REPUBLIC OF KENYA

NYANDARUA COUNTY ASSEMBLY

2ND ASSEMBLY- 2ND SESSION

OFFICIAL REPORT

Tuesday 20th February, 2018

The Assembly met at the Assembly Chamber at 2.30 pm.

[The Speaker (Hon. Ndegwa Wahome) in the Chair]

Prayer

QUORUM CALL AT THE COMMENCEMENT OF THE SITTING

(The clerk-at-the-table confirms that there is quorum)

Speaker: Very well, Hon. Members, quorum having been recognized we can now proceed with the business for this sitting which comes after the long recess.

First order.

COMMUNICATION FROM THE CHAIR

WELCOMING TEACHERS AND PUPILS OF MUMBI PRIMARY SCHOOL

Hon. Members, I wish to notify you that today, the 20th day of February 2018, we have the honour of welcoming teachers and pupils of Mumbi Primary School in Kaimbaga Ward, Ol'Kalou Sub County of our County, Nyandarua.

The delegation is led by three teachers who are;

1. Mr Peter Gichohi
2. Mrs Nancy Mwaniki
3. Ms Judith Njeri

There are a total of 35 pupils led by their leaders namely:

1. Brian Njoroge
2. Rehema Wangui

As an Assembly, we have a standing tradition of warmly welcoming our visitors, more so, pupils as we deliberate on important matters touching on our county. I therefore ask you Hon. Members to join me in applauding the board members, teachers and pupils of Mumbi Primary School as aforesaid.

(Applause)

Finally, I wish to thank the Member of the County Assembly for Kaimbaga Ward, Hon. Gabriel Gathure Wambui for facilitating the attendance of the delegation to our assembly plenary sitting on this Tuesday, the 20th day of February, 2018.

Next order.

PAPER(S) LAID

1. COUNTY INTEGRATED DEVELOPMENT PLAN (CIDP) FOR THE YEAR 2018 - 2022

Yes, the Leader of Majority Party and Member for Leshau Pondo, Hon. Peter Gathungu Kamau.

Hon. Peter Gathungu: Thank you Mr Speaker. With me, I have the County Integrated Development Plan (CIDP) for the year 2018 to 2022.

Mr Speaker, due to the voluminous nature of the CIDP, each Chairperson of various sectoral committees will be supplied with their respective documents. I table.

Speaker: Very well, that document is duly tabled. We have two components in that County Integrated Development Plan. That is, the component from the Executive in terms of what it needs to do effective this year and running to 2022 and secondly, what the County Assembly expects and projects to do during the aforesaid period.

The members will appreciate that the tradition set previously, because we have had a CIDP which ran from 2013 to 2018, was that the same was processed by Budget and Appropriations Committee. You will also appreciate that at that part particular time we did not have a Committee on Finance and Economic Planning. The committee came in later as we continued to borrow from the traditions of Parliaments and our National Parliament but now and from the plain reading Standing Orders, you will find that all issues pertaining to planning should seized of the Committee on Finance and Economic Planning. Therefore, the document will be referred to the committee on Finance and economic Planning and they are going to move with speed and publish public participation dates, probably next week to be to interact with the public on the same document and report back to the House within the shortest time possible so that the Committee of the Whole House can scrutinize the document in respect of each sectoral committee's area of operation so we are able to come and approve either with or without amendment.

So the Chairperson of the Committee on Finance and Economic Planning will have to work very closely with the Office of the Clerk to ensure that the notice is published in the dailies, latest being Thursday inviting the members of the public next week for public participation so that in following week we are able to retreat and look at the document as the whole House and then come to the House for approval with or without amendments.

I think that is okay Chairperson, Committee on Finance and Economic Planning?

Hon. Suleiman Kimani: Thank you Mr Speaker. We already planning for that because we can see that we are running out time given the tight timelines. So, we have made prior plans.

(Hon. Kieru Wambui rises)

Speaker: Very well. What is Member for Gatimu, Hon. John Kieru Wambui.

Hon. Kieru Wambui: Thank you Mr Speaker. I wish to appreciate the relevance of the document that has been tabled in this House, that is, the County Integrated Development Plan (CIDP) for the next five years. It is my opinion that the said committee does public participation in the wards, I don't know how but I am of the opinion that they be done per every ward.

Thank you.

Speaker: I think that has never worked and I don't think that as of now whether it will be possible to work. I think what we should be talking about is to ensure how we manage to have the many stakeholders in the wards attend the public participation venues. Because, if we say that the committee goes per ward, this document is already delayed and I think we shall not be doing justice to the document. However, I think that Chairperson of the Committee, as we hold our *kamukunji* tomorrow in the morning to address some of the issues, we can also listen to the members and agree how we can zone the county so that we can reach as many people as possible.

Okay, very well. Next.

2. STATUS OF IMPLEMENTATION THE COUNTY ASSEMBLY'S RESOLUTIONS FOR THE PERIOD 2013-2017

Yes, the Member for Wanjohi and Chairperson, Committee on Implementation, Hon. Isaac Kung'u.

Hon. Isaac Kung'u: Thank you Mr Speaker. I have with me the Report of the Committee on Implementation on the Status of Implementation the County Assembly's Resolutions for the Perion 2013-2017.

Mr Speaker, I table.

Speaker: Very well Chair, that report is duly tabled and the House Business Committee shall give direction on how the same shall be processed.

Next.

3. REPORT ON STATUS OF PUBLIC LAND IN RURII TRADING CENTRE

Member for Murungaru, and the Chairperson, Committee on Lands, Housing and Physical Planning, Hon. Kariuki Muchiri.

Hon. Kariuki Muchiri: Thank you Mr Speaker. I wish to lay on the table the First Report of the Committee on Lands Housing and Physical Planning on the Status of the Public Land in Rurii Trading Centre and I table.

Speaker: Very well, that report is duly tabled and the House Business Committee shall give directions on how the same shall be processed.

Next.

NOTICES OF MOTIONS

1. ADOPTION OF THE REPORT ON THE STATUS OF IMPLEMENTATION OF THE COUNTY ASSEMBLY'S RESOLUTIONS FOR THE PERIOD, 2013-2017

Chairperson, Committee on Implementation and the Member for Wanjohi, Hon. Isaac Kung'u.

Hon. Isaac Kung'u: Thank you Mr Speaker. I beg to give notice of the following motion:

That this House does adopt the Report of the Committee on Implementation on the Status of Implementation of the County Assembly's Resolutions for the Period, 2013-2017 as report of this House and recommendations therein as a resolution of this House.

Speaker: Very well, the notice of that particular motion is duly given and again, the House Business Committee shall give directions on the way forward on that particular motion.

2. ADOPTION OF THE REPORT ON THE STATUS OF PUBLIC LAND IN RURII TRADING CENTRE

Yes, Member for Murungaru, and the Chairperson, Committee on Lands, Housing and Physical Planning, Hon. Kariuki Muchiri.

Hon. Kariuki Muchiri: Thank you Mr Speaker. I beg to give notice of the following motion;

That this House does adopt the report of the Committee on Lands, Housing and Physical Planning on the Status of Public Land in Rurii Trading Centre as a report of this House and recommendations therein as the resolutions of this House.

Speaker: Notice is acknowledged as duly given and again, House Business Committee shall give directions on the way forward on both the report and the motion.

MOTION(S)

ADOPTION OF THE REPORT ON THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY GOVERNMENT OF NYANDARUA (EXECUTIVE) FOR THE YEAR ENDED 30TH JUNE, 2015

Very well, the Member for Gatimu and Chairperson, County Public Accounts and Investment Committee, Hon. John Kieru Wambui.

(Hon. Gathure Wambui rises on a point of order)

What is it Member for Kaimbaga, Hon. Gabriel Gathure?

Hon. Gathure Wambui: Mr Speaker, I would like to enquire whether the notice of this motion had been given.

Speaker: Yes, the document was tabled on 14th February 2018 and I believe that the notice was given on the same day. So, the motion on the report is ripe and mature for deliberation today.

Proceed Member for Gatimu.

