had received the circular, the then PFO, Mr. Edwin Kimuyu allowed them to continue operating the accounts but could only withdraw money after signing the 'Authority to spend form'.
- d) That money which was in the accounts was transferred to the main Murang'a County Government account
- e) That he usually prepared bank reconciliations for every month

64. After several deliberations between the officers and members of the committee, the following conclusions were made;

- a) That the officers didn't follow procedures/instructions as directed by the Transition Authority
- b) That the officers honoured the County Government officers but disregarded the earlier circular by the Transition Authority
- c) That they defied the orders to close the accounts by 4th march 2014

- d) That the officers didn't provide payment vouchers to support how LATF money amounting to Kshs 5.5 million was spent

Creditors

65. The Auditor asked the officers why the creditors balance totaling Kshs 7,999,502 remained unpaid as at March 30 2014. In reply, the treasurer gave the following explanations;
 - I. The creditors were former Councillors, retirees and the deceased employees of former Kandara Town Council
 - II. That between 1997 to 2007, there was a problem in Kandara as the Council couldn't collect any revenue. This was as a result of a court case between the Council and the traders in the town who were against the creation Kandara Town Council. This led to the huge accumulation of the debt.
 - III. There was also political interference that advocated for the abolishment of the Council.
66. The committee further made the following observations:
 - I. The Council didn't have an updated creditors ledger and that the officers were not maintaining individual data on each creditor
 - II. The County Government could lose millions of shillings if it paid the money without knowing whom it was paying.
 - III. Each creditor should be confirmed independently before effecting any payments

Committee Observations;

- a) The Fixed Assets Register was not presented
- b) Bank reconciliations were not presented
- c) The Creditors Ledger was not presented. The committee however notes that a list of Salary Arrears was presented.
- d) The Salary arrears presented could not be authenticated.

Committee Recommendations

- a) The County government should not pay the arrears until the T.A authenticates the arrears
- b) That the immediate Former Town Clerk and Treasurer be **Suspended for failure** to present to the Committee and the Auditor General their reconciled bank statements
- c) That the County Chief Officer provides an updated Assets Register
- d) That the TA should carry out comprehensive assets Identification, Valuation ad Handover ceremony
- e) In an Instance where there are losses to the Assets , the former Chief Officers be surcharged and a disciplinary action be taken on them by the CPSB
- f) The Committee recommends forthwith that all expenditures incurred by the Former Kandara Town Council be prepared and confirmed by the Auditor General and thereafter presented to the County Assembly for ratification and approval within the next 60days. Thereafter disciplinary action shall be meted on officers where laxity, negligence of duty and malpractice is established.

FORMER TOWN COUNCIL OF MARAGUA

67. During the Transition Period, the Council Chief Officers are as given here below;

Town Clerk – M/s Jane Wairimu Njuguna

Treasurer - Mr. Charles Ng'ang'a Gititi

The Officers adduced the following evidence when they appeared before the Committee;

Compliance with Circulars.

68. The Ministry of local Government Circular Reference No. MLG/1333/TY/52 dated 18th February 2013 required all Town Clerks to prepare a statement of assets and liabilities as at 28th February, 2013. In addition, letter reference no. MOF/IFMIS/1/41 dated 7th March, 2013 instructed the previous local authorities to freeze their bank accounts with the exception of the receiving accounts. However, they did not prepare and submit a statement of assets and liabilities to the Auditor General for audit and also continued to operate its bank accounts up to June, 2013.

Committee Observations;

- a) That the fixed assets register was presented
- b) There were no ownership documents attached to the Assets Register i.e. Title Deeds, Leases and Log books
- c) There was no official handover through the T.A
- d) Bank reconciliations were presented and reconciliations done up to June

Committee Recommendations

- a) That the Assets be coded to ensure easier tracing and inventory management
- b) That the T.A should carry out a verification exercise and an official handover report tabled in the County Assembly.
- c) The Committee recommends forthwith that all expenditures incurred by the Former Maragwa Town Council be prepared and confirmed by the Auditor General and thereafter presented to the County Assembly for ratification and approval within the next 60days. Thereafter disciplinary action shall be meted on officers where laxity, negligence of duty and malpractice is established.

