

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR–GENERAL

ON THE

FINANCIAL OPERATIONS

OF

THE COUNTY GOVERNMENT OF
KISUMU AND ITS DEFUNCT
LOCAL AUTHORITIES

FOR THE PERIOD
1 JANUARY TO 30 JUNE 2013

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REPORT OF THE AUDITOR-GENERAL ON THE OPERATIONS OF KISUMU COUNTY GOVERNMENT AND ITS DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013

EXECUTIVE SUMMARY

1.1 Introduction

The Auditor-General has the mandate under Article 229 of the Constitution to audit and report on the accounts of the National and County Governments. Further, the County Government Act, 2012 Section 134 (1) repealed the Local Government Act, Cap 265, and thus effectively dissolving all the 175 Local Authorities and creating 47 County Governments.

According to Transition to Devolved Governments Act, 2012, after the general election on 4 March 2013, the functions, assets, liabilities and staff of the former Local Authorities were to be taken over by the County Governments. The objective of the special audit exercise was to ensure existence of a seamless transition process and proper systems for accountability of public resources before, during and after transition to County Governments.

1.2 Audit Objectives

The audit covered the County Executive and County Assembly and the former County Councils of Kisumu, Nyando, Municipal Council of Kisumu and Town Councils of Ahero and Muhoroni, transactions for the period 1st January to 30th June, 2013 and took into account transactions before, during and after the transition period. The terms of reference set for the audit included verifications and confirmations of transactions in respect to but not limited to the following areas:

- ✓ The taking- over of the former Local Authority
- ✓ Cash and bank balances
- ✓ Current debtors and suppliers balances
- ✓ Motor vehicles and office equipment
- ✓ IPPD Payroll and establishment
- ✓ Recurrent and development expenditure items
- ✓ Procurement and procurement procedures
- ✓ ICT and G-Pay System

1.2.1 The audit teams faced several constraints during the audits, including delay in getting various documents and non-availability of key staff of the former Local

Authorities. These constraints resulted in delay in concluding the audits within the planned timelines.

1.3 Key Audit Findings

1.3.1 County Executive

1.3.1.1 Current assets and liabilities

i) Failure to close Bank Accounts

According to the County Governments Public Finance Management Transition Act, 2013, all defunct Local Authorities were to close all operating bank accounts and transfer all funds to the County Government Revenue Account and obtain a closure of accounts certificate from the banks stating the amount so transferred. Contrary to the above, the defunct Councils continued operating all the accounts, some of them at the time of the audit without change of bank signatories. The County Government should ensure that:

- All the defunct councils immediately close all bank accounts and transfer the balances to the County Revenue Account.
- The bank reconciliations are prepared to ascertain the exact amount to be transferred to the County Revenue Account.
- banks confirmation certificates are obtained at the time of closure of each bank account and agreed to cash book balanced.
- A separate cash book is opened for the County Assembly for proper accountability of funds allocated to the Assembly.

1.3.1.2 Salary entry points for the County Executive committee members

The County Government during the period under review paid County Executive Committee members maximum ceiling salary scales, contrary to the Salaries and Remuneration Commission(SRC) circular letter Ref No. SRC/TS/HRCOH/3/25 dated 27 May 2013 on Remuneration and Benefits of State Officer in the County Government under A 1 which stipulate that all persons joining County Government shall adopt to the minimum entry point of the respective remuneration scale as provided by the Salaries and Remuneration Commission. The County Executive should immediately take appropriate action by adopting the minimum entry point for salaries of the new officers.

1.3.1.3 Purchased Assets by the county not reflected on the fixed assets register

The County Government during the period under view purchased assets amounting to Kshs.15,105,495.00. These assets are not recorded in the County assets register. In addition, they were not marked or labeled for control and ease of reference on the assets location. The County Executive should ensure that a master fixed assets register is maintained and should agree/reconcile with the books of account and should clearly indicate the locations of the assets.

1.3.2 Municipal Council of Kisumu

1.3.2.1 Current Assets and Liabilities

i) Cash and Bank Balances

The Council did not maintain conventional receipt and payment cash books which made it impossible to prepare bank reconciliation statements. Further, the Council operated two Local Authorities Transfer Fund bank accounts which had Account No. 0112001302802 - Kshs.16,185,448.70 and Account No. 01100013012801 - Kshs.3,047,102.20. In respect to Account No. 01100013012801, only Kshs.675,635.55 was transferred resulting to a difference of Kshs.2,371,466.65 that could not be accounted for. No documentary evidence was availed to confirm transfer on account 0112001302802 to County Government revenue account.

The management should account for the Kshs.18,556,915.00 that was to be transferred to County Revenue Account but not accounted for. It must ensure that cash books are maintained and balanced daily as required by the Government Financial Regulation and Procedures. We recommend investigations be carried out to establish the circumstances and recovery of the unaccounted for cash.

ii) Debtors

The defunct Municipal Council of Kisumu handed over debtors figure amounting to Kshs.4,604,688,706.12 to the County Government of Kisumu. However, outstanding debtor's balances were not supported with debtor's listings and copies of invoices and demand notices and the figure also did not include imprest, single business permit, advances to councilors and staff. There were cases of tenant defaulters mainly from senior council employees. The County Government should develop appropriate systems for recording debtors to ensure accuracy of the records. Also, debt collection policy should be put in place to facilitate collection of council debts when they fall due.

iii) Revenue Collection

The cash survey done during audit in July 2013 revealed that the Municipal Council had a cash shortage of Kshs.5,475,973.00 that was not reconciled or explained. The County Government should put in place strong internal control systems to ensure proper accountability at every stage in the revenue collection cycle, such as daily counter checking of receipts cash book by a senior officer and daily balancing of the cash book.