Hon. Kieru Wambui: Thank you Mr Speaker for that elaborate explanation because copies of this report were made and put there and actually, since this is a report that has great consequences, we made it very clear when it was being tabled that whoever wanted a copy should be provided with one. However, that never happened for some of us.

Mr Speaker, I beg to move the following motion:

That this House does adopt the report of the County Public Accounts and Investments Committee on the Audited Financial Statements of the County Government of Nyandarua (Executive) for the Year Ended 30th June, 2015 as a report of this House and recommendations therein as the resolutions of this House.

Mr Speaker, we as the County Public Accounts and Investments Committee, have a report. You realize that it is a voluminous document and I would wish, with the indulgence of members that will have highlights of the same report and knowing that the notice has had a week and the members have gone through the report and know what is in it.

Mr Speaker, I would therefore request that I give highlights of the key areas of each and every query as questioned by the Office of the Auditor General.

As I proceed, for easier 'read-through' and understanding, we have annexures to this report that the committee tabled alongside this report. They include:

1. Report of the Auditor-General on the Financial Statements of the County Government of Nyandarua for the year ended 30th June, 2015.

I don't want to say that we do not require that annexure, but Mr Speaker, the sequence of the report is that we have retyped the query and therefore, there is little need of having that annexure or for members referring to the same.

2. Committee minutes
3. Written submissions from the following County Executive Departments/Offices;

a) County Treasury
b) Finance and Economic Planning
c) County Secretary and Head of Public Service
d) Health Services
e) Water, Energy, Environment and Natural Resources
f) Roads, Public Works and Transport
g) Education, Culture and Social Services
h) Communication, Legal, ICT and Inter-Governmental Affairs
i) Agriculture, Livestock & Fisheries
j) Lands, Housing and Physical Planning

Mr Speaker, I would like to take this opportunity, on behalf of the County Public Accounts and Investments Committee (CPAIC), and pursuant to provisions of Standing Order No. 182, it is my pleasant privilege and honour to present to this August House the report of the Committee on the audited Financial Statements of the County Government of Nyandarua for the year ended 30th June, 2015.

MANDATE OF CPAIC

Mr Speaker Sir, County Public Accounts and Investments Committee is established under Standing Order 188 (1) and derives its mandate from Standing Order 188(2), which provides that:-

> The Public Accounts and Investments Committee shall examine, *inter alia*, the accounts showing the appropriations of the sum voted by the House to meet the public expenditure and of such other accounts laid before the House as the Committee may think fit and the reports, if any, of the Auditor General on the public investments.

The primary mandate of the Committee is to oversight the expenditure of public funds, in this case, of the departments of the County Executive, to ensure value for money and adherence to government financial regulations and procedures. This is also in furtherance of Article 185(3) of the Constitution of Kenya, 2010 that bestows a County Assembly the mandate to exercise oversight over the County Executive Committee and any other County executive organs. The Committee executes its mandate on the basis of annual audit reports prepared by the Office of the Auditor General.

LEGAL FRAMEWORK

Section 102 (1) of the Public Finance Management Act, 2012 states that each County Government shall ensure adherence to the principles of public finance set out in Chapter 12 of the Constitution.

In the execution of its mandate aforementioned, the Committee is guided by core constitutional and statutory principles on public finance management, as well as established customs, traditions and practices. As stipulated in Article 201 of the Constitution of Kenya, these principles are, *inter alia*, that:

a) there shall be openness and accountability, including public participation in financial matters;
b) public money shall be used in a prudent and responsible way; and
c) financial management shall be responsible, and fiscal reporting shall be clear.

Mr Speaker, the latter was the biggest menace on fiscal reporting which was not established by the departments.

Article 226(5) of the Constitution is emphatic 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.

In this case, Mr Speaker, the report relates to officers that might have left office but for the matter at hand, the law is very clear, that it does not matter whether you have already left the office or not. The issue is that you were the office holder.

Section 149 (1) of the Public Finance Management Act, 2012 provides, *inter alia*, that:

> An Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized and effective, efficient, economical and transparent.

This provision obligates all Accounting Officers to appear before the County Public Accounts and Investments Committee of the Assembly to respond to audit queries in their respective departments as raised by the Office of the Auditor General.

Section 156 (2) and (4) of the PFM Act, 2012 state that;

> 2)If the County Executive Committee Member for finance reasonably believes that an Accounting Officer has engaged in improper conduct within the meaning of subsection (4), the County Executive Committee Member for Finance shall-
>
> (a) take appropriate measures to address the matter in accordance with laid down procedures; or
>
> (b) refer the matter to be dealt with in terms of the statutory and other conditions of employment applicable to that public officer.
>
> (4) For the purposes of this section, a public officer or Accounting Officer engages in improper conduct if the officer—
>
> (a) contravenes or fails to comply with this Act or any regulation in force;
>
> (b) undermines any financial management procedures or controls;
>
> (c) makes or permits an expenditure that is unlawful or has not been properly authorised by the entity concerned; or
>
> (d) fails without reasonable cause to pay eligible and approved bills promptly in circumstances where funds are provided for.

Mr Speaker, the details are very elaborate so I will move to the next section.

I wish, as the Chairperson of the Committee to personally to compliment and thank the Members of this Committee as they are;

1.	Hon. Loise Wanja Kimondo	-	Vice Chairperson
2.	Hon. Peter Kamau Gathungu	-	Member
3.	Hon. Margret Wanjiru Ireri	-	Member
4.	Hon. Samuel Mathu Wainaina	-	Member
5.	Hon. Paul Ngeche Wambaire	-	Member
6.	Hon. David Mwangi Maitai	-	Member
7.	Hon. Edinald King'ori Wambugu	-	Member
8.	Hon. Andrew Kamau Kariuki	-	Member
9.	Hon. Kenneth Mukira Mahianyu	-	Member
10.	Hon. Simon Sambigi Mukuriah	-	Member

We are very grateful to all these members. Further, we had a very elaborate and sufficient secretariat that this committee is well versed with. We know the kind of work they have done. They are:

1. Aurelia Wanjiru Wangui - First Clerk Assistant
2. John Kabue Kahinga - Legal Officer
3. Christabel Njeri Gitu - Audit Officer
4. Nicholas Ndeithi Gitamaka - Hansard Reporter
5. Stephen Mwangi Kairu - Serjeant-At-Arms

We are very grateful for them too and Mr Speaker, you will realize that this is one of the best done report; very good English; very good formatting and line spacing; and the punctuations were very well done. The secretariat was very good at this and you can hear that the members are concurring with it.

EVIDENCE TAKEN

Mr. Speaker, Sir, the Committee held a total of twenty one (21) sittings, during which it sought responses and interrogated Accounting Officers on audit queries raised by the Auditor General. All minutes of the Committee's sittings on evidence taken are annexed to this report. They are here and they have been tabled.

The Committee also relied on the findings of the First Assembly's Committee. We congratulate that committee that was chaired by Hon. Silvester Kagiri since it had started to work on this report but it is seeing the light of the day today having been completed the Second Assembly's Committee. The First Assembly's Committee undertook a site inspection visit to Njabini-Kiarutara road to ascertain its status. The findings of the Committee were recorded in the progress report tabled in the House on 21st June, 2017.

The Committee received both oral and written evidence from Accounting Officers (and other witnesses) from various departments. Subsequently, the Committee considered the queries raised *vis-a-vis* responses by the executive. The Committee made its findings and gave recommendations taking into account the recommendations of the Auditor General which if implemented will ensure prudence in the use of public resources.

In this exercise, the Committee was guided by the stated principles derived from the Constitution of Kenya, 2010, Acts of Parliament and the County Assembly Standing Orders as well as the rules and procedures practiced by parliaments.

CHALLENGES EXPERIENCED

One of the challenges that the Committee faced is the backlog of work caused by a delay in compilation of this report inherited from the First Assembly, which is in violation of Article 229(8) of the Constitution of Kenya that requires that an audit report be considered in the House within three months after it has been received. The Committee absolves the First Assembly's watchdog Committee, appreciating that it managed to table a progress report and further acknowledging that the Committee was constrained by time. This is in consideration of the fact that it was also handling other reports at the time amidst preparations for the General elections in August, 2017.

