



COUNTY GOVERNMENT OF MERU

OFFICE OF THE SPEAKER

COUNTY ASSEMBLY OF MERU

FIRST ASSEMBLY

OCTOBER 2014

**REPORT OF THE *AD HOC* COMMITTEE INVESTIGATING THE
STATUS OF THE OUTSTANDING BALANCES OF FUNDS DISBURSED
TO THE DEFUNCT LOCAL AUTHORITIES FROM LATF FOR
PROJECTS**

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PREFACE

Mr. Speaker Sir,

It is my honour and pleasure to present to this Honourable House, the report of the *Ad hoc* Committee investigating the outstanding balances of funds disbursed to the defunct Local Authorities from Local Authorities Transfer Fund (LATF) for projects for the F/Y 2012/2013.

Life of the Committee

Mr. Speaker Sir,

On 10th June 2014, I sought a statement from the County Executive Committee Member (CEC) for Finance, Mr. Jacob. M. Kirera, on the status of the outstanding balances of funds disbursed to the Local Authorities from LATF, for projects which had been initiated by the defunct Local Authorities, upon the advent of the County Government. It was my view that the response by the County Executive Committee Member (CEC) for Finance was inadequate and lacking of any urgent action by the County executive in addressing the situation. This view was supported by the honourable members of this Assembly who similarly found the statement unsatisfactory and alleged inaction by the county executive in awarding the matter the urgency it deserved.

Following the sentiments echoed by the members of this honourable house, I moved a motion that there be established an *Ad hoc* Committee to look into the issues surrounding the outstanding balances of funds disbursed to the defunct Local Authorities from LATF for Projects for the F/Y 2012/2013 and table the Committee's findings before this honourable house for debate and adoption within a period of thirty days from the date of passing the motion.

Mandate of the Committee

Mr. Speaker Sir,

The Committee's mandate in respect to the investigations on the funds disbursed to the defunct Local Authorities from LATF for projects emanates from *Article 185 (3)* of the Constitution of Kenya 2010 which is to the effect that a county assembly, while respecting the principle of the separation of powers, may exercise oversight over the county executive committee and any other county executive organs. In the exercise of this oversight mandate, the Committee was required to investigate the issues surrounding the disbursements of the LATF funds, projects to be undertaken with the funds, their status and the amounts transferred to the County Government during the transition period.

Mr. Speaker Sir,

The Committee's mandate was established with the following Terms of Reference:-

1. To investigate the funds disbursed to the defunct Local Authorities from LATF for projects for the F/Y 2012/2013;
2. To call for documents on the disbursements of the LATF funds to the defunct Local Authorities and their expenditure;
3. To investigate the status of the projects to be funded by the LATF funds;
4. To summon any witnesses with adequate information on the issues being investigated by the Committee;
5. To present a report on the status of the funds disbursed to the defunct Local Authorities from LATF for projects for the F/Y 2012/2013, and the amount transferred to the County Government during the transition period before the assembly for debate and adoption;

Committee Composition

The Committee comprises the following Members of the Meru County Assembly:

- | | |
|---------------------------------|-------------|
| 1. Hon. Samson Thurania Anampiu | Chairperson |
| 2. Hon. James Mugambi Mungathia | Vice Chair |
| 3. Hon. Daniel Kiogora M'Inoti | Member |
| 4. Hon. Joshua Mithiaru Kiunga | Member |
| 5. Hon. Jennifer Murogocho | Member |
| 6. Hon. Secondina Kanini | Member |
| 7. Hon. Ambrose Gichunge | Member |
| 8. Hon. Elizabeth K. Mwiti | Member |
| 9. Hon. Julius Mbijiwe Murori | Member |
| 10. Hon. Andrew Kobia M'Eringo | Member |
| 11. Hon. Nicholas Mburugu | Member |
| 12. Hon. Godfrey Safari Ntalala | Member |
| 13. Hon. Joan Gacheri Theuri | Member |

Committee Sittings

Mr. Speaker Sir,

The Committee held a total of thirty four (34) sittings which included sittings for coming up with the Committee's work plan, examination and analysis of documents, examination of witnesses, site visits and the compilation of the Committee's report.

Executive Summary

The Committee commenced its work on 19th September, 2014 with Hon. Samson Thurania Anampiu as the Chairperson and Hon. James Mugambi Mung'athia as the Vice Chairperson.

The Committee adopted a multi-dimensional approach that was aimed at executing its mandate within the time frame set by the House. To achieve this, the Committee resolved to divide its works into the following three (3) interlinked phases with activities geared towards the achievement of the Committee's mandate:-

1. Planning phase which entailed the preparation of a work schedule for the Committee and a program for identifying and questioning potential witnesses;
2. Examination and analysis phase which entailed the analysis and examination of documents provided to or called for by the Committee including the questioning of witnesses;
3. Recommendations phase which entailed the evaluation and approval of the recommendations made on the report by members.

Mr. Speaker Sir,

This report is divided into four main parts. The first part of the report gives the introduction as well as the background of the events leading to the formation of the Committee. The second part contains the analysis of documents presented before the Committee for examination as well as the Committee's findings on witness statements obtained during the examination of witnesses invited to appear before the Committee. The final part of this report gives the findings, observations and conclusions drawn by the Committee's investigations as well as the Committee's recommendations from those findings.