The cash shortage should be investigated and the loss made good.

iv) Creditors

The creditors balances amounting to Kshs.1,069,694,818.10 handed over to the County Government by the defunct Municipal Council of Kisumu were not supported by creditors' registers, listings and supporting documentation while the creditors' ledger was not updated since year 2011. The creditors should be promptly recorded in a ledger indicating particulars of each creditor and the same updated on a regular basis. Also creditors handed over from the former council should be validated and confirmed before making payments.

Overdraft Facility

During the period under review, the Council was granted an overdraft facility of Kshs.30,000,000.00 to enable it manage its salary issues. Security granted for this facility was daily cash banking of Kshs.500,000.00 via standing order for a period of six (6) months from the date of limit loading. No approval from the parent Ministry was availed for the transaction. Management should provide Council minutes and Ministry of Local government approval for the overdraft.

1.3.2.2 Purchased items not received in store

The Council purchased items worth Kshs.4,137,335.00 during the period under review which were not supported with goods received notes, hence it was not possible to confirm receipts of the goods. The County Executive should investigate this matter and ensure that systems are in place to account for receipt of goods and items in line with Government Financial Regulations and Procedures.

1.3.2.3 New Recruitment

The Council recruited eleven (11) new staff of different cadres who were handed over to the County Government without following the Council Human Resource procedures since no documentary evidence was availed to ascertain the process that was followed. It was not possible to ascertain who approved the salary of the eleven staff. Management should provide evidence that these vacant positions were advertised, interviews conducted, leading to employment of the new officers as per the laid down procedures.

1.3.2.4 Non- Current Assets

Motor Vehicles

The Council had been using five vehicles whose ownership documents are not registered in its name. It is not clear why the Council has taken long to transfer ownership of the motor vehicles. The County Government should apply to the registrar of motor vehicles for the vehicles to be registered in its name.

1.3.2.5 Outstanding Imprest

The Council has outstanding imprest balance of Kshs.4,528,742.00 as at 30 June 2013, dating back to February 2011. This is contrary to Government Financial Regulations and Procedures which stipulate that imprests should be surrendered within 48 hours after the officers return to their station. The County Government should ensure that these imprests are surrendered or accounted for with immediate effect, failure to which recoveries should be made from concerned officers.

1.3.3 County Council of Kisumu

1.3.3.1 Current Assets and Liabilities

i) Debtors

The defunct County Council of Kisumu handed over debtors figure amounting to Kshs.35,314,375.00 to the County Government of Kisumu. However, outstanding debtor's balances were not supported by debtor's listings and documentary evidence.

The County Government should develop an appropriate system for recording debtors to ensure accuracy of the records. Also, debt collection policy should be put in place to facilitate collection of County debts as and when they fall due. Debtors' balances held by the defunct local Authority should be incorporated in the books of the County Government.

ii) Drop in Revenue Collection

During the period under review the defunct County Council of Kisumu collected revenue totaling Kshs.41,037,123.00 between January and June 2013 compared to revenue collections of Kshs.105,269,549.00 for the same period in 2012, resulting to a drop in collections of Kshs.64,223,426.00. The Council has not provided justification for this anomaly. The County Government should ensure proper records are maintained where revenue collected is promptly recorded and strong internal control system put in place to ensure proper accountability of revenue at every stage in the revenue collection cycle.

iii) Creditors

The creditors balance amounting to Kshs.13,641,056.00 handed over to the County Government by the defunct County Council of Kisumu was not supported with creditors' analysis and registers hence, the accuracy of the creditors figure as at 30 June 2013 could not be confirmed.

The creditors should be promptly recorded in the ledgers detailing particulars of each creditor and the same updated on a regular basis. The creditors' balances should also be confirmed independently before effecting any payments.

iv) Un-surrendered Miscellaneous Receipt books

The Council during the period under review had not accounted for all issued receipts books. An amount totaling Kshs.2,395,000.00 of miscellaneous receipt books issued, dating back to October 2009, as at 30 June 2013 had not been accounted for by the revenue collectors. Under the circumstances, revenue collections figure for the period could not be ascertained. The receipts not accounted for should be recovered from the respective Council staff members.

v) Unsupported cash payment and bank withdrawals

During the period under review, the defunct County Council of Kisumu made cash payments and bank withdrawals amounting to Kshs.14,470,770.00 which were not supported with documentary evidence. The irregularly paid amounts should be recovered from the respective council staff.

vi) Withdrawal from Renewals Fund Account

During the period under review, the defunct County Council of Kisumu made withdrawal from Renewals Fund Account totaling Kshs.21,858,358.00 for operational activities, contrary to the Local Government Act Cap 265 which stipulate that Renewals Funds Account should be maintained and used for the purposes of renewals of obsolete asset only. Under the circumstance, the Council breached the Law.

The Council should adhere to the law and the withdrawn amount from Renewal Fund account be refunded to the proper account to enable the Council replace obsolete assets.

vii) LATF and Projects Account

The defunct County Council of Kisumu incurred expenditure totaling Kshs.10,002,448.00 on LATF and Projects Accounts. However, the payment vouchers and documentary evidence pertaining to these expenditures were not availed for audit verification. Under the circumstances the propriety of the expenditure could not be confirmed.