At the time of initial consideration the audit report, the Committee was newly established noting that members and the secretariat lacked adequate skills on examination of the report and witnesses. Our appreciation goes to the Office of the Speaker and that of the Clerk for having granted leave and facilitation for an induction training of the Committee conducted by the Centre for Parliamentary Studies and Training (CPST). The Committee acquired the relevant skills and knowledge which we believe have greatly shaped the entire process and ultimately led to the compilation of this report…

(Consultations)

Mr Speaker, I believe that when Budget reports are moved, I am usually one of the quietest members in the House.

(Hon. David Maitai rises on a point of order)

Speaker: What is it Member for Central?

Hon. David Maitai: Mr Speaker, there is a stranger in the House; I don't know who the man is.

Speaker: Which man, Member for Central?

Hon. David Maitai: The man who is not dressed in a jacket.

Speaker: You know when you are raising a point of order, it is important that you mention the specific member and what is wanting or rather what are his or her shortcomings so that the Chair is able to act accordingly. I understand it is Hon. Member for Njabini/Kiburu who is not within the parameters of the dressing code in the House and I think the Member for Njabini/Kiburu, you have been in this House and elsewhere long enough and you should act appropriately.

(Hon. James Gachomba exits)

Proceed Member for Gatimu.

Hon. Kieru Wambui: Mr Speaker, the greatest challenge faced by the Committee in the preparation of this report were the frustrations caused by some uncooperative Accounting Officers who gave their submissions late, made requests to reschedule meetings, appeared before the Committee unprepared and submitted responses that were insufficient and/or incompetent and lacked detail.

The Committee strongly expressed the view that this is inacceptable conduct that compromises the working of the Committee and going forward, must be highly discouraged. Accordingly, the Committee wishes to commend all those Accounting Officers who took the engagement with the Committee seriously; and to strongly castigate every Accounting Officer who did not.

These challenges notwithstanding, the Committee discharged its mandate as expected.

ACKNOWLEDGEMENT

Mr. Speaker Sir, I wish to extend our sincere appreciation for the invaluable support accorded to the Committee by this House to ensure the Committee delivers its mandate.

I also wish to recognize the Honourable Members of this Committee and secretariat for the efforts and commitment accorded in compiling this report. It is their commitment and dedication to duty that made the production of this report possible. In particular, our deepest gratitude also extends to your Office and the Office of the Clerk for making this exercise successful.

Further, I wish to record my appreciation to the Accounting Officers of various departments and other witnesses who appeared and/or adduced evidence before the Committee.

Finally, Mr. Speaker Sir, it is my pleasure, on behalf of the County Public Accounts and Investments Committee, to present this report to the House for consideration and adoption. In this line, we, the members of the County Public Accounts and Investments Committee have, pursuant to Standing Order 182 (4) adopted this report (in a meeting held on 13th February, 2018) and hereby append our signatures to confirm its authenticity.

CHAPTER ONE: INTRODUCTION

Mr. Speaker, Sir, section 4 of the Public Audit Act, 2015 establishes the office of the Auditor General in accordance with Article 229 of the Constitution of Kenya, 2010. Within six months after the end of each financial year, the Auditor General is mandated to, among others, audit all funds and authorities of the National and County Governments and confirm whether public money has been utilized lawfully and effectively or not.

After the audit of a County Government entity, the Auditor General's office submits copies of its report to the relevant County assemblies. Within three months after receiving an audit report, a County assembly is required to debate and consider the report and take appropriate action as stipulated in Article 229(8) of the Constitution of Kenya, 2010.

The Report of the Auditor General on the Financial Statements of the County Government of Nyandarua for the year ended 30th June, 2015 was tabled in the house on Thursday, 15th December, 2016 by Hon. Michael Njoroge Kirumba on behalf of the then Leader of the Majority Party, Hon. Kariuki Muchiri.

The Committee is mandated to, under the standing order 188 (2) (c) to examine reports of the Auditor General and thereby submit its report in the House for consideration. The Committee embarked on an investigative journey where letters were sent to the relevant departments to give written submissions on various audit queries raised. The Committee invited several Accounting Officers to appear before it to provide explanations on queries of their respective departments in accordance with Article 195 of the Constitution that accords the County Assembly or any of its Committees power to summon any person to appear before it for the purpose of giving evidence or providing information.

The Committee has accordingly applied the tenets of prudent financial management to recommend actions that should be taken against Accounting Officers who are found to have contravened the law or undermined any financial management procedures and/or has caused loss or wastage of public funds.

CHAPTER TWO: COMMITTEE OBSERVATIONS AND FINDINGS

Mr Speaker, we shall go to chapter of the report which is on observations and findings. Number one is respect to the office of the County Treasury.

1. COUNTY TREASURY

Hon. Mary Mugwanja who is the current CECM in charge of Finance and Economic planning appeared before the Committee on 5th December 2017 to provide information on the Financial Statements of the County Government of Nyandarua for the year ended 30th June 2015. She was accompanied by the following officers;

a) John Gitau Njoroge, Chief Officer in charge of Finance and Economic Planning
b) Mutuga Mbogo, Director of Internal Audit
c) Joseph Wahome, Ag. Director of Expenditure
d) Anne Theuri, Chief Accountant
e) Stephen Kinyua, Director of Revenue
f) Jesse Mwangi, Principal Finance Officer

Below are the management responses and the observations and recommendations that the Committee made.

1.1 *Accuracy of the Financial Statements*

The County Government's statement of financial assets did not balance by a figure of Kshs.1,427,219,689 due to erroneous brought forward fund balance of Kshs.2,026,746,150 instead of the audited closing balance of Kshs.599,526,460 as at 30th June 2014. Further, the cash flow statement reflects closing cash and cash equivalent figure of Kshs.2,040,442,168 while the statement of assets shows Kshs.601, 229,566 resulting to unexplained or unrecorded difference of Kshs.1, 439,212,602.

That was the query, and, the management responded that the financial statements were corrected to reflect cash and cash equivalent of Kshs.651, 985,896 in the cash flow statement from Kshs.2, 026,746,150 earlier noted, this is the figure in the amended financial statements which the Auditor General inadvertently did not take into consideration.

Mr Speaker, the committee observed that the executive officers did not maintain minutes or evidence to substantiate their claims that the Office of the Auditor General did not take into consideration the documents submitted to them.

The committee recommends:-

That minutes of the exit meeting between the management and auditors sent from the Office of the Auditor General should be availed to act as evidence of the proceedings of that meeting. Mr Speaker, you will realize that the executive alleges that there are corrected documents that they give to the office of the Auditor General during the audit period. However, the Executive did not provide any evidence to support what they were saying that they indeed gave the evidence to the Auditor General. That is the reason why the committee recommended that such evidence should be provided to substantiate their claims.

That the management letter should be handed to the Office of the Auditor General through a delivery or the messenger should return with a copy that has been signed and stamped. Mr Speaker, the executive alleges to have given documents which the Auditor General inadvertently, did not take into account. What should they do? Send the messenger whom when he delivers the documents will have the signed as received so that we can stop having the 'the cat and mouse' games since they tell us that they gave the Auditor General but he did not receive. So, who is lying?

That all visits by the auditors from the Office of the Auditor General should be documented. When the auditors visit, and we actually have them here, let us know the exact dates that they were here. This because the documents that the Executive is giving as annexures were way outside the period under review. That means, that the period they purport to have given the auditors their documents, they had already left and we had already written the report.

That in future, auditors from the office of the Auditor General should be invited to the Committee meetings to shed more light on the queries raised in the report. This is the committee's recommendation that we shall be required, to sit together with officers of the Office of the Auditor General because the officers are available. We appreciate that you took us training and the auditors came and told us that they serve the County Assemblies and therefore, it does not make any sense for a County Assembly's Committee to sit and interrogate the Auditor General's reports without the officers' presence. We have talked informally with your office, and you have agreed, Mr Speaker, that the Officers from the Office of the Auditor General will always be invited into the committee.