Committee Findings, Observations and Conclusions

The Committee made the following findings, observations and conclusions:

1. That the defunct Local Authorities did their budget based on the three LATF disbursements but only received two disbursements which caused some of the projects not to be completed;
2. That the Local Authorities Transfer Fund (LATF) funds were disbursed to the defunct Local Authorities in three allocations;
3. That the defunct Local Authorities had received the first and the second allocations before the advent of the County Government;
4. That the third allocation was to be disbursed after the County government had already taken over from the defunct Local Authorities;
5. That the Local Authorities were to cease operation by 28th February 2014 to give way to the County Government;
6. That a circular was issued by the former minister Local Governments instructing the defunct Local Authorities not to spend the LATF funds;

7. That there were differences in the figures in the report presented by the Transition Authority Coordinator and the figures in the report presented by the Chief Officer Finance on the balances transferred to the County Government from the LATF account of the defunct County Council of Meru Central;
8. The County Government did not receive the funds for the third allocation as expected which were to complete all the uncompleted projects.

General Recommendations

From the above findings and observations the Committee makes the following recommendations:

1. That the County Executive Committee Member (CECM) Finance adopts all the uncompleted projects from all the four defunct Local Authorities to be County Government projects as they appear in page 21 to 27;
2. That the County Executive Committee Member (CECM) Finance appropriates funds in the next budget to finance the above projects;
3. That the County Executive Member ensures that all the above projects are completed;
4. That the County Secretary does provide the Meru County Assembly with an update on the implementation status of this report.

Acknowledgements

The Committee is grateful to the Honourable House through the Speaker for the support granted in executing its mandate.

The Committee is also grateful to the office of the Clerk Meru County Assembly for facilitating and providing technical support to the Committee.

Finally, I wish to express my appreciation to the Honourable Members of the Committee who endured the strenuous hours dictated by the Committee's program, and who sacrificed time from their families and their electorates to participate in the activities of the Committee including attending meetings at extended hours. I would also like to thank the Clerk to the Committee for his dedication and hard work in facilitating the activities of the Committee and for providing his technical knowledge in the compilation of this report.

I am also thankful to the persons invited to appear before the Committee to provide information relating to the issues being investigated by the Committee for promptly appearing before the Committee on short notices and for making the Committee's work much easier.

Mr. Speaker Sir,

I wish to confirm that the recommendations of the Committee in this report were unanimous.

It is therefore my pleasant duty and privilege, on behalf of the *Ad hoc* Committee investigating the status of the outstanding balances of funds disbursed to the defunct Local Authorities from LATF for projects for the F/Y 2012/2013 to table this report and recommend it to this Honourable House for debate and adoption pursuant to provisions of the County Assembly of Meru Standing Order No.183 (6).

SIGNED: **DATE:**

HON. SAMSON THURANIRA ANAMPIU, MCA

CHAIRPERSON, AD HOC COMMITTEE INVESTIGATING LATF DISBURSEMENTS

F/Y2012/2013

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 Introduction

Article 185(3) of the Constitution of Kenya 2010 outlines the exercise of oversight powers as one of the core functions of a County Assembly.¹ This function serves to facilitate the principle of checks, counter checks and balances among the two levels of County Governments. To facilitate the discharge of this function, County Assemblies have been equipped with a wide range of powers to compel the production of documents and summon witnesses to secure their attendance before the Assembly's Committees. These provisions are clearly spelt out under *Article 195* of the Constitution of Kenya 2010.² In this regard therefore, the concept of oversight authority thus exists not only to check the exercise of the executive power at the county level but also to ensure public accountability in the exercise of this function. County Assemblies may thus constitute oversight Committees to ensure the exercise of this mandate.

Pursuant to this, the *Ad hoc* Committee investigating the outstanding balances of funds disbursed to the defunct Local Authorities from LATF in the F/Y 2012/2013 was thus constituted by the

¹ *Article 185 (3)* of the Constitution of Kenya 2010: A county assembly, while respecting the principle of the Separation of powers, may exercise oversight over the county executive committee and any other county executive organs.

² *Article 195. (1)* A county assembly or any of its committees has power to summon any person to appear before it for the purpose of giving evidence or providing information.

(2) For the purposes of clause (1), an assembly has the same powers as the High Court to—

(a) enforce the attendance of witnesses and examining them on oath, affirmation or otherwise;

(b) compel the production of documents; and

(c) issue a commission or request to examine witnesses abroad.

County Assembly of Meru to look into the expenditure of the LATF funds by the defunct Local Authorities and the amount transferred to the County Government during the transition period.

This report is divided into four main parts. The first part of the report gives the introduction as well as the background of the events leading to the formation of the Committee. The second part contains the analysis of documents presented before the Committee for examination as well as the Committee's findings on witness statements obtained during the examination of witnesses invited to appear before the Committee. The final part of this report gives the findings, observations and conclusions drawn by the Committee's investigations as well as the Committee's recommendations from those findings.

1.2 Background

The genesis of the Committee's mandate arose when Hon. Samson Thurania Anampiu sought a statement before the Assembly from the County Executive Committee Member (CEC) for Finance, Mr. Jacob. M. Kirera, on the status of the outstanding balances of funds disbursed to the defunct Local Authorities from LATF upon the advent of the County Governments. The statement was read out before the Assembly and the members found it unsatisfactory citing inaction by the Executive in awarding the matter the urgency it deserved. The Assembly then passed a motion to form an *Ad hoc* Committee to investigate the issues raised by members on the status of the outstanding balances of the LATF funds and the status of the projects to be funded by those funds then table a report before the Assembly for approval and adoption.