The County Assembly should ensure that future expenditure of any nature is supported with the relevant documentation. All procurement documents should be availed for audit verification.

1.3.3.2 Imprest not Accounted for

During the year under review the defunct County Council of Kisumu as at June 2013 had an outstanding imprest of Kshs.6,758,027.00, which date back to July 2011. Of these outstanding imprests, Kshs.4,351,799.00 or about 64% is held by four officers of the Council. No explanation was given for failure to surrender the imprests as at the closure of the financial year as required by Government Financial Regulations and Procedures. In addition, the council did not maintain Imprests record by way of an imprest register. The County Government should ensure that imprests issued are surrendered or accounted for before the closure of the financial year.

Irregular Allowance Payments

During the period of January 1 to 28 February 2013, amounts totaling Kshs.3,028,640.00 were spent on subsistence and travelling allowances. The allowances were paid through various payment vouchers processed in favour of the county cashier. However, these payments were not supported with documentary evidence including vehicle work tickets and bus tickets to confirm journeys undertaken.

The county executive should ensure that appropriate action is taken against the culpable officers with aim of recovering these irregular payments.

1.3.3.3 Non-Remittance of Withholding tax

The Council deducted withholding tax of 3% from contract payments totaling Kshs.436,425.00, which at the time of the audit, had not been remitted to Kenya Revenue Authority (KRA) contrary to the Income Tax Act which may lead to penalty charges by KRA. The County Executive should ensure that the deductions are promptly remitted to the Kenya Revenue Authority to avoid unnecessary penalty charges.

Nugatory expenditure

The Council paid a contractor Kshs.450,000.00 on account of mobilization fees for opening of Maseno access roads. Verification of the project revealed that the access road was not opened. Under the circumstance the propriety of the expenditure could not be confirmed.

The council may not have received value for money and efforts should be carried out to recover the funds.

1.3.4 County Council of Nyando

1.3.4.1 Current Assets and Liabilities

i) Creditors

The creditors balances amounting to Kshs.8,590,992.00 handed over to the County Government by the defunct County Council of Nyando were not supported with creditors' registers and listings. Consequently the accuracy of the creditors figure as at 30 June 2013 could not be confirmed. The creditors should be promptly recorded in the ledger detailing particulars of each creditor and the same should be updated on a regular basis. The creditors' balances should be confirmed independently before effecting any payments.

ii) Debtors

The defunct County Council of Nyando handed over debtors figure amounting to Kshs.161,816,472.00 to the County Government of Kisumu. However, outstanding debtor's balances were not supported with listings, debtors' registers and other relevant documentary evidence. Under the circumstances the accuracy of the debtors figure as at 30 June 2013 could not be confirmed.

Appropriate systems for recording debtors by the County Government should be developed in order to ensure accuracy of records. Also, debt collection policy should be put in place to facilitate collection of County debts as and when they fall due.

i) Financial Impropriety

Expenditure totaling Kshs.778,500.00 to maintain the Council Markets and Properties was paid to council employees. It should be explained why the payment was made to council employees and how they accounted for the money.

Encashment of Third Party Cheques

During the period under review the Cashier of County Council of Nyando encashed third party cheques amounting to Kshs.2,307,603.00 contrary to the Government financial regulations and procedure.

The County executive should investigate validity of these payments and take the appropriate steps where necessary.

Procurements on LATF Account

The defunct County Council of Nyando during the period under review undertook several projects totaling Kshs.12,226,053.00 without following procurement laws and regulations. In all these projects, procurement procedures were not followed and even procurement documents, namely; Quotations, Letter of award and acceptance,

Contract agreement and Bill of quantities were not availed. Under the circumstances the propriety of the expenditure could not be confirmed.

The County Government should ensure that future procurement of goods, services and works are done in accordance with the requirements of the prevailing procurement procedures as stipulated by the Public Procurement and Disposal Act, 2005.

ii) Unsupported Payment

During the period under review, the council made payment amounting to Kshs.295,000.00 for drainage works but supporting documents were not availed for audit verification. Under the circumstances the propriety of the expenditure could not be ascertained.

1.3.5 Town Council of Ahero

1.3.5.1 Current Assets and Liabilities

i) Creditors

The Council records as at 27 March 2013 reflected a Creditors' figure of Kshs.64,723,339.00 which had increased from a figure of Kshs.41,238,464.00 as at 30 June, 2012 resulting to unreconciled and unexplained difference of Kshs.23,484,875.00. Consequently the accuracy of the Kshs.64,723,339.00 creditors figure as at 30 June 2013 could not be confirmed.

The creditors should be promptly validated and recorded in the ledger detailing particulars of each creditor and the same updated on a regular basis. The creditors' balances should be confirmed independently before effecting any payments.

ii) Debtors

The Debtors' figure of Kshs.3,649,134.00 reflected in the Town Council records as at 27 March decreased from a figure of Kshs.6,987,595.00 as at 30 June 2012 and was not supported with listings and documentary evidence. Under the circumstance the accuracy of the debtors figure as at 30 June 2013 could not be confirmed. A reconciliation of debtors' balances should be carried out and reconciled balances incorporated in the books of the County Government and proper debt collection policy should be put in place.