1.2 *Inaccurate Compensation of Employee Balances*

The statement of receipts and payments reflect an amount of Kshs.1,401,032,517 under compensation of employees for the period ended 30th June, 2015. However, the figure differs with the combined IPPD payroll and the manual payroll balance of Kshs.1,318,776,598 by an unexplained variance of Kshs.82,255,919. Further, County Assembly payroll has not been captured in the recommended payroll system. In addition, included in note 12 on compensation of employees, a figure of Kshs.1,401,032,517, is expenditure on compulsory national social security contribution of Kshs.5, 262,928. However, records provided for audit indicate that an amount of Kshs.15, 999,455 in respect of the contribution. The resultant difference of Kshs.10,736,527 has not been explained or reconciled.

In view of the foregoing, the accuracy on compensation of employees balance of Kshs.1, 401,032,517 for the financial year ended 30th June 2015 could not be confirmed.

Mr Speaker, this is the gist of the query. The Auditor General relies on statements of receipt and payments which are in the financial statements of County Government of Nyandarua. It means therefore that, in the financial statements, there was a reflection of Kshs.1,401,032,517 which differs what IPPD (the system that pay salaries) indicates. We have a manual and an automatic system (IPPD) which now when combined, gives us Kshs.1,318,776,598 against Kshs.1,401,032,517 implying that there is a variance of Kshs.82,255,919.

Mr Speaker, the committee also appreciated that the County Assembly's payroll had been captured in the system.

Mr Speaker, the management responded that in the FY 2014/2015, the department received the last tranche of exchequer on 26th June, 2014 and there was insufficient time for the process of requisition to be completed and payments settled within the year. This resulted in unpaid bills including those of statutory deductions. They also indicated that the schedule of Social security benefit that was erroneously submitted was unavailable.

Under note 12 of the financial statements, statutory contributions amounting to Kshs. 5,262,928 were represented by;

NSSF Contribution	-	Kshs. 151,400
LAPFUND Contributions	-	Kshs. 5,111,528

In a meeting held on 5th December 2017, the officers explained that during the year under review, they received additional staff from the National Government who were not budgeted for hence the non-remitted deductions.

The Committee made the following made various observations. At the outset, it was concerned as to why there were pending bills of Kshs.82,255,919 while these statutory deductions had been budgeted for under compensation of employees. Mr Speaker they said that they had pending bills of statutory deductions. Why is there compensation of employees? What comprises of salary? There is basic salary, house allowance, NSSF and NHIF. They are there and they make a total of Kshs.1,401,032,517. What does this mean?

The committee also observed that the responses submitted raised more questions than answers since officers kept contradicting themselves in their responses. Further, the supporting schedules for Social Security Benefits for Kshs.15, 999,455 which were allegedly erroneously submitted to the Office of the Auditor General were not submitted to the Committee but instead, the officers told the Committee that the documents mysteriously got lost. The Committee found the response wanting. Here they are telling us that the document they submitted to the auditor general to make his opinion was the wrong document. We asked for the document as a committee and they told us that the document got lost. They were lying to the committee. What kind of executive are we dealing with? We found more problems that we thought.

What then do we recommend? The committee recommends that all statutory deductions should be settled in a timely manner as provided for under section 19 (6) of the Employment Act, 2007, thus avoiding incurring fines and penalties.

Mr Speaker, it would be so sad to hear that the County Assembly of Nyandarua has not paid my pension at the close of the financial year. Does it mean that when you budget for salaries you do not budget for deductions? The executive was telling us that they had new employees and they got money the last month of the financial year. Does that mean that statutory deductions for those that were paid in the previous months were not paid? Do they wait for the last month of the financial year to make those deductions? They said that they received staff from the national government, does it mean that their pension was not paid. There are more questions than answers.

The committee also recommends that the Accounting Officer should report to the County Assembly within sixty (60) days of adoption of this report on the status of the statutory pending bills worth Kshs. 82,255,919. Mr Speaker, we want a comprehensive audit on this, sixty days after this report is adopted. They should tell us about the Kshs. 82 Million. They should not tell us about documents getting lost. Let the committee on implementation should also be served with the relevant information.

Finally, the Accounting Officer should ensure that records are kept safely for future reference. Next time, while doing the audit report, they should not tell us about lost documents. This committee can issue sanctions and even impeachment of the said officers.

1.3 Use of Goods and Services

Note 13 of the financial statements reflect use of goods and services expenditure of Kshs. 833,906,385. However, the supporting schedule provided for audit review indicates a total expenditure of Kshs.2,598,274,452, resulting in an unexplained difference of Kshs.1,764.368,067. In the circumstances, it has not been possible to confirm the accuracy of use of goods and services of Kshs.833,906,385 for the year ended 30th June 2015.

Mr Speaker, the management responded by saying that the figure reported by the auditor of Kshs. 2,598,274,542 is the total recurrent expenditure.

That the non-reconciling balance of Kshs.1,764,368,067 is the resultant difference between Kshs.2,598,274,542 minus Kshs.833,906,385 which is represented by the other expenditures.

That the figure of goods and services was later amended to read Kshs.785,304,188.

Mr Speaker these people are not genuine they are playing with our psychology. The auditor general is talking about financial statements. Where did the auditor general get the financial statements? He got them from the county executive.

Mr Speaker, the committee observed that the department attached supporting schedules for the FY 2015/2016 which were, therefore, not admissible. Mr Speaker, look at these people. I do not want to call them thugs. We are auditing the FY 2014/2015. In short, these people are taking us as jokers. Those documents could not be considered by the committee.

In addition, the committee noted the recurrent budget for the period under review was Kshs.2.4 billion yet the financial statements reported by the Auditor General indicated Kshs.2,598,274,542 which therefore indicated an over-expenditure of Kshs.2,595,801,380. They used more recurrent finances than what was budget for. There was an over expenditure of about Kshs.100 million.

In a management response submitted to the committee, the Nyandarua County Executive officers admitted that there was an un-reconciled difference of Kshs.1,764,368,067. The Accounting Officer went against Regulation 90 (3) of the PFM Regulations (2015) which states:

> an Accounting Officers shall ensure any discrepancies noted during bank reconciliation exercise are investigated immediately and appropriate action taken including updating the relevant cash books.

Mr Speaker, we recommend that the County Executive should operate within the approved budgets at all times as stipulated laws including the Constitution, Public Finance Management Act, 2012 and its Regulations. Besides, the Accounting Officer was in contravention of Regulation 90 (3) of the PFM Regulations (2015) and disciplinary action should be taken against him/her.

1.4 Unsupported Other Grants and Transfers

The statement of receipts and payments reflects expenditure of Kshs.103,513,833 incurred during the period ended 30th June, 2015, with respect to other grants and transfers. However, the balance was not supported by expenditure schedules or analysis.

Consequently, it has not been possible to confirm the source of accuracy of the balance for the year ended 30th June, 2015.

Mr Speaker, the management responded by giving a breakdown of Agriculture value chains transfers as follows;

Dairy value chain	19,334,635
Wool sheep value chain	139,350
Poultry value chain	4,027,850
Rabbit value chain	1,067,650
Beekeeping value chain	765,950
Establishing AI Depots	8,210,708
Joint Loans Board	1,731,090
TOTAL	35,277,233
BURSARY	
County Bursary Fund	67,500,000
Bursary	736,600
TOTAL	68,236,600

The Committee observed that the bursary budget was Kshs.67,500,000 yet bursaries totalling to Kshs.68,236,6000 were issued, indicating an over expenditure of Kshs.736,600. In addition, the committee was concerned that Agriculture Development of Kshs.35,277,233 could not be confirmed since payment vouchers and supporting documents to substantiate the payments were not availed to the committee.

Further, in the above quoted breakdown submitted to the Committee, "Joint Loans Board" was classified on the Agriculture value chain. The Committee could not ascertain the validity of the item.

Mr Speaker, we did not understand what joint loans board is and therefore, the committee recommended that the County Executive should operate within the approved budgets at all times. Additionally, the Accounting Officers should be held liable for not availing documents to the Committee for confirmation and that, the Accounting officer should substantiate the figure of Kshs.1,731,090 in relation to the Joint Loans Board.

Mr Speaker, I don't think we should go query by query because this is an elaborate matter. I need your guidance on this. Noting that there were queries in each department, I need your guidance on this.