MURANG'A COUNTY GOVERNMENT

COMMITTEE OBERVATIONS:

69. Mr. Edwin Kimuyu, the Chief Finance Officer of the County Government of Murang'a appeared before the Committee on September 4, 2014 where he adduced the following evidence;

Bank Balances : Observations

70. Asked why the bank accounts were not closed as directed by the Transition Authority, the officer replied as follows;

- a) That the former Local Authorities operated more than 38 bank accounts which remained operational
- b. That there were no bank balances and that certificates were issued
- c. That he allowed the bank accounts to be operated as per section 28 of the PFM Act and the Governors hand book
- d. That the accounts remained operational for transition purposes
- e. That the TA was giving very contradicting statements and letters without going to the ground
- f. That the T.A never gave instructions or money to pay salaries for march 2013 but released the 1st batch on April 2, 2013

- g. That 16% of LATF was never received which was totaling to Kshs 61 million
- h. That LATF projects for 2013/2014 were not implemented.
- i. That all accounts were closed on 30th June 2013 and certificates issued
- j. That the former chief officers were responsible for doing the bank reconciliations
- k. That they authorized for the officers to continue operating the accounts for operational purposes as they had not opened the County Governments accounts

Debtors: Observations

71. The officer provided the following explanations regarding the debtors list;
- a. That proper audit of debtors and creditors needs to be done and updated.
 - b. That the County Government doesn't have a proper debt management policy but are in the process of setting up one to be managed by a senior officer
 - c. That the handing over was not done as they had no capacity
 - d. That they have a fixed assets register which is yet to be verified as the County Government is yet to value its assets
 - e. That tagging of the assets is currently going on.
 - f. That the creditors register for staff was for the retrenched nursery school teachers who were reinstated. However, the committee noted that there were some cancelled figures in the register which had been replaced with new ones.

IPPD Pay Roll : Observations

72. In regard to the above issue, the officer responded as follows;
- I. That they have already done a head count
 - II. That job descriptions have already been developed for all cadres of staff

Refurbishment of County Assembly : Observations

73. The officer said as follows;
- ✓ That the County Assembly used Kshs 490,617 but not Kshs 4,906,617 as indicated in the audit report

Handing Over Reports: Observations

- a. That all former local authorities gave in their handing over reports on 28th February 2013 which were received by the interim County Secretary by 28th March 2013
- b. That the reports were not witnessed by the T.A
- c. That Muranga County Council never gave in their handing over reports

Fate of Donated Computers: Observations

- a. That the computers collapsed and became obsolete
- b. That the branded computers were defective
- c. That the County have bought new and better computers

IPPD Payroll, IFMIS, G-PAY, LAIFOMS and ICT : Observations

- a. That over 40 staff have already been trained on IFMIS Programme
- b. That the County is now using 3 modules
- c. That the LAIFOM recovery modules were not being monitored in the Sub- Counties
- d. That there is no an organization structure in the ICT Department
- e. Further, the County Government at the initial stages experienced network and connectivity challenges that were exacerbated by inadequate human capacity and computer hardware

to support the systems. There was a high downtime for IFMIS during the period under review. The County has worked very closely with the National Treasury to ensure a support system and the G-Pay system is now operational. The County Government has also ensured adequate training of personnel on the Integrated Financial Management Information System (IFMIS) and Government payment (G-PAY) system. In that regard, all staff dealing with payment processing and accounts has now been trained. Additionally, nearly all payments are now done electronically through the IFMIS system. IFMIS has therefore been made fully operational at the County.

Non Compliance with Public Procurement and Disposal Act, 2005 and regulation 2006: Observations

74. The committee was informed that at the time of audit there was no County Tender Committee. At the time County had a serious shortage of qualified personnel to handle issues of procurement hence the existence of inadequate structures at the time. The committee was further informed that a well-functioning County Tender Committee has since been formed and all other structures relating to procurement have now been put in place.