1.3.5.2 Procurement of goods and services

i) Encashment of Third Party Cheques

During the period under review, the cashier of the Town Council of Ahero encashed third party cheques amounting to Kshs.6,671,620.00 contrary to the financial regulations. The cashier should be made to account for the encashed cheques failure to which the amount be recovered from him.

ii) Unsupported Payments to Chief Officers

The Council on 30 August 2012 transferred from Kenya Commercial Bank Kisumu General Rate Account No. 1114635278 amounts of Kshs.430,000.00 to two former employees of the council without any supporting documentation. Under the circumstance, the propriety of the expenditure could not be ascertained. The Council should support the payment or recovery be made from the officers who received the money.

iii) Unsupported Payment made from LATF Account

During the period under review, the defunct Council expended an amount of Kshs.6,089,800.00 received from LATF to procure various items and services which have not been supported with documentary evidence. Further, an amount of Kshs.700,000.00 was paid to a company on 22 February 2013 on account of repairs, stone pitching and drainage works within the Town council of Ahero without tender documents including engineer's completion certificate. This is contrary to the public procurement Act 2005, which stipulates that all procurement procedures have to be followed and supporting documents attached to payments. Under the circumstance the propriety of the expenditure could not be ascertained.

The Public Procurement and Disposals Act, 2005 and related Regulations of 2006 should be followed to ensure that goods and services are procured competitively and at the most economical prices.

1.3.6 Town Council of Muhoroni

1.3.6.1 Current Assets and Liabilities

i) Creditors

The Creditors list figure of kshs.16,538,215.00 and supporting documents made available were not reconciled. Contract agreement, invoices, delivery notes and third party confirmation from statutory bodies were not made available. Consequently the accuracy of the creditors figure as at 30 June 2013 could not be confirmed. A

forensic audit should be carried out to validate the creditors to be handed over to the County Government.

ii) Debtors

The Debtors figure of Kshs.29,112,393.00 as at 27 March, increased from a figure Kshs.14,488,049.00 as at 30 June 2012 by Kshs.14,624,344.00 or about 100.1%. The debtors balances were not supported with listings and no reconciliation or explanation provided for the increase. A reconciliation of debtors' balances should be carried out and reconciled balances incorporated in the books of the County Government. Proper debt collection policy should also be put in place.

iii) Revenue

The Town Council of Muhoroni during the year under review realized revenue collections of Kshs.8,687,909.00 of which Kshs.7,097,264.05 was banked intact, resulting to under banking of Kshs.1,590,645.00 contrary to the Public Financial Management Act 2012 which stipulates that all revenue collected should be banked intact. No reconciliation or explanation was provided for the under banking.

The County Government should ensure that a receipts cashbook is maintained where revenue collected is promptly recorded and strong internal control system put in place to ensure proper accountability of revenue at every stage in the revenue collection cycle.

1.3.7 Information Systems assessment

The County received twenty two (22) computers from The National Treasury (IFMIS Department) which were solely being used for IFMIS and G-PAY. IFMIS department provided five (5) orange MODEMS to facilitate connectivity to the central IFMIS server. IFMIS has been installed in the County with two (2) modules operational. The county use Orange Modems to connect to IFMIS through the Treasury's Virtual Private Network (VPN). The Orange connectivity is poor due to poor and unstable network signals. Currently the system is operational and has been used to make payments from the month of July 2013. Training for G-Pay had been undertaken for five (5) officers and all payments in the County were being made through G-PAY.

1.3.7.1 Local Authority Integrated Financial Operations Management System (LAIFOMS)

LAIFOMS had only been in 2 Sub-Counties: Municipal Council of Kisumu (City Council of Kisumu) and County Council of Kisumu. Beginning 1 July 2013 the Budget was prepared through IFMIS deactivating the Expenditure Module in LAIFOMS.

A review of the system at the County council of Kisumu revealed that there was an under banking of Kshs.41,359,402.00 for the period 1 July to 3 March 2013 and an over-banking of Kshs.50,203,312.00 for the period 4 March to 17 September 2013.

The review of the data from the Municipal Council of Kisumu revealed that there was an under banking of Kshs.36,793,556.00 for the period 1 July 2012 to 4 March 2013 and an under banking of Kshs.48,955,105.00 for the period 5 March to 17 September 2013.

These irregularities indicate incompleteness in capturing revenue in the LAIFOMs system and should be addressed immediately by the County Government.

1.3.7.2 Integrated Payroll and Personnel Database (IPPD)

The County has fully installed the IPPD system and the payroll beginning July 2013 was processed using the system. There are six (6) users who have been trained on the use of the system. However, the data that was migrated into IPPD from LAIFOMS had the following integrity issues:

- There were forty-one (41) officers with incorrect Tax Personal Identification Numbers.
- There were eight (8) officers whose date of hiring was blank.

1.3.7.3 IT CONTROL ENVIRONMENT AND ICT GOVERNANCE

The IT section had five (5) personnel but there were no defined roles and responsibilities on how to oversee the IT operations hence there is no clear segregation of duties.

The staff had relevant knowledge and skills on IT field but they had not been trained on the application in place i.e. LAIFOMs, IPPD and IFMIS for them to be able to offer adequate support to the system users.

The County management is yet to develop and implement some of the key ICT documents including; ICT Strategic Plan, the ICT assets register, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP). There was also no ICT Steering Committee in place and the ICT policies and procedures in place had not been approved.