CHAPTER TWO

2.0 DOCUMENTS PRESENTED TO THE COMMITTEE FOR EXAMINATION

Subject to Hon. Samson Thurania Anampiu's request in the Assembly seeking a statement from the County Executive Committee (CEC) Member for Finance on the status of the outstanding balances of the funds disbursed to the defunct Local Authorities from LATF for projects, the House was forwarded a statement (*Annexure 2*) from the aforementioned CEC Member showing that:

1. That the defunct local Authorities received in February 2013, LATF funds totaling to Kshs. 234,151,252;
2. They utilized Kshs. 168,434,589 and they had the following balances which totaled to Kshs 67,716,663:
 - County Council of Meru Central Kshs 41,000,911.
 - County Council of Nyambene kshs 52,265.
 - Municipal Council of Maua, 9,174,487.
 - Municipal Council of Meru, Kshs. 17,489,000
3. That Kshs.96,000,000 which was meant to come from the national government was not received and as such many projects that were budgeted for were not done.

The documents presented to the Committee formed the foundation of the Committee's investigations. The Committee examined each of them and deduced the following information from each of the documents:

2.1 The handing over report from the Local Authorities to County government.

The report was presented before the Committee on 1st October 2014 by Mr. Zachary Mutwiri the Coordinator Transition Authority when he appeared before the Committee. The report lists all the assets and liabilities which were handed over to the County Government from the defunct Local Authorities. The committee went through the report and noted that it contained the bank account balances for LATF funds that were handed over to the County Government. They indicated the following balances as at 31st May 2013;

- Municipal Council of Meru National Bank A/C No. 01002039038800 had kshs 17,489,568.
- County Council of Meru Central KCB LATF A/C kshs 74,964,156.
- County Council of Nyambene Consolidated Bank LATF A/C No. 0120345600500 kshs 92,265.05.
- Municipal Council of Maua Cooperative Bank LATF Account No. 01120024683002 Kshs 9,174,487.

2.2 Report of findings on LATF implementation progress

The report was presented to the Committee by the Chief Officer Finance Mr. Timothy Kaaria when he appeared before the Committee on 13th October 2014. The report was on the progress of implementation of LATF projects. It indicated the completed projects and fully paid for, completed projects but not paid for and budgeted project but not implemented. It listed all the projects for the four Councils and the amount allocated for each project. The Committee noted that:

- in County Council of Nyambene there were 79 projects which were budgeted but not implemented worth Kshs 22,939,000;

- in County Council of Meru Central there were 33 projects which were budgeted but not implemented worth Kshs 12,640,000;
- in Municipal Council of Meru there was one project which was budgeted for and was not implemented worth Kshs 9,079,555;
- In Municipal Council of Maua there were 5 projects which were budgeted for and were not implemented worth Kshs 7,006,404.

CHAPTER THREE

3.0 STATEMENTS FROM INVITED WITNESSES AND EXAMINATION OF DOCUMENTS REQUESTED BY THE COMMITTEE

3.1 Examination of Witnesses

In furtherance of its mandate to investigate the issues plaguing the LATF funds balances for projects and in order to shed more light into the issues raised on the documents presented before the Committee, the Committee invited persons who in the opinion of the Committee had the relevant information to aid in the investigations. The witnesses were invited to appear before the Committee and they were subsequently placed under oath before providing any information to the Committee.

The Committee examined a total of fourteen (15) witnesses who provided the Committee with the information forming the basis of this report. These were:

1. Mr. Felix Rimberia, the former Clerk to the defunct Municipal Council of Maua and currently the Deputy Clerk County Assembly of Meru;
2. Mr. Adan Racho, the former Clerk to the defunct Municipal Council of Meru;
3. Mr. Stephen Nkumbu Thirari former Desk Clerk LATF to the defunct County Council of Meru Central and currently Store Manager County Assembly of Meru;
4. Mr. Nturibi Mwithimbo former Works Officer to the defunct Meru Municipal Council;
5. Hon. Gideon Kimathi, former Chairperson to the defunct County Council of Meru Central and currently the Deputy Speaker County Assembly of Meru;
6. Mr. Solomon Murende Kiragu former Works Officer to the defunct County Council of Meru Central;

7. Mr. Chege Mwangi former Treasurer to the defunct County Council of Meru Central ;
8. Mr. Stephen Munene former Treasurer to the defunct County Council of Nyambene;
9. Mr. Maina Chira former Clerk to the defunct County Council of Nyambene;
10. Mr. Baariu former Works Officer to the defunct County Council of Nyambene;
11. Hon. Henry Mworira former Chairperson to the defunct County Council of Nyambene;
12. Hon. Samuel Kiome Rimbera Mayor to the defunct Municipal Council of Maua;
13. Mr. Timothy Kaaria the acting Chief Officer Finance;
14. Hon. Joshua Mithiaru Kiunga Chairperson to the Committee on County Finance, Budget and Appropriations;
15. Mr. Zachary Mutwiri the Coordinator Transition Authority.