Speaker: I think that as we address this issue, this is a matter of county finances, the tradition we have set is that we have to deal with every aspect of every query but try to highlight. That is why the House Business Committee, in its wisdom, allowed only this business to be transacted this afternoon.

Hon. Kieru Wambui: Thank you Mr Speaker.

1.5 Acquisition of Assets

The statement of receipts and payments for the year ended 30th June 2015, reflects acquisition of assets balance of Kshs.1,444,531,467. However, schedules provided for audit review revealed total expenditure of Kshs.1,165,065,746 resulting in a variance of Kshs.279, 474,721 which has not been reconciled. Further, assets inherited from the defunct local authority in Nyandarua County were not disclosed in the Financial Statements. Thus, the accuracy of and completeness of acquisition of assets of Kshs.1,444,531,467 could not be confirmed.

The management responded that in Appendix IV of the financial statements responses file, a schedule on motor vehicles acquired in the year which amounts to Kshs.74,231,400 is provided. This is the amount that is captured in the financial statements.

This is what the committee observes. In note 18 on acquisition of assets, the Committee observed that Kshs.1,459,504,551 did not reflect a fair and true view of the financial statements. On 15th November 2017, the Committee requested for payment vouchers and an asset register to verify the Ksh.1, 459,504,551 that appeared on the financial statement. However, documents that were submitted totalled to Kshs.107,171,353 thus indicating a variance of Kshs.1,352,333,198. For example, balance on purchase of motor vehicle according to the financial statements showed Kshs.74,231,400, however, two different documents were submitted to the Committee showing balances of Kshs.66,707,400 and Kshs.70,707,400.

We asked for the asset register to verify the amount of Kshs.1.4 billion. The documents that were submitted only totalled to Kshs.107 million. There is a variance of Kshs.1.3 billion. When we asked for more information, they gave is another document that showed a balance of Kshs.66.7 million. Later they gave us another of Kshs.70 million. That means that the county executive does not keep proper records of this county. I do not know what we shall do about this but you are aware of the consequences of this confusion. When people create confusion, they want to thrive in it. The ultimate result is stealing public money.

The committee recommends that County Executive should maintain a fixed asset register that is complete and regularly updated to reflect acquisitions, disposals, and depreciation. This will help obtain accurate net book value as at the end of each financial year. In addition, that in sixty (60) days the Accounting Officer should avail a breakdown report to the County Public Accounts and Investment Committee substantiating the balance of acquisition of assets of Kshs.1,459,504,551.

Mr Speaker we want to know what really transpired. You cannot give us a register of Kshs.74 Million, another one of Kshs.66 million and another one of Kshs.70 million and think that it will add up to Kshs.1.4 billion.

1.6 Cash and Cash Equivalent

1.6.1 Unsupported Bank Balances

i. Mr Speaker, the statement of financial assets as at 30th June 2015 reflect bank balances of Kshs.601, 229,566. However, the management did not provide cashbooks and bank reconciliations statements for revenue account at Equity bank, recurrent account at Co-operative Bank and County Revenue Fund at Central Bank of Kenya.

On this issue, the management responded that the reported figure of Kshs.601,229,566 was captured in the draft financial statements. However, during the audit process, the audit was amended through audit adjustments to Kshs.627, 328,403.75 in the final financial statements. The newly reported figure of Kshs.627,328,403,75 is supported by cashbook and bank reconciliations statements.

Mr Speaker, the Committee requested for the bank reconciliations, cashbooks for revenue account and bank statements from Equity bank, recurrent account at Co-operative Bank and County Revenue Fund at Central bank of Kenya, however, incomplete bank reconciliations and cashbooks were availed to the Committee which made it impossible for the Committee to ascertain the actual balance of financial assets. Further, the Committee observed that lack of competent staff may have contributed immensely to poor bookkeeping and preparation of the financial statements which the Committee believed was the reason why draft financial statements were submitted to the Office of the Auditor General.

The Committee recommends that the Accounting Officer puts in place necessary measures including automation of the cash book to ease cashbook reconciliation exercise. Additionally, the Accounting Officers should ensure that the officers employed are skilled and competent. Finally, we recommend that final financial statements should always be submitted to the Office of the Auditor General for audit verification.

ii. The cash flow statement includes closing cash and cash equivalent balance of Kshs. 2,040,442,168 as at 30th June 2015, while the statement of assets indicated a balance of Kshs.601,229,566 as at the same date. The resultant difference of Kshs.1,439,212,602 between the two statements has not been reconciled or explained.

Mr Speaker, the reported figure in the initial report submitted to the Auditor General stated the fund balance brought forward was erroneously captured as Kshs.2,026,746,150 which was corrected to read Kshs.604,660,765. The financial statements were later amended and the amount was captured as Kshs.651,985,897.

The Auditor General has specific period to audit entities. There is no way one can prepare another document outside that period of time and then submit to the committee. The executive was left cooking documents. There are three different dates, the date that the executive responded to the auditor while he was here, the date of the reports that the executive did when we asked for information and the date when they appeared before the committee. The information given during those times is contradictory.

The Committee observed that the executive officers had failed to undertake reconciliation of the cash flow statement closing cash and cash equivalent and statement of assets resulting in variance of Kshs.1,439,212,602. Further, the Committee noted that the executive officers submitted draft financial statements to the Office of the Auditor General.

The committee recommends that final financial statements should always be submitted to the Office of the Auditor General for audit verification. Besides, the committee recommends that within sixty (60) days of adoption of this report, the Accounting Officer should explain why Kshs.604,660,765 was amended to read Kshs.651,985,897 and avail the documents supporting the amendment.

iii. Included in the list of bank balances as at 30th June 2015 is a recurrent account number 1000170204 at the Central Bank of Kenya Shown with a balance of Kshs.3,694,024.90 instead of the cash book balance of Kshs.24,833,193.50 as at 30th June 2015. No explanation or reconciliation was provided for the variance of Kshs.21,139,178.60.

The management explained that a draft financial statement had been used to report the bank balance of Kshs.3, 694,024.94 and the cashbook balance of Kshs.24,833,193.50. The financial statements were later corrected to cashbook balances of Kshs.24,833,193.50 thus eliminating the prior variance.

Mr Speaker, I said that the information they gave to the Auditor General was in form of drafts. We asked them when they corrected that information and they said that they corrected it after we asked for it. This means that the auditor is out there with the wrong information. That is why Nyandarua’s image was painted badly. Other people will use this information against us in future. They might say that we are stealing and we shall be thrashed in our wards. Stern action must be taken against these officers. They are appointed and will be in those jobs until their retirement. Since this House is able to impose sanctions, we shall do that within sixty days.

Mr Speaker, we observed that the executive officers did not perform bank reconciliations of a variance of Kshs.21, 139,178.60. The officers of the County Executive went contrary to the requirements of Paragraph 5.9.1.1 of Government Financial Regulations and Procedures which requires that the cash book to be updated daily. The Committee was convinced that the accountants lacked basic skills and knowledge on the International Public Sector Accounting Standards (IPSAS).

This is the reason why we made recommendations earlier that they should automate their cashbooks. We should not keep manual cashbooks anymore while we have automated ones that can be updated daily. Mr Speaker, ignorance has no defence but we were convinced that we were dealing with confused fellows. They appeared before the committee and some of us are not accountants but we appeared more brilliant than them. We also know that they could play the fool because they know what they did. When we impose sanctions those people will start speaking.

Mr Speaker, we recommended that cash and cash equivalents (bank and cash balances) should be reconciled and that the Accounting Officers ought to ensure that the employed officers are skilled and competent to avoid such errors in the future. Further, the Human Resource

Department in conjunction with the County Treasury should conduct capacity building for accountants to ensure they are competent in their work.

Mr Speaker, we however understand that these people were operating during those difficult times when the county governments were new. This was the audited report for the year 2014/ 2015.

iv. The County Government reported nil cash on hand as at 30th June 2015. However, the management did not avail for audit review, a board of survey to confirm the cash on hand at various locations including the sub-County stations.

Mr Speaker, management responded that nil cash on hand was not supported by a board of survey report. The board of survey was not constituted at the close of the financial year. However, action has been taken to constitute the board of survey which will consequently be implemented within the current financial year, 2017/18.