1.4 Conclusion

The forgoing observations clearly indicate that the process of taking over of assets and liabilities, including staff of the former Councils was not properly handled. The County Government should ensure full control of functions, including revenue collection, recording and proper accounting for the same while awaiting guidance from the National Treasury based on the accounting and reporting systems developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the PFA Act 2012. Expenditure should be incurred in accordance with

the requirements of the Public Finance Management Act 2012 and for the benefit of the taxpayers.

Detailed audit findings are contained in the main audit report herewith appended.

A handwritten signature in dark ink, appearing to read 'E. O. Ouko', with a stylized flourish at the end.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 February 2014

DETAILED AUDIT REPORT

1.0 Introduction

The County Government of Kisumu replaced five defunct Local Authorities namely Municipal Council of Kisumu, County Council of Kisumu, County Council of Nyando, Town Council of Ahero and Town Council of Muhoroni. It was established after the 4 March 2013 elections to carry out the devolved functions set out in the constitution of Kenya.

The audit was to verify County Government preparedness to receive and utilize devolved funds after the transition period and was conducted in the month of August and September, 2013.

1.2 Audit Objectives

The Office of the Auditor-General is an independent office mandated by the constitution (Article 229) to audit the accounts of the National and County Government. In this regard, the office planned an audit for the Kisumu County with the following terms of reference:

- Verification of cash and bank transactions held at various different accounts in the defunct Local Authorities during the period of transition between 5 March and 30 June 2013.
- Examination of transactions of defunct Local Authorities between 01 January 2013 to 30 June 2013.
- Examination of transactions of the County Government and County Assembly between 5 March and 30 June 2013.
- Check the closure of bank accounts as directed by Transitional Authority.
- Check proper procurement procedures as per procurement Act 2005 & 2006.
- Check current debtors and suppliers balances.
- Implementation of the IFMIS and G-Pay as opposed to manual system.
- Check the status and usage of the motor vehicles and equipment.
- Confirm whether County bank accounts were opened on 04 March 2013.
- IPPD Payrolls – Check for Ghost workers in payroll.
- Irregular borrowings, overdrafts and payment of non-existing loans.

2. KEY AUDIT FINDINGS

2.1 County Executive Findings

2.1.1` Failure to close Bank Accounts

All defunct Local Authorities were to close all operating bank accounts and transfer all funds to the County Government Revenue Account and obtain a closure of accounts certificate from the banks stating the amount so transferred.

- Contrary to the above directive, the defunct Councils continued operating the accounts, some of them up to the time of audit exercise, thus defeating the purpose of the circular from the Transition Authority.
- The cash books were not balanced as required hence it was not possible to ascertain cash balances as at 28 February 2013.
- No bank reconciliations were availed for verifications and it was not possible to ascertain the balances in the bank at any given time.
- Confirmation certificates for the bank balances and subsequent transfer to County Revenue Account were not availed for verification and confirmation, while the bank accounts had not been closed as required.
- Bank statements for the defunct Municipal Council of Kisumu were not made available except for Bank A/c No. 1103954520, 1116010941 & 1126763950 held at KCB Kisumu A/c 01120013012802 held at Co-operative Bank Kisumu. We were not able to verify the balances in the previous accounts held by the Council as no statements were made available and no bank reconciliations were done and availed to us for verifications.

Recommendations

- Immediate closure of the bank accounts and transferring any monies in those accounts to the Revenue Account of the County Government of Kisumu.
- Reconciliations should be done to ascertain the exact amount to be transferred to the County Revenue Account.
- Make available banks confirmation certificates as at the time of closure of each bank account.

2.1.2 Unauthorized re-allocation of Funds

During the period under review, it was observed that the County Government of Kisumu re-allocated Kshs.340,645.79 meant for infrastructure development funds to recurrent expenditure.

Recommendation

- The budget must be followed and if re-allocation has to be done, it should be done by following the laid down procedures.
- Expenditure should be incurred within the budgetary provisions.

2.1.3 Salary entry points for the County Executive committee members

During the period under review, the County Government started paying salary to all the county executive committee members at the maximum ceiling salary point of the salary scale band, contrary to the Salaries and Remuneration Commission(SRC) circular letter Ref no. SRC/TS/HRCOH/3/25 dated 27 may 2013 on Remuneration and Benefits of State Officer in the County Government under A 1 stipulating that all persons joining County Government shall adopt the minimum entry point of the respective remuneration scale. Under the circumstances it was not possible to confirm the approval of maximum ceiling salary entry point paid to the county executive committee members.

2.1.4 Purchased Assets by the county not reflected on the fixed assets register

During the period under review, the County Government purchased assets amounting to Kshs.15,105,495.00. There were no records to show that these items were in the County assets register. In addition, they were not marked or labeled for control and ease of reference on the assets' location. Under the circumstances, the ownership of the assets could not be confirmed.

Recommendation

- Proper fixed assets register should be maintained and all the assets entered.

2.1.5 Information Financial Management Integrated System (IFMIS)

It was reported by the County Principal Finance Officer and head of accounts that the IFMIS and G-Pay system had been implemented by 30 June 2013 for Treasury operations.

Physical verification revealed that even though IFMIS components of Plan to budget and IFMIS E-business systems were installed, the budget making process had not been concluded to enable upload of data into the system. Payments for the period to 30 June were done manually.

Recommendation

- All transaction should be processed through IFMIS for control and accountability.
- IFMIS should be operated fully to capacity.
- Enough staff should be trained to operate the system.