3.1.1 Examination of Mr. Felix Rimberia (Former Clerk to the Defunct Municipal Council of Maua)

Mr. Felix Rimberia appeared before the Committee on 22nd September 2014 to testify on the defunct Municipal Council of Maua LATF funds. He was questioned under oath and the Committee heard that:

1. He was the Clerk of the defunct Municipal Council of Maua;
2. That the defunct Municipal Council of Maua had five wards namely;
 - (i) Maua North Ward
 - (ii) Stadium Ward
 - (iii) Maili Tatu Ward
 - (iv) Antubochio Ward
 - (v) Kithetu Ward

3. That in the F/Y 2012/2013 the money was received in three disbursements in the following amounts;
 - (i) First disbursement was received on 9/11/2012, an amount of kshs 16,063,939.
 - (ii) Second disbursement was received on 22/2/2013, amounting to kshs 13,922,080.
 - (iii) Third disbursement was given to the County Government, amounting to kshs 5,711,623.
4. The Municipal Council of Maua spent kshs 25,453,355.22 on the projects identified and the balance was kshs 9,174,487.10;
5. The money remaining in the LATF account for the year F/Y 2012/2013 was transferred to the County Government which amounted to kshs 9,174,487.10;
6. There was a further balance in the LATF account for the previous F/Y 2011/2012 which amounted to Kshs 4,641,823 making the total amount transferred to the County Government a sum of kshs 14,886,110.10;
7. He presented to the Committee a schedule for projects showing the completed and non-completed projects for the defunct Municipal Council of Maua. (*Annexure 3*)

3.1.2 Examination of Mr. Aden Racho (Former Clerk to the Defunct Municipal Council of Meru)

Mr. Aden Racho appeared before the Committee on 22nd September 2014 and on 4th October 2014 to testify on the defunct Municipal Council of Meru LATF funds. He was questioned under oath and the Committee heard that:

1. He was the Clerk of the defunct Municipal Council of Meru;
2. There was a ministerial circular from the former Ministry of Local Governments instructing the Councils to complete all the outstanding projects which were to be

completed within that year and not to undertake any new projects as the councils were about to be dissolved and the County Government was to take over;

3. The Council adhered to the ministerial circular and undertook to complete the existing projects;
4. The new projects the Municipal Council of Meru undertook were supposed to be completed within that financial year i.e 2012/2013;
5. The total amount transferred to the County Government from projects money was Kshs 1,499,530;
6. He presented to the Committee a schedule for projects showing the completed projects and the uncompleted projects for the defunct Municipal Council of Maua. (*Annexure 4*)

3.1.3 Examination of Hon. Samuel Kiome Rimbere (Mayor to the Defunct Municipal Council of Meru)

Hon. Samuel Kiome Rimbere appeared before the Committee on 23rd September 2014 to testify on the defunct Municipal Council of Meru LATF funds. He was questioned under oath and the Committee heard that:

1. He was the Mayor of the defunct Meru Municipal Council;
2. The Meru Municipal Council had nine wards namely;
 - Cathedral ward
 - Stadium ward
 - Kaaga ward
 - Gakoromone ward
 - Hospital ward
 - Central ward

- Mwendaantu ward
 - Commercial ward
 - Milimani ward.
3. They had agreed not to start any new projects as they would stall after the Council was dissolved;
 4. The Council had set money amounting to nine million for improvement of the Tom Mboya Street and construction of Cabros and drainage System along the Mosque road;
 5. That the Cabro construction was partly done;
 6. That there was Mwiteria polytechnic project and Milimani toilets project which were not completed.

3.1.4 Examination of Hon. Gideon Kimathi Mutwiri (Chairperson to the Defunct County Council of Meru Central)

Hon. Gideon Kimathi Mutwiri appeared before the Committee on 25th September 2014 to testify on the defunct County Council of Meru Central LATF funds. He was questioned under oath and the Committee heard that:

1. He was the Chairperson of the defunct County Council of Meru Central;
2. The LATF funds were always received in three phases in the following manner;
 - 45% on September;
 - 39% on February and;
 - 16% on May.
3. The County Council received the 45% on September 2012 for the F/Y 2012/2013 and this money was all spent on the identified projects;

4. Each ward had a number of projects which they were to undertake and those projects were not to take more than 1.4 million shillings;
5. The County Council of Meru Central used to have votes for projects and salaries;
6. The 39% was received on February 2013 and by then the Council had been dissolved and there were imminent elections;
7. The Council decided that the money should not be spent since the councilors were not there and there was the fear that the money would be squandered;
8. The Treasurer Mr. Chege Mwangi was a signatory of the LATF funds and should be aware of the balances that were transferred to the Transition Authority;
9. That the Works Officer had the information on the ongoing projects and their status of implementation.

3.1.5 Examination of Hon. Joshua Mithiaru (Chairperson County Finance, Budget and Appropriations Committee)

Hon. Joshua Mithiaru appeared before the Committee on 25th September 2014 to testify as the Chairperson Committee on County Finance, Budget and Appropriations on matters related to LATF funds. He was questioned under oath and the Committee heard that:

1. He was the chairperson Committee on County Finance, Budget and Appropriations;
2. That the Committee had faced a lot of problems while preparing the first County Government budget in regard to the LATF funds;
3. That the Committee received very scanty information from the concerned departments;
4. In their report as the Committee on County Finance, Budget and Appropriations they cited many issues regarding the LATF funds and the Committee should put them into consideration.