The Committee observed that the board of survey had not yet been constituted and this therefore meant that no one including the internal audit department had been confirming cash on hand especially in sub-County stations. This also meant that the County Government could be losing revenue through misappropriation including spending at source.

Mr Speaker, we recommend that the Accounting Officer should report to the County Assembly on whether the Board of survey has since been constituted and if it has, who are its members?

v. The co-operative bank imprest cashbook reflected a balance of Kshs.303, 699.53 as at 6th July 2015 instead of the correct balance of Kshs.63,373.53 as at 30th June 2015.

Mr Speaker, the reported figure of Kshs.63, 373.53 was an erroneous figure and indeed the bank reconciliations were done on 6th July, 2015. The management explained that the correct position is the imprest cashbook balance of Kshs.303, 699.53.

This means that these people do not keep records and the auditor general is the one who corrects things for them. The Auditor General seems to know the county more than them. The query was raised by the Auditor General and they came to agree with what the Auditor General is saying.

Mr Speaker, committee noted the above variance was not explained or reconciled. The Committee was not furnished with the Co-operative bank imprest cashbook and bank reconciliation. It was therefore not possible to ascertain the correct balance.

The committee recommends that the Executive puts in place necessary measures including automation of the cash book to ease cashbook reconciliation exercise.

1.6.2 Bank Accounts omitted from the Financial Statements

Mr Speaker, the Auditor General noted that the following two bank accounts and their respective balance were not disclosed in these financial statements:

Name and Account Number	Closing Balance (Kshs.)
Co-operative Health Account number 01141467471300	7,411,613.60
Family Bank Bursary Account number 037000006218	22,069.00

In the circumstances, the completeness and accuracy of the bank balance of Kshs.601, 229,566 as at 30th June 2015.

Mr Speaker, the management responded that the bank account of the County's Department of Health Account Number 01141467471300 has been included in the financial statements with cashbook balance of Kshs.7, 464,400.70. In addition, the bank reconciliations for family bank account have also been done and included in the financial statements with a cashbook balance of Kshs.22, 069.

In light of the above, the inclusion of the above two accounts validates the completeness and accuracy of bank balances in the amended financial statements of Kshs.627, 328,403.75

Mr Speaker note that the amended financial statement balance of Kshs.601 million, then a closing balance as amended of Kshs.651 million and now they have introduced another closing statement of Kshs.627 million. These people started with Kshs.599 million, Kshs.601 million, Kshs.651 million and now Kshs.627 million. We cannot really know what was left in our accounts at that time.

The committee observed that during the year under review the County Government of Nyandarua (Executive) did not comply with International Accounting Standards (IAS) No. 1 in as far as presentation and disclosure requirements are concerned.

The standards require that everything is disclosed in financial statements. The Executive at that time did not disclose two accounts.

In this regard, there was non-disclosure of bank accounts and their balances. Management has not explained the failure to comply with IAS as required in terms of presentation and disclosure requirements of its financial statements for the year ended 30th June 2015.

Mr Speaker, the committee recommends that the Officers in question should always comply with IAS no 1 (International Accounting Standards) on presentation and disclosures.

1.6.3 Outstanding Impressts

Mr Speaker, the Auditor General reported that the cash and cash equivalent balance as at 30th June 2015 includes outstanding imprest totalling to Kshs.11,992,913. However, schedules provided in support of the balance totalled Kshs.22, 205,545, resulting to an unexplained variance of Kshs.10,212,632. Further, some of the imprests date back to August 2014 and some officers were holding more than one imprest at the same time which is contrary to Government financial regulations and procedures. No reason was provided for the delay in accounting for the imprest.

Consequently, the accuracy and recoverability of the imprest of Kshs.11,992,913 as at 30th June 2015 could not be ascertained.

Mr Speaker, the management responded that imprests are sometimes demanded for unplanned activities and that under some circumstances one officer could hold more than one imprest. Besides, they say that they had no clear policies on handling of imprest and that the FY 2014/2015 was the second year in devolution and there were many challenges including inadequate staffing. This resulted in poor enforcement of policies including that on surrendering imprest.

Mr Speaker, the committee observed that several employees held more than one imprest at the same time and were therefore in contravention of Regulation 91 (8) of the Public Finance Management Regulations, 2015. For example, an officer in the Department of Legal and Public Service, as at 30th June 2015 had outstanding imprest of Kshs.8,458,150 broken-down below;

Due Date	Payment date	Amount (Kshs.)
31/12/2014	17/12/2014	40,000
20/04/2015	08/04/2015	692,000
	15/5/2015	-692,000
29/05/2015	18/05/2015	3,106,400
15/06/2015	27/05/2015	2,809,800
30/06/2015	09/06/2015	2,501,950
	Outstanding balance	8,458,150

The committee faulted the accounting officers for failing to enforce financial regulations and procedures on imprest leading to malpractices. In fact, these people agree with what the Auditor General was saying that no proper imprest policies were put in place. There were no set policies that year. They also said that imprest is sometimes demanded for unplanned activities so the officer can hold more than one office.

The committee recommends that:

The relevant constitutional body does investigate the then Accounting officers for failing to recover imprest from staff within the timelines stipulated in financial regulations and policy guiding imprest.

The Accounting officers should be held responsible for failure to enforce that law.

The Accounting officers should immediately take necessary steps to ensure that all outstanding imprests within their jurisdictions are fully recovered. In cases where the Accounting officer is not able to recover the imprests within the stipulated timelines, the officers should be surcharged the full amount due.

Accounting officers should institute measures to ensure that government financial regulations and procedures on imprests are strictly adhered to within their jurisdictions.

Mr Speaker, I wish to leave it at this because members can see the way our executive is confused. They say that this is the second year of devolution.

1.7 Review of IFMIS Operation

1.7.1 CRF and Commercial Bank accounts not configured in IFMIS

Mr Speaker, the Auditor General noted that County Revenue Fund account (CRF) and commercial Bank accounts have not been configured with IFMIS. Consequently, the County was not able to post into the system transactions related to these accounts. The transactions were recorded manually as listed below;

Bank details	Account number	Balance as at 30th June 2015 (Kshs.)
CBK- Revenue Account	1000170182	190,737,915.25
Equity Bank- Recurrent	0620261016673	15,552,849.64
Co-op Bank- imprest account	01141467361100	63,373.53
Co-op Bank- Recurrent Account	01140736779	21,597,679
Family Bank- Emergency Fund	037000003803	18,901,500
Family Bank- Bursary Fund	037000006218	22,069
KCB- Revenue account	1140736779	9,622,992.23

In the circumstances, it has not been possible to ascertain the accuracy and completeness of transactions relating to these accounts during the year ended 30th June 2015.

Mr Speaker, the Accounting Officer confirmed that the assertion that the CRF and the Commercial bank accounts had not been configured in IFMIS was correct. However, the department communicated to the IFMIS team at the National Treasury to configure the same in IFMIS as supported by the availed letters dated 15th December 2015. The process of configuring the CRF and the Commercial bank accounts is still ongoing.

The committee observed that during the year under review, modules to configure commercial banks and CRF accounts had indeed not been developed. However, the modules have now been developed and therefore, the configuration of the aforementioned should be complete. Nevertheless, as much as the Committee concurs with the executive officers that configuration modules had not been developed, the officers should have availed bank statements of all commercial banks and CRF accounts for the Committee to verify the balances as reported in the financial statements. The County Treasury was in contravention of IAS 30 on disclosures of the financial statements of banks and similar financial institutions.

We recommended that the County Treasury should enforce compliance to IAS 30 on disclosures in the Financial Statements of banks and similar financial institutions. We actually noted that IFMIS had not been configured in our revenue accounts and the process is ongoing.

1.7.2 Unreconciled IFMIS and Financial Statement Balances

A comparative analysis of figures reported in financial statements and IFMIS balances revealed unreconciled variances as tabulated below:

Details	Amount as per Financial statement	Balance as per IFMIS report	Difference
Receipts	4,015,405,989	-	4,015,405,989
Payments	4,001,709,970	3,771,678,478	23,031,492
Financial Assets	613,222,479	-	613,222,479
Opening balance	2,026,746,150	-	2,026,746,150

Mr Speaker, the committee observed that the County Treasury did not post the exchequer receipts and own source revenue in IFMIS. In addition, the County was also unable to allocate exchequer receipts between recurrent and development votes.