2.2 Municipal Council of Kisumu

2.2.1 Cash and Bank Balances

The Council did not maintain conventional receipt and payment cash books which contributed to bank reconciliation statements not being prepared. Further, the Council operated two bank accounts for the Local Authorities Transfer Fund - account No. 0112001302802 had Kshs.16,185,448.70 and account No. 01100013012801 had Kshs.3,047,102.20. The County Government account indicated that from the Council account No. 01100013012801 only Kshs.675,635.55 was transferred instead of the amount of Kshs.3,047,102.20 resulting to a difference of Kshs.2,371,466.65 which was not reconciled or explained. No documents were availed to confirm that account No. 0112001302802 with Kshs.16,185,448.70 had been transferred to the County Government revenue account. Under the circumstances, the accuracy of the bank balances could not be confirmed.

Recommendation

The management should account for a total of Kshs.18,556,915.00 which was supposed to have been transferred to the County Revenue Account but was not.

2.2.2 Purchased items not received in store

The Council purchased items amounting to Kshs.4,137,335.00 during the period under review but goods received notes were not raised. Under the circumstance, the propriety of the expenditure could not be confirmed.

Recommendation

The council should account for the purchased items.

2.2.3 New Recruitment

The Council recruited eleven (11) new staff without following the Council's Human Resource procedure for different cadres, and no documentary evidence was availed on the process which was followed. The staff has also been handed over to the County Government. Under the circumstances, it could not be confirmed who approved the salary of the eleven staff.

Recommendation

The council should produce evidence that the proper procedures were followed in the recruitment of the new employees.

2.2.4 Overdraft Facility

During the period under review, the Council entered into overdraft facility of Kshs.30,000,000.00 to enable the council manage its salary issues and the security for the facility granted was daily cash or fixed deposit of Kshs.500,000.00 per day through standing order. The overdraft was granted for a period of six (6) months from the date of limit loading, but no approval from the parent Ministry or the Board was availed to support the transaction. Under the circumstances, the overdraft operation could not be confirmed.

Recommendation

The management should provide council minutes for approval of the overdraft facility.

2.2.5 Creditors

The creditors balances amounting to Kshs.1,069,694,818.10 handed over to the County Government by the defunct Municipal Council of Kisumu were not supported by registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls while the creditors' ledger was not updated since 2011. Consequently the accuracy of the creditors' figure as at 30 June 2013 could not be confirmed.

Recommendation

A forensic audit should be carried out to validate the creditors to be inherited by the County Government of Kisumu.

2.2.6 Motor Vehicles

The ownership of the five vehicles the Council has been using and maintaining is under third party names. It is not clear why the Council has taken long to transfer ownership of the motor vehicles and under the circumstances, the value and existence of the council's vehicles could not be determined.

Recommendation

The management should initiate the processing of ownership documents for the five vehicles with the registrar of motor vehicles.

2.2.7 Debtors

The defunct Municipal Council of Kisumu handed over debtors figure amounting to Kshs.4,604,688,706.12 to the County Government of Kisumu. However, outstanding debtors' balances were not supported by; debtors' registers, copies of invoices and demand notices and the figure also did not include amounts owing from imprest, single business permits, advances to councilors and staff. There were also cases of tenants' defaulters mainly senior council employees. Under the circumstances, the accuracy of the debtors' figure as at 30 June 2013 could not be confirmed.

Recommendations

Debtors' balances held by the defunct Local Authority to be incorporated in the books of the County Government.

2.2.8 Revenue Collection

The cash survey done during audit in July 2013 revealed that the Municipal Council had a cash shortage of Kshs.5,475,973.00 which was not reconciled or explained. Under the circumstances, the correct revenue figure could not be confirmed.

Recommendation

The management should produce documentary evidence that the cash shortage has been made good.

2.2.9 Outstanding Imprest

The Council has outstanding imprest of Kshs.4,528,742.00 as at 30 June 2013 which has been outstanding since February 2011. Under the circumstances, it could not be confirmed if the imprest was used for the intended purpose and whether the council got value for money.

Recommendation

The management should provide documentary evidence showing that the imprest was spent for the benefit of the council.

2.3 County Council of Nyando

2.3.1 Financial Impropriety

During the period under review, expenses to maintain the Council markets and properties amounting to Kshs.778,500.00 was incurred and the payments were made to the Council engineer and the cashier who are council employees: Under

the circumstances, the propriety of the maintenance expenses could not be confirmed.

Recommendation

The management should produce documentary evidence that the expenditure of Kshs.778,500.00 was for the benefit of the council.

2.3.2 Encashment of Third Party Cheques

During the period under review, the cashier of the County Council of Nyando encashed third party cheques amounting to Kshs.2,307,603.00 without taking into account who will bear the bank charges, contrary to the financial regulations.

Recommendation

The County executive should investigate the validity of these payments and take the appropriate steps where necessary

2.3.3 Creditors

The creditors' balances amounting to Kshs.8,590,992.00 handed over to the County Government by the defunct County Council of Nyando were not supported by creditors' registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls. Consequently, the accuracy of the creditors figure as at 30 June 2013 could not be confirmed.

Recommendation

A forensic audit should be carried out to validate the creditors to be inherited by the County Government of Kisumu.

2.3.4 Debtors

The defunct County Council of Nyando handed over debtors amounting to Kshs.161,816,472.00 to the County Government of Kisumu. However, outstanding debtors' balances were not supported by listings, debtors' registers, copies of invoices and demand notices. Under the circumstances, the accuracy of the debtors figure as at 30 June 2013 could not be confirmed.