3.1.6 Examination of Mr. Maina Chira, Mr. Stephen Munene and Mr. Baariu (Clerk, Treasurer and the Works Officer respectively to the Defunct County Council of Nyambene)

Mr. Maina Chira, Mr. Stephen Munene and Mr. Baariu appeared before the Committee on 29th September 2014 and 13th October 2014 to testify on the defunct County Council of Nyambene LATF funds. They were questioned under oath and the Committee heard that:

1. They were the Clerk, Treasurer and the Works Officer respectively of the defunct County Council of Nyambene;
2. That the total allocation for County Council of Nyambene for the F/Y 2012/2013 was Kshs 249,205,884;
3. That they received the first and the second disbursement in the following amounts;
 - First disbursement was kshs 112,000,000.
 - Second disbursement kshs 97,190,294.
4. That they had a Service Component of kshs 148,480,901, performance Component of Kshs 98,987,268 and a higher performance Account of Kshs 1,737,715 which all amounted to the Kshs 249,205,884;
5. They had Local Authorities Service Delivery Action Plan (LASDAP) projects categorized in the following manner;
 - Construction of classrooms Kshs 18,375,000
 - Water Kshs 8,105,000
 - Health Kshs 2,000,000
 - Rehabilitation of access roads Kshs 12,530,000
 - Installations of Gabions Kshs 1,475,000

- Construction of Bridges Kshs 1,000,000
 - Installation of Culverts Kshs 8,545,000
6. The total amount received for LASDAP projects was kshs 57,600,000 which translated to 1.8 million for every ward;
 7. That the LASDAP projects which were completed amounted to Kshs 35,470,000 and the uncompleted project were amounting to Kshs 22,130,000;
 8. They presented before the Committee a list of all the completed and the uncompleted projects in the defunct Nyambene County Council; (*Annexure 5*)
 9. That their projects were all captured in their performance contract and presented a copy of the performance contract to the Committee.

3.1.7 Examination of Mr. Stephen Nkumbo Thirari (Desk Clerk LATF defunct County Council of Meru Central)

Mr. Stephen Nkumbo Thirari appeared before the Committee on 29th September 2014 to testify on the defunct County Council of Meru Central LATF funds. He was questioned under oath and the Committee heard that:

1. He was the Desk Clerk LATF in the defunct County Council of Meru Central;
2. The defunct County council of Meru Central had thirty two wards;
3. That they received and spent the first disbursement of 45% only;
4. The second disbursement of 39% was received but was never spent on any projects;
5. That the County Council undertook projects in all the thirty two wards and some of those projects were completed while others were not completed. He read out all the projects and their status whether completed or not completed;(*Annexure 6*)

3.1.8 Examination of Mr. Nturibi Mwithimbu (Former Works Officer to the Defunct Municipal Council of Meru)

Mr. Nturibi Mwithimbo appeared before the Committee on 30th September 2014 and on 3rd October 2014 to testify on the defunct Municipal Council of Meru LATF funds. He was questioned under oath and the Committee heard that:

1. He was the Works Officer of the defunct Municipal Council of Meru;
2. That the municipal Council of Meru had nine wards;
3. That during the F/Y 2012/2013 LASDAP budget, each Ward was allocated 1.4 million shillings making the amount disbursed to all the Wards to a total of 12.6 million shillings;
4. That there were only two council projects for that year and they were allocated one million shillings;
5. There was an advisory from the national Government not to undertake any project which could not be completed within that financial year;
6. That Mosque road and Tom Mboya were not to be improved using the LATF funds but the money allocated for that project was from Road Maintenance Fund;
7. That the file for Commercial Ward and the Stadium Ward were missing therefore could not give the status of the utilized and un utilized funds though some projects in those Wards were partly done;
8. He presented to the Committee a schedule showing all the projects the Municipal Council of Meru was undertaking, their status, amount allocated for the projects and what was utilized. (*Annexure 4*)

3.1.9 Examination of Mr. Examination of Mr. Zachary Mutwiri (Coordinator Transition Authority)

Mr. Zachary Mutwiri appeared before the Committee on 1st October 2014 to testify on the LATF funds that were transferred from the defunct Local Authorities to the County Government. He was questioned under oath and the Committee heard that:

1. He was the Coordinator Transition Authority;
2. The Local Authorities were supposed by law to cease from operation before 4th March 2014;
3. A County revenue fund and the operations fund were to be set up to take over from the Local Authorities accounts;
4. There was delay in setting up of County Revenue Fund which was operationalized in June. This meant that the Local Authorities accounts could not be closed before the operationalization of the County Revenue Fund due to the recurrent expenditures like salaries for the County Government employees;
5. That there came a time when they realized that money was being massively withdrawn from the Local Authorities accounts. They therefore wrote letters to all the banks instructing them to freeze the LATF and other accounts from any withdrawals until the County Government was fully operationalized;
6. He presented to the Committee letters written to various Banks instructing them to freeze the Local Authorities accounts and directing that the funds in those accounts be transferred to the Revenue Account Sub-County(*Annexure 7*);
7. He further presented to the Committee a letter from the Cooperative Bank of Kenya showing the amounts transferred to the Revenue Sub-county Account;

8. He also presented to the Committee a handing over report showing the balances in the LATF accounts as at 31st March 2014 which reflected, (*Annexure 8*)

- Municipal Council of Meru National Bank LATF Account No.01002039038800
Kshs 17,489,568
- County Council of Nyambene Consolidated Bank LATF Account No.
0120345600500 Ksh 92,265.05
- County Council of Meru Central Kenya Commercial Bank LATF Account Kshs
74,964,156
- Municipal Council of Maua Cooperative Bank LATF Account No.
01120024683002 Kshs 9,174,487