Expenditure : Observations

75. The committee was informed that the defunct Local Authorities continues to utilize funds from the old accounts. This was due to the fact that there were no proper guidelines at that time. There were no alternatives for funding county government operations provided and operations had to continue. The County Assembly structures needed to approve the budget structures had also not been formed at that time. The County Government has since ratified the expenditure.

Internal Controls: Observations

76. The County Government has since strengthened its internal control measures to promote economic, efficient and effective operations and to safeguard resources against loss due to waste or even abuse. Key among the measures taken includes establishment of a well-functioning internal audit section, issuance of guidelines and regular circulars to guide operations and adherence to proper record keeping. All the senior management staff have also been trained on principles of corporate Governance. Training of other staff is ongoing to improve on the capacity constraints. Additionally, there is separation of duties among staff in respect to the approval processes.

77. However the committee noted of laxity to act on various Audit reports prepared by the County Internal Auditor.

78. With regard to risk management, policy has since been developed. This involves cash management, stores management, revenue collection and procurement. An IT policy has also been developed. All these are available for verification by the auditor.

Committee Recommendations:

- a. That a formal handing over ceremony should be carried out between the T.A and former chief officers of the defunct Local Authorities
- b. That the CEC member for finance fast tracks the process of securing ownership documents to safeguard all the County Government assets owned by the former defunct local authorities
- c. That the CEC member for finance undertakes the identification and valuation of all Assets inherited from former defunct Local Authorities.
- d. That the CEC Member for Finance and Economic Planning prepares all expenditures and income of the County Government and the former defunct Local Authorities

during the Transition period and table the said statements for ratification by the County Assembly within 60 days after the adoption of this report

- e. That the County Secretary carries out a Legal Audit and prepares an inventory of all past and ongoing court cases involving all the former defunct Local Authorities and other legal entities that took over and submit the report to the County Assembly for approval before any payments are effected.
- f. That the current Chief Finance Officer for the County Government of Murang'a be suspended for causing the loss of Public funds by approving the payment of Kshs 6,759,467 to two law firms. One law firm by the name Kimwere Josphat and Co advocates was paid Kshs 4,692,000 vide payment voucher 5/5 of May 9, 2013 and cheque No 004471 in respect of County Council of Maragwa. The Second Law firm was paid Kshs 2,067,467 vide payment voucher 4/5 of May 9, 2014 and cheque number 004470 in respect of County Council of Maragwa. In both cases the officer has failed to table certified court proceedings to prove to the committee that the cases were genuine as requested in the Audit Report.
- g. That the CEC member for finance immediately prepares an inventory of all creditors of the defunct Local Authorities and submit the report to the County Assembly for approval before any creditor from the Defunct Local Authorities is paid.
- h. That the County Assembly adopts with amendments the Special Audit Report of the Auditor General on the Financial Operations of Murang'a County Government and Former Defunct Local Authorities for the Period January 1, 2013 – June 30, 2013.

NB:

79. The officers were given enough time to produce the said reports of which they failed to produce hence the suspension.
80. The Committee recommends forthwith that all expenditures incurred by Murang'a County Government be prepared and confirmed by the Auditor General and thereafter presented to the County Assembly for ratification and approval within the next 60 days. Thereafter disciplinary action shall be meted on officers where laxity, negligence of duty and malpractice is established.
Thank You.
81. The following Committee Members has unanimously approved the report for tabling in the County Assembly:

NAME	SIGNATURE	DESIGNATION
1. Hon. Erick Kamande Kimani		Chairperson
2. Hon. Peter Murigi Ngugi		Vice-Chair
3. Hon. Samuel Dishon Wandia		Member
4. Hon. ^{Samson} Samuel Kago Njoroge		Member
5. Hon. John Kiarie Ngugi		Member
6. Hon. David Muhoro Njeri		Member
7. Hon. James. B. Kagoni		Member
8. Hon Mary Waithira Njoroge		Member
9. Hon. Beth Wanjiku Ngugi		Member
10. Hon. Anderson Muchemi		Member
11. Hon. Jane W. Ndegwa		Member
12. Hon. Martin Macharia		Member
13. Esther Nyakio Munywoki		Member