Mr Speaker, the management replied that the County Treasury placed a request to upload the FY 2014/2015 revenue budget on IFMIS which was still pending in the National Treasury. Therefore, the 2015/2016 revenue budget could not be uploaded before the prior year's budget. This resulted in lack of posting receipts and hence the differences noted in the financial statements and IFMIS reconciliation.

Further, committee was concerned about the unreconciled difference in payments of Kshs.230,031,492. It became clear that the reason the County Treasury did not post exchequer receipts and own source revenue in IFMIS was because they spent the revenue they collected which was the reason there was a difference between payments, financial statements and the IFMIS report. This goes to confirm our assertions that this kind of variance could only be occasioned by spending at source. This is our own observation, if what is fed in the system in this, you spend more than what you have in the budget, then this means that you spend at source. The committee further concurred with the County Treasury that during the period under review, it was not possible to allocate exchequer receipts between recurrent and development votes in IFMIS.

We recommend that the County Treasury should comply with Section 109(2) of the Public Financial Management Act that requires that all money raised or received by or on behalf of the county government is paid into the County Revenue Fund. Secondly, the County Treasury should liaise with National Treasury to ensure that IFMIS is fully operational. Also, the County Treasury should ensure that all accounting transactions are performed through IFMIS to enhance transparency in financial management.

1.7.3 Variances between IFMIS and Budget Execution report and the Financial Statements

Discrepancies were noted between the budget execution report extracted from the IFMIS system and the budget versus expenditure as per the summary statement of appropriation presented on the financial statements as follows:

Recurrent Budget	Budget (Kshs.)	Actual Expenditure (Kshs.)

Balance as per financial statements	2,626,762,549	2,580,078,624
IFMIS balance	2,626,662,549	2,375,687,112
Variance	100,000	204,391,512
Development Budget		
Balance as per financial statements	1,815,963,103	1,421,631,347
IFMIS balance	1,828,067,889	1,395,991,366
Variance	(12,104,786)	25,639,981

Mr Speaker, the management responded by saying that discrepancies were noted between the budget execution report extracted from IFMIS system and the budget versus expenditure as per summary statement of appropriation presented on financial statements.

a) The recurrent vote book was in actual sense under-cast with Ksh.100, 000. The reports for development were generated and the two figures reconciled.
b) The financial statements were prepared based on expenditure captured on accounts analysis report generated from IFMIS, which has a discrepancy from the receipts and payments report also generated from IFMIS.

The County Treasury is liaising with IFMIS office to interrogate why there is a discrepancy in the payments.

This is a lie Mr Speaker, you cannot have IFMIS generating two differing information on the same issue. So when they say they are liaising with the national treasury one should know it is a lie.

Mr Speaker, the committee, on Recurrent Vote (Financial Statement versus IFMIS Report), concurs with the County treasury that the recurrent vote book for budget was under-cast with Kshs.100, 000 and the actual expenditure was overcast by Kshs.204,391,512. However, the Committee could not understand why the County Treasury did not raise the issue with National Treasury and for that reason, the Committee concluded that the under-casting was intentional to balance the financial statements. So when you realise such an error and you do not want to liaise with National Treasury, you realise that they cooked the figures. Figures were just thrown so that it could balance. Figures could not be missing in the IFMIS statements and the national budget only for them to appear in the financial statements. This shows that figures were just thrown for balancing purposes.

We recommend that the Accounting Officer should ensure that the financial statements reflect a true and fair view of financial position. This will not be allowed in future and this committee will sanction all those found to commit similar mistakes in future.

1.8 Deposits and Retention Funds

This was another query Mr Speaker. Note 24 on accounts payable reflects nil balance as at 30th June 2015 in respect of deposits and retentions funds. However, a review of expenditure records revealed that an amount of Kshs.13,981,754.55 with respect to 10% retention fee was deducted from payments to contractors during the year under review but was not disclosed in these financial statements. Further, deposit bank accounts at Central Bank of Kenya had a nil balance indicating that no equivalent amounts of funds were kept in the account to cater for the retention fees and deposits. Consequently, the accuracy of accounts payable as at 30th June 2015 could not be confirmed.

The management through, one Mr Jesse Mwangi, explained that IFMIS did not have an automatic way of deducting 10% retention. Further, in a written submission made to the

Committee on 11th December 2017, they explained that in the FY 2014/2015, a retention account had not been opened with CBK. Nevertheless, the unpaid retention fund remained in their operational accounts and forms part of funds balance carried forward.

The committee observed that balances of deposits and retentions for both FY 2013/2014 and FY 2014/2015 with reference to the financial statement were nil. The Committee felt that the responses submitted by the Officers of the County Executive were insufficient and that the Financial Statements did not reflect a true and fair view of the Nyandarua County Government.

The committee recommend that in sixty (60) days, the Accounting Officer should;

- Establish the accurate balances of deposits and retentions and report to the Committee.
- Confirm whether the contractors in the period under review were paid retention and withholding fees or not.
- Confirm what the retention money that remained in the operational accounts became of.
- Confirm whether the balance brought forward formed part of the revenue and if so, whether it disclosed in the revenue budget.

Mr Speaker, this one you realise that for works in the department of roads, the department of roads would cut ten percent retention fee and withhold three percent fees. This amount of money from the records that the auditor general got were about Kshs.13 million for the year 2014/15 what this people recorded nil in their financial statements. What is the question here? They say that the treasury did not have an automatic way of deducting ten percent, but they deducted. You devised a way to deduct and when you deducted what became of this money?

So after sixty days the accounting officer should retain the actual balances of deposits and retentions to the committee, tell us what deposits and retentions at that time what did they become of. Confirm whether the contractors involved were paid retention fee. And after a period of time, after six months, Kshs.13.9 million that the County Government deducted from contractors, were they paid or not? And if they were paid, which source did this money come from? In the financial statements it was reported zero. Let us confirm the retention money in the operational accounts, and they say.

Mr Jesse Mwangi says the rationed operational money is retained in their accounts and forms part of Balance brought forward. You cannot tell me the contractors detained money formed part of the balance that was brought forward of the subsequent financial year, one cannot tell me that because I am not a fool.

The executive should then tell us, now that this money formed part of the money in the operational accounts and balance brought forward. Then tell us whether some of the balance brought forward formed the revenue. Did the Kshs.13.9 million of the balance brought forward become revenue of the subsequent financial year? If so, was it disclosed in the revenue budget? This we should be told.

1.9 Failure to Disclose Key Information in the Financial Statements

As previously reported in FY 2013/2014, the County Government of Nyandarua has not disclosed in these financial statements, cumulative receivables from land rates and rent arrears amounting to Kshs.4, 163,720,214 as at 30th June 2014. The balances include arrears inherited from the defunct local authorities of County Council of Nyandarua and Town Council of Ol Kalou. There is a risk of loss of the amounts owed to the County Government. In the circumstances, the County did not comply with the reporting format set by the Public Accounting Standards Board.

Mr Speaker, the management responded that Arrears from the defunct local authority were not well captured. The County has offered waivers so as to regularize the land rates. They only said that.

Mr Speaker, the committee concurred with the Office of the Auditor General that cumulative receivables from land rates and rent arrears amounting to Kshs.4,163,720,214 had not been disclosed in the financial statements. The County Executive of Nyandarua was therefore in contravention of International Accounting Standards No.1 on presentation and disclosures of financial statements. So this one they did not disclose and they were supposed to have disclosed Mr Speaker. These are receivables and they are cumulative. If they came from the former local authorities, report as such.

Committee recommends that the CECM for Finance and Economic Planning should put in place a debt collection policy which will enforce debt collection mechanism to minimize the outstanding debt. Besides, the officers of the County Executive should comply with IAS no.1 on presentation and disclosures of financial statements.

1.10 Unresolved Prior Year Matters

Mr Speaker, The following matters raised in the report of the Auditor General for the FY 2013/2014 have not been addressed.