3.1.10 Examination of Mr. Solomon Kiragu Murende (Works Officer defunct County Council of Meru Central)

Mr. Solomon Kiragu Murende appeared before the Committee on 3rd October 2014 to testify on the defunct County Council of Meru Central LATF funds. He was questioned under oath and the Committee heard that:

1. He was the Works Officer of the defunct County Council of Meru Central;
2. That the defunct County Council of Meru Central had thirty two Wards and the F/Y 2012/2013 each Ward was allocated 1.4 million shillings for projects;
3. The Council received the first and the second disbursement of the LATF funds;
4. They only spent the first disbursement because when the second disbursement was received there was a circular instructing them not to spend the money as the County Government was to take over;

5. In the first disbursement received in October 2012, 44.8 million shillings was for projects. They spent kshs 18,002,638 and the balance handed over to the County Government from projects was kshs 26,797,362;
6. They did not spend the second disbursement because the council had received a communication from the Ministry of Local Government in Nairobi informing them not to spend money on projects until a new government was put in place.

3.1.11 Examination of Mr. Chege Mwangi (Treasurer defunct County Council of Meru Central)

Mr. Chege Mwangi appeared before the Committee on 3rd October 2014 to testify on the defunct County Council of Meru Central LATF funds. He was questioned under oath and the Committee heard that:

1. He was the Treasurer County Council of Meru Central;
2. The Council received the first and the second disbursements of LATF funds;
3. The first disbursement was received on 13th November, 2012 an amount of kshs 104,970,532 and the second disbursement was received on 22 February 2013 an amount of kshs 90,974,461 all adding up to 195.9 Million shillings;
4. That the Council accounts were supposed to be closed by 28th February, 2013 but were never closed;
5. He presented to the Committee a bank statement showing the balance for the LATF account on 28th February 2013 as kshs 85,242,095;
6. He was in office up to 28th February 2013 and could not account for any transaction beyond that period.

3.1.12 Examination of Hon Henry Mworira M’Mutia (Chairperson Defunct County Council of Nyambene)

Hon. Henry Mworira M’Mutia appeared before the Committee on 13th October 2014 to testify on the defunct County Council of Nyambene LATF funds. He was questioned under oath and the Committee heard that:

1. He was the chairperson of the County Council of Nyambene;
2. That the defunct Nyambene County Council had spent almost 80% of their first and second LATF disbursements;
3. That some of the identified projects the Council was undertaking were completed while others were not completed;
4. They did not receive the third disbursement as the County Government had already been established when they were due to be disbursed;
5. The third disbursement would have paid up all the uncompleted projects that were not done;
6. The Council was supposed to be having one LATF account and it was in Consolidated bank;

3.1.13 Examination of Mr. Timothy Kaaria (Chief Officer Finance)

Mr. Timothy Kaaria appeared before the Committee on 13th October 2014 to testify on LATF funds received by the County Government from the defunct Local Authorities. He was questioned under oath and the Committee heard that:

1. He was the Chief Officer Finance and was appearing before the Committee on behalf of the County Executive Committee Member (CECM) Finance Mr. Jacob Kirera who was away on official duties;

2. The County Government had contracted a consultancy firm by the name of Excel Consultants who did an audit on the defunct County Councils and municipal Councils and prepared a report on their assets and liabilities;
3. That the LATF projects were part of the liabilities inherited by the County Government from the defunct Local Authorities;
4. The amount transferred to the County Government from the Local Authorities LATF accounts were,
 - County Council of Nyambene kshs 52,265,
 - County Council of Meru Central kshs 41,000,911,
 - Municipal Council of Maua kshs 9,174,000,
 - Municipal Council of Meru kshs 17,489,000;
5. That the County Government did not receive the third disbursement for LATF for the F/Y 2012/2013;
6. That the total amount received from the Local Authorities LATF accounts for projects was Kshs 67,716,176;
7. That the County Government has paid up LATF creditors from the defunct Local Authorities worth Kshs 35,981,867.25 and are in the process of paying the rest.

(Annexure 9)

CHAPTER FOUR

4.0 CONCLUSIONS AND RECOMMENDATIONS

4.1 Findings, Observations and Conclusions

The Committee made the following findings, observations and conclusions:

1. That the Local Authorities did their budget based on the three LATF disbursements but only received two disbursements which caused some of the projects not to be completed;
2. That the Local Authorities Transfer Fund (LATF) funds were disbursed to the defunct Local Authorities in three allocations;
3. That the defunct Local Authorities had received the first and the second allocations before the advent of the County Government;
4. That the third allocation was to be disbursed after the County government had already taken over from the defunct Local Authorities;
5. That the Local Authorities were to cease operation by 28th February 2014 to give way to the County Government;
6. That a circular was issued by the former minister Local Governments instructing the defunct Local Authorities not to spend the LATF funds;
7. That there were differences in the figures in the report presented by the Transition Authority Coordinator and the figures in the report presented by the Chief Officer Finance on the balances transferred to the County Government from the LATF account of the defunct County Council of Meru Central;
8. The County Government did not receive the funds third allocation as expected which were to complete all the uncompleted projects.