Recommendations

Debtors' balances held by the defunct local Authority should be incorporated in the books of the County Government.

2.3.5 Procurements on LATF Account

During the year under review, the defunct County Council of Nyando had several projects undertaken amounting to Kshs.12,226,053.00. The projects were:

- i) Street Lighting for Kshs.4,734,958.00 paid to a contractor for phase III and IV on Chemelil-Awasi road and Awasi – Nairobi road;
- ii) Construction of Mbega Footbridge for Kshs.349,200.00. The footbridge was not put up and the money was not refunded;
- iii) Construction of Rangul Dispensary for Kshs.948,660.00;
- iv) Construction of male and female Wards at Katito Health Centre for Kshs.1,255,074.00. Full payment was made but the project stalled at the roof level;
- v) Construction of Oren dispensary for Kshs.1,311,978.00;
- vi) Completion of Community Hall - Central Nyakach for Kshs.918,210.00;
- vii) Construction of maternity at Yawo Phase II for Kshs.1,257,047.00;
- viii) Construction of Chief's Office at Bolo for Kshs.662,607.00 paid to a firm which was not Starcom Investments one of the bidders;
- ix) Construction of Kadhiambo Dispensary Phase II for Kshs.788,319.00.

In all these contracts, procurement procedures were not followed. Documents like; quotations, Letter of award, Letter of acceptance, contract agreement and bill of quantities were not availed. Under the circumstances the propriety of the expenditure could not be confirmed.

Recommendation

Procurement procedures should be followed in all contracts undertaken by the County Government.

2.3.6 Unsupported Payment

During the period under review, the council made payment amounting to Kshs.295,000.00 for drainage works without supporting documents. Under the circumstance the propriety of the expenditure could not be ascertained.

Recommendation

The management should endeavour to support its expenditures in line with the prevailing procurement procedures.

2.4 County Council of Kisumu

2.4.1 Imprest not accounted for

During the period under review, the defunct County Council of Kisumu as at June 2013 had an outstanding imprest of Kshs.6,758,027.00 which date back to July 2011. Out of the outstanding imprest, 64% is held by only four officers of the council totaling Kshs.4,351,799.00. It could therefore not be confirmed that funds were used for the intended purpose.

Recommendation

The management should account for the un-surrendered imprests.

2.4.2 Un-surrendered Miscellaneous Receipt

During the period under review, the Council's revenue collecting staff had not accounted for miscellaneous receipts books with a face value of Kshs.2,395,000.00 which date back to October 2009. Under the circumstance, the revenue figure could not be confirmed.

Recommendation

The management should account for the receipt books or the money collected

2.4.3 Shortfall in Revenue Collection

During the period under review, the defunct County Council of Kisumu collected revenue of Kshs.41,037,123.00 while an amount of Kshs.105,269,549.00 was collected between January to June 2012 thereby resulting to a difference of Kshs.64,223,426.00. No explanation was offered as to why far much less was collected.

Recommendation

The management should investigate why there was a decline in collection and whether all the collected revenue was accounted for.

2.4.4 Debtors

The defunct County Council of Kisumu handed over debtors amounting to Kshs.35,314,375.00 to the County Government of Kisumu. However, outstanding debtors' balances were not supported by debtors' registers, copies of invoices and demand notices. The figure of Kshs.35,314,375.00 did not include imprest, single business permit, advances to councilors and other staff. Under the circumstances, the accuracy of the debtors figure as at 30 June 2013 could not be confirmed.

Recommendations

All debtors' held by the defunct Local Authority should be incorporated in the books of the County Government.

2.4.5 Creditors

The creditors balance amounting to Kshs.13,641,056.00 handed over to the County Government by the defunct County Council of Kisumu was not supported by creditors' registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls while the creditor ledger had not been updated. Consequently the accuracy of the creditors figure as at 30 June 2013 could not be confirmed.

Recommendation

A forensic audit should be carried out to validate the creditors to be inherited by the County Government of Kisumu.

2.4.6 Unsupported cash payment and bank withdrawals

During the period under review, the defunct County Council of Kisumu made cash payment and bank withdrawals amounting to Kshs.14,470,770.00 which were not supported. Under the circumstances, the propriety of the expenditure could not be confirmed.

Recommendation

The management should provide evidence that the expenditure of Kshs.14,470,770.00 was used for the benefit of the council and that it got value for money.

2.4.7 Withdrawal from Renewals Fund Account

During the period under review, the defunct County Council of Kisumu made withdrawals from Renewals Fund Account totaling Kshs.21,858,358.00 for other activities contrary to the Local Government Act Cap 265 which stipulate that the Renewals Funds Account should be maintained and used for the purposes of renewals of obsolete asset only. Under the circumstance the Council was in breach of the Law.

Recommendation

The management should account for Kshs.21,858,358.00 withdrawn from the renewals account and show that it was used for the benefit of the council.

2.4.8 LATF and Projects Account

The defunct County Council of Kisumu incurred expenditure totaling Kshs.10,002,448.00 on LATF and Projects Accounts. However, the payment vouchers relating to these expenditures were not availed for audit verification. Under the circumstances, the propriety of the expenditure could not be confirmed.

Recommendation

The management should account for Kshs.10,002,448.00 claimed to have been spent on LATF projects but not supported by payment vouchers.