1.10.1 Assets and liabilities inherited from the Defunct Local Authorities

Assets and Liabilities inherited from the defunct local authorities have not formally been handed over to the county and were not disclosed in the financial statements. There are issues here, you expect that because the Auditor General raises issues, the subsequent years will be rectified. But in the subsequent years the county executive did not address them. The issues of assets and liabilities inherited in 2013/14 from the local authorities had not been handed over to the county Government and not disclosed in the financial statements. The process of accounting these assets is ongoing and will be disclosed in the financial statement once complete. Therefore, up to date the process is still ongoing and will be reported once done even if it will be in 2020.

The committee observed that the executive claimed that the assets inherited from the Local Authorities were not reported due to the pending report by the transition authority on assets verification but which has since been received. The Committee noted that the report was dated 31st December 2014 which was still within the review period, therefore, it did not exonerate them. Subsequently, the committee sought the receiving letter from Transition Authority to confirm when the report was received, however, it was not availed to the Committee. The committee also noted that the asset register maintained by the County Government was inaccurate in that it included items that should not be categorized as assets. Transition Authority came to an end and did not exonerate them. So the report of the transitional Authority was not complete. So they can never report. But they come and bring the report of handing over of 31st December 2014. So the year under review is 2014, therefore the letter dated 31st December 2014 was still under this the same year of the period under review. This is the same period they are saying they had not received the letter.

Subsequently, the committee sought the receiving letter from the Transition Authority to confirm when the report was received it was not availed to the Committee. The Committee also noted that the asset register maintained by the County Government was inaccurate in that it included items that should not be categorized as assets. For instance;

i. The Department of Industrialization, Trade Cooperatives, and Enterprise Development included office partitioning and carpeting as assets.
ii. The Department of Roads, Public Works and Transport highlighted grading and graveling of roads as assets.
iii. The Department of Health services categorized the cost of completion of various health centre/dispensaries as an asset yet it should value the complete building.

The Committee also noted that the assets register did not include assets that were inherited from the defunct local authority.

The committee recommended that in constituting a fixed assets register, utmost care should be taken not to include non-asset items such as cost incurred in improving the asset. It should be appreciated that not all development expenditures become assets. Also, that the Accounting Officer should ensure that documents are produced for verification as required under section 37 of the Public Audit Act failure to which he/she will be held liable. Further, the County Executive Committee should devise means of constituting a complete, accurate and reliable fixed asset register by adding any asset that was omitted in the registers, the assets that were handed over by defunct local authorities.

1.10.2 Cash and Cash Equivalent

The Cash and bank balance of Kshs.599,526,460 shown in the statement of assets differed with an amount of Kshs.571, 131,915 reflected in the cash flow statement for the year ended 30th June 2017. Further, cash book and bank reconciliations statements for County revenue bank accounts at various banks were not maintained. In the circumstances, the accuracy of cash and bank balances as at 30th June 2014 could not be confirmed.

The committee observed that the bank reconciliations and cash book statements that were availed to the committee were incomplete.

In lieu of the above, the committee recommended that the CECM for Finance and Economic Planning, within sixty (60) days, should avail to the County Assembly's Public Accounts and Investments Committee certificate of balances as at 30th June 2014 and as at 30th June, 2015 of all accounts of the County Government of Nyandarua held with the Central Bank of Kenya and those held with Equity Bank, KCB, Cooperative Bank and any other Commercial banks. At the end of every Financial Year there is a certificate given by the Central Bank of Kenya. So we should be able to access this certificates. The central bank should be able what the closing balance as at 31st December 2014 was so that these people do not confuse us with information of 599,601, 651 and 627 million. Besides, the County Treasury should ensure that all cashbooks and bank reconciliation statements are prepared and maintained accordingly. Third, the County Treasury should on a monthly basis ensure that bank reconciliations for all accounts are done.

1.10.3 Fund Balances

Mr Speaker, this was a question on unreconciled variance of Kshs.604,599,601. The management informed the committee that at the inception, the county did not have adequate capacity in handling the reporting unit. They have so far employed enough accountants and the variances are not expected to occur in the future. This are the same accountants who appeared before the committee and they were not able to answer our questions; I do not know if they will be able to respond in future.

1.10.4 Unsupported Expenditure

This are prior matters and I want to go to other matters. On Budget Performance Analysis, the County Government of Nyandarua had an approved final budget of Kshs.4,454,731,438 comprising of recurrent allocation of Kshs.2,626,662,549 (58%) and Kshs.1, 828,067,889(42%) to development vote. This should go to Kimemia. Out of the approved budget of Kshs.4,454,731,438, the County Government managed to spend Kshs.4,001,709,97 1 or 90% as follows:

Item	Budget (Kshs.)	Actual (Kshs)	Budget utilization	% of total Expenditure
Recurrent	2,626,662,549	2,580,078,624	98%	64%
Development	1,828,067,889	1,421,631,347	78%	36%
Total	4,454,731,438	4,001,709,971	90%	100%

The management, however, did not disclose the FY 2013/2014 budget projects rolled over to the FY 2014/2015. This Financial Year 2014/15 is the year that that good work was done and therefore, coming this June, I am recommending that we do a budget of 42% development.

The management, however, did not disclose the FY 2013/2014 budget projects rolled over to the FY 2014/2015.Records indicate that payment of pending bills for FY 2013/2014 amounting to Kshs.162,631,789 was made during the year under review, but it is not clear to which vote the expenditure was charged.

Mr Speaker, the committee observed that that the total approved 2014/15 budget (prior to revised and supplementary budgets) for Nyandarua County was Kshs.4,454,731,438 with a recurrent expenditure allocation of Kshs.2,626,662,549 (58%) and development expenditure allocation of Kshs.1, 828,067,889. This budgetary allocation was in line with the PFM Act that provides that at least 30% of the budget allocation should be reserved for development…

(Hon. Gathure Wambui rises on a point of order)

Speaker: What is it Member for Kaimbaga?

Hon. Gabriel Gathure: Mr Speaker, I note that we are proceeding well but the House lacks quorum because we are twelve members instead of thirteen members. I am wondering that, if we continue with this motion, shall we have enough members to adopt or reject it?

QUORUM CALL

(Clerk-at-the-table confirms that there is no quorum)

Speaker: There being no quorum at this time, I will invoke the provisions of the Standing Orders no 36 which reads as follows:

> (1)If at any time after the Chair is taken, or when the Assembly is in Committee, a Member objects that there is not a quorum present, the Speaker or the Chairperson shall order a count of the Assembly or the Committee as the case may be.

Which I have done.

> (2) If on the count under paragraph (1) a quorum does not appear to be present, the Speaker or the Chairperson shall cause the division bell to be rung as on a division, and if no quorum is present at the expiration of eight minutes

> (a) If the Speaker is in the Chair, the Speaker shall adjourn the Assembly until the next sitting without question put; and I thus order that the bell be rung for eight minutes.

With that, I will then direct that the division bell be rung for eight minutes or for such time within the eight that quorum will have been achieved.

(Bell rings for eight minutes and quorum is not achieved as confirmed by the clerk-at-the-table)

ADJOURNMENT

Speaker: Okay Honourable Members, according to the Standing Orders No 36 (2):

> If on the count under paragraph (1) a quorum does not appear to be present, the Speaker or the Chairperson shall cause the division bell to be rung as on a division
>
> (a) if the Speaker is in the Chair, the Speaker shall adjourn the Assembly until the next sitting without question put;

And, pursuant to Standing Order No 33:

> Any debate interrupted under this Part shall on coming again before the House or the Committee, be resumed at the point where it was interrupted and any Member whose speech was so interrupted shall have the right to speak on such resumption for the remainder of the time available to him or her but if such Member does not avail himself or herself of this right, his or her speech shall be deemed to have been concluded.

Therefore Honourable Members, this debate shall proceed immediately after the orders in order paper for tomorrow are called out, and, this motion will proceed from where the Chairperson of that committee and the Member for Gatimu had reached. So, we adjourn to tomorrow the 21st day of February 2018 at 9.00 am.

(The House rose at 4.25 pm)