4.2 Recommendations

The Committee Recommends:

1. That the County Executive Committee Member (CECM) Finance adopts all the uncompleted projects from all the four defunct Local Authorities as they appear below to be County Government projects:

4.2.1 Uncompleted projects for the defunct County Council of Nyambene

Project	Ward
1. Ngele Culvert Construction	Igembe S. East Ward
2. Kili Day Sec Sch class construction	Igembe S. East Ward
3. Andiala Day Sch Miori classroom	Igembe East Ward
4. Munyaka water pipes	Igembe East Ward
5. Nthambiro water pipes	Igembe East Ward
6. Njoune Nthare Road Murraming	Igembe East Ward
7. Nthambiro Mpinda Road Murraming	Igembe East Ward
8. Nthambiro Karimukuu Road Murraming	Igembe East Ward
9. Nthare Culvert/Bridge Construction	Igembe East Ward
10. Kiolo Kia Muuti Culvert Installation	Njia Ward
11. Kaai Culvert Installation	Njia Ward
12. Kabaya/Thagene Water Pipes	Igembe S. West Ward

13. Muthilia Water Pipes	Igembe S. West Ward
14. Munyaki Water Pipes	Igembe S. West Ward
15. Rumathi Water Pipes	Igembe S. West Ward
16. Amunyoo – Mukweore Road Grading	Igembe S. West Ward
17. Kithurine Mwimbi Road Grading	Igembe S. West Ward
18. Kiare Gakumbo Road Grading	Igembe S. West Ward
19. Marega – Ngutu Road Grading	Igembe S. West Ward
20. Amunju Tiira Road Culvert Installation	Igembe S. West Ward
21. Kiongo Muthu Culvert Installtion	Igembe S. West Ward
22. Water Pipes Kangeta	Kangeta Ward
23. Urra Pri Sch Classroom Construction	Achenge/Giteretu Ward
24. Kathathamu - Ireine Road Murraming	Achenge/Giteretu Ward
25. Mboone River Culvert Installation	Achenge/Giteretu Ward
26. Amungenti Pri Sch Class Construction	Igembe South Ward
27. Kithia Water Pipes	Igembe South Ward
28. Kaai – Mwiriene Road Grading	Akirangondu Ward
29. K.K. Naanga/Ntunene Road Grading	Akirangondu Ward
30. Mwarika Culvert Installtion	Akirangondu Ward

31. Kathelwa Culvert Installation	Akirangondu Ward
32. Muringene Culvert Installation	Akirangondu Ward
33. Limbarike Culvert Installation	Akriangondu Ward
34. Mutute Culvert Installation	Antuambui Ward
35. Mikira-Nyaga Heavy Road Grading	Antubetwe/Kiongo Ward
36. Mwiriene-Karichu Road Grading	Antubetwe/Kiongo Ward
37. Mburanjuri-Mutuati-Leeta R. Grading	Amwathi 1 Ward
38. Ndumururu-Kileera Road Grading	Ntunene Ward
39. Kiriba-Mariri Road Grading	Ntunene Ward
40. Laare-Kirindara-Athiru R.Grading	Ntunene Ward
41. Kwa Kanake-Kaburuko Makutano Road	Kawiru Ward
42. Kawiru Mpinda Road	Kawiru Ward
43. Ka Mwingi Cape Cona Culvert Installation	Kawiru Ward
44. Kwa Chief Muriuki-Kamoja Rd Grading	Nkomo Ward
45. Kieiga-Mburu-Kamaroo rd Grading	Nkomo Ward
46. Iamata-Ntomo Pri Sch rd Grading	Nkomo Ward
47. Kieiga Water pipes	Nkomo Ward
48. Ntugi Hills S.H.G. Water pipes	Nkomo Ward
49. Maundu Water pipes	Nkomo Ward
50. Road Grading and bush clearing	Kianjai Ward
51. Kieru-Kimiri Road Grading/Murraming	Mbeu Ward
52. Mwili-Kaari Rd Grading	Nchoro/Thinyaine Ward
53. Twale Day S.S Classroom construction	Nchoro/Thinyaine Ward

54. Manyiri Primary Sch Class Construction	Nchoro/Thinyaine Ward
55. Mituntu Water Tank Construction	Mituntu Ward
56. Mituntu Water Pipes	Mituntu Ward
57. Matiru Gabion Construction	Athwana/Rwanda Ward
58. Road Grading and murraming	Athwana/Rwanda Ward
59. Mweronkoro Culvert Installation	Athwana/Rwanda Ward
60. Mucuune Day Sec Class Construction	Kitheo Ward
61. Njiu-MiatheneH/Rd Grading	Kitheo Ward
62. Multipurpose S.H.G Water pipes	Kitheo Ward
63. Kieni Kia Athinya Water pipes	Kitheo Ward
64. Kirima-Murati Culvert Installation	Karama Ward
65. Kithibewa Water Pipes	Karama Ward
66. Mbaranga Water Pipes	Karama Ward
67. Kirina Water pipes	Karama Ward
68. Mukona Day Sec Sch Water pipes	Mikinduri East Ward
69. Nkuila-Kiana Road Grading	
70. Kieni-Mchoro-Ngombenjiru R. Grading	Kiguchia Ward
71. Kiolo-Kirindo Road Grading	Kiguchia Ward
72. Kiolo-Kirindo Culvert Installation	Kiguchia Ward
73. Mikinduri Road GradingMikinduri	West Ward
74. Kandebene Dispensary VIP Toilets	Buuri Ward
75. Fencing Kandebene Dispensary	Buuri Ward
76. Karatina Pri Sch Classroom Construction	Thangatha Ward

77. Undu-Ngatune Road	Thangatha Ward
78. MuKothima Culvert Installation	Thangatha Ward
79. Construction of VIP Toilets	Thangatha Ward

4.2.2 Uncompleted projects for the defunct County Council of Meru Central

No.	PROJECT NAME	FORMER WARD
1.	Kiiria Day Sec Sch	Kariene
2.	Nkiiria Sec Sch	Ontulili
3.	Kiranga Pry Sch	Ontulili
4.	Gundua Day Sec Sch	Kisima
5.	Subuiga Dispensary	Kisima
6.	Gaturi Day Sec Sch	Abogeta
7.	Igandene Polytechnic	Abogeta
8.	Gakiriri Pry Sch	Igoji
9.	M.C.K St. Pauls Pry Sch	Kaaria
10.	Gitumbi Murembu Water Project	Karia
11.	Kothine Day Sec School	Igoki
12.	Lower Chure Day Sec School	Igoki
13.	Menwe Sec School	Igoki
14.	Kithunguri Day Sec School	Mitunguu

15. Mbaine Sec School	Kinoru/Kianjogu
16. Kiune Day Secondary	Kinoro/Kianjogu
17. Kaura Pry School	Kinoro/Kianjogu
18. Nkubu Day Secondary School	Kathera
19. Marimba Road Grading	
20. Rwanyange Day Secondary School	Thuura
21. Kigane Pry School	Mikumbune
22. Gikurune Secondary School	Mweru
23. Mworoga dispensary	Mweru
24. Mburuguti Primary School	Kibirichia
25. Murathi Water Project	Kibirichia
26. Gathuine dispensary	Kibirichia
27. Mwenda 3C Water Project	Naari
28. St. Augustine Youth Polytechnic	Naari
29. Marathi Dispensary	Kibaranyaki
30. Kirujene Water Project	Kithangari
31. Kiirua Naari Water Project	Kiirua
32. Nkando Health Center	Kiirua

4.2.3 Uncompleted projects for the defunct Municipal Council of Meru

NO.	PROJECT NAME	FORMER WARD
1.	Construction of tuition block at Kiraria pry school	Stadium
2.	Street lighting along Mwendaantu road	Mwendaantu
3.	Bridge Construction at Kambakia	Kaaga

4.2.4 Uncompleted projects for the defunct Municipal Council of Maua

NO.	PROJECT	WARD
1.	Mporoko Nursery Sch Classroom	Maili Tatu
2.	Mwiyo-Mwamaliu Road	Maili Tatu
3.	Fruit Market Sheds	Township

2. That the County Executive Committee Member (CECM) Finance appropriates funds in the next budget to finance the above projects;
3. That the County Executive Member ensures that all the above projects are completed;
4. That the County Secretary does provide the Meru County Assembly with an update on the implementation status of this report.

We, the members of the *Ad hoc* Committee investigating the outstanding balances of funds disbursed to the defunct Local Authorities from LATF for projects do confirm that the recommendations of the Committee in this report were unanimous.

NAME	DESIGNATION	SIGNATURE
1. Hon. Samson Thurania Anampiu	Chairperson	_____
2. Hon. James Mugambi Mungathia	Vice Chair	_____
3. Hon. Jennifer Murogocho	Member	_____
4. Hon. Joan Gacheri Theuri	Member	_____
5. Hon. Godfrey Safari Ntalala	Member	_____
6. Hon. Ambrose Gichunge	Member	_____
7. Hon. Daniel Kiogora M’Inoti	Member	_____
8. Hon. Andrew Kobia M’Eringo	Member	_____
9. Hon. Julius Mbijiwe Murori	Member	_____
10. Hon. Elizabeth K. Mwiti	Member	_____
11. Hon. Secondina Kanini	Member	_____
12. Hon. Nicholas Mburugu	Member	_____
13. Hon. Joshua Mithiaru Kiunga	Member	_____

ANNEXURES

ANNEXURE 1: MINUTES OF THE COMMITTEE

**ANNEXURE 2: STATEMENT FROM THE COUNTY EXECUTIVE COMMITTEE
(CEC) MEMBER FOR FINANCE**

**ANNEXURE 3: SCHEDULES OF THE COMPLETED AND UNCOMPLETED
PROJECTS FOR THE DEFUNCT MUNICIPAL COUNCIL OF MAUA**

**ANNEXURE 4: SCHEDULE FOR THE COMPLETED AND UN COMPLETED
PROJECTS FOR THE DEFUNCT MUNICIPAL COUNCIL OF MERU**

**ANNEXURE 5: SCHEDULES OF THE COMPLETED AND UNCOMPLETED
PROJECTS FOR THE DEFUNCT COUNTY COUNCIL OF NYAMBENE**

**ANNEXURE 6: SCHEDULES OF THE COMPLETED AND UNCOMPLETED
PROJECTS FOR THE DEFUNCT COUNTY COUNCIL OF MERU
CENTRAL**

**ANNEXURE 7: LETTERS TO THE BANKS INSTRUCTING THEM TO FREEZE THE
LATF ACCOUNTS**

ANNEXURE 8: HANDING OVER REPORT FROM THE TRANSITION AUTHORITY

**ANNEXURE 9: SCHEDULE SHOWING CREDITORS OF THE DEFUNCT LOCAL
AUTHORITIES PAID BY THE COUNTY GOVERNMENT**