2.4.9 Retention Money of Contractor Withdrawn by Cashier

During the period under review, a Council cashier withdrew retention money of a contractor totaling Kshs.345,590.00 vide cheque No. 000555 of 6 March 2013 for Kshs.141,405.00 and cheque No. 000562 of 5 April of 2013 for Kshs.204,185.00 but this was not supported by the contract. Under the circumstance, it could not be confirmed if the retention money was paid to the contractor.

Recommendation

The management should confirm whether the retention funds were paid to the contractor and if not recover the same from the cashier.

2.4.10 Non-Remittance of Withholding tax

The Council made deductions on withholding tax of 3% from contract payments totaling Kshs.436,425.00 which were never remitted to the Kenya Revenue Authority since March 2013. The Council was therefore in breach of the law.

Recommendation

The management should provide evidence for the payment of Kshs.436,425.00 withholding tax to KRA or remit the same to the revenue body to avoid incurring additional fines.

2.4.11 Nugatory expenditure

The Council paid a contractor Kshs.450,000.00 through Payment Voucher No. 1304-0030 being mobilization fees for opening of Maseno access roads. Verification of the project revealed that the access road was not opened. Under the circumstance, the propriety of the expenditure could not be confirmed.

Recommendation

The management recover and produce documentary evidence of the same for verification.

2.5 Town Council of Ahero

2.5.1 Encashment of Third Party Cheques

During the period under review, the Cashier of Town Council of Ahero encashed third party cheques amounting to Kshs.6,671,620.00 contrary to the financial regulations.

2.5.2 Unsupported Payments to Chief Officers

The Council, on 30 August 2012 made a transfer of Kshs.460,000.00 from Kenya Commercial Bank - Kisumu - General Rate Account No 1114635278 to Equity Bank - Kisumu salaries account. On the same date, 30 August 2012 an amount of Kshs.430,000.00 was transferred to individual accounts of two former employees of the Council without any supporting documents. Under the circumstances, the propriety of the expenditure could not be ascertained.

Recommendation

The management should explain the circumstances under which the Kshs.460,000.00 was transferred to Equity Bank and for what reasons the ex-employees of the council were paid a total of Kshs.430,000.00.

2.5.3 Creditors

The Creditors' list figure as at 27 March 2013 was Kshs.64,723,339.00 from a figure of Kshs.41,238,464.00 as at 30 June 2012 resulting to a difference of Kshs.23,484,875.00. However, no supporting document was made available to reconcile the difference. Consequently the accuracy of the creditors figure as at 30 June 2013 could not be confirmed.

Recommendation

The management should produce documentary to support the creditors balance of Kshs.64,123,339.00 as at 27 March 2013.

2.5.4 Debtors

The Debtors list figure decreased to Kshs.3,649,134.00 as at 27 March 2013, from a figure Kshs.6,987,595.00 as at 30 June 2012. The figure of Kshs.3,649,134.00 not supported and no reconciliation or explanation provided for the reduction. Under the circumstance, the accuracy of the debtors as at 30 June 2013 could not be confirmed.

Recommendation

The management to provide documents to support the debtors movements from Kshs.6,987,595.00 as at 30 June 2012 to Kshs.3,649,134.00 as at 27 March 2013.

2.2.5 Unsupported Payment made from LATF Account

During the period under review, the defunct Council spent Kshs.6,089,800.00 receipts from LATF to procure various items and services without supporting documents. This is Contrary to the public procurement Act 2005, which stipulates that procurement procedure should be followed and supporting documents attached. Further, a company was paid Kshs.700,000.00 through payment voucher no. 6215 date 22 February 2013 to carry out repairs, stone pitching and drainage works within the town council of Ahero but no engineers certificate of completion was made available. Under the circumstance, the propriety of the expenditure could not be ascertained.

Recommendation

The management should account for purchases made from LATF funds.

2.6 Town Council of Muhoroni

2.6.1 Creditors

The Creditors figure of kshs.16,538,215.00 was not reconciled with supporting documents. The contract agreements, invoices, delivery notes and third party confirmation from statutory bodies were not made available for audit. Consequently, the accuracy of the creditors figure as at 30 June 2013 could not be confirmed.

Risk

The County Government may inherit and subsequently pay illegitimate liabilities.

Recommendation

A forensic audit should be carried out to validate the creditors to be inherited by the County Government of Kisumu.

2.6.2 Debtors

The Debtors figure of Kshs.29,112,393.00 as at 27 March increased from a figure of Kshs.14,488,049.00 as at 30 June 2012 but this was not supported and no reconciliation or explanation provided for the increase. Under the circumstance, the accuracy of the debtors figure as at 30 June 2013 could not be confirmed.

Risk

Debtors' balances can be misappropriated.

Recommendations

Debtors' balances held by the defunct local Authority should be incorporated in the books of the County Government.

2.6.3 Revenue

During the period under review, the Town Council of Muhoroni revenue collection was Kshs.8,687,909.00 but only Kshs.7,097,264.05 was banked intact, resulting to under banking of Kshs.1,590,645.00 This is contrary to the provisions of the Public Financial Management Act, 2012 which stipulates that all revenue collected should be banked intact. Under the circumstances, the accuracy of the revenue figure as at 30 June 2013 could not be confirmed.

Recommendations

- The receipt books issued out to staff should be recorded and compared with the Counter Receipt Book (CRB) register and be kept in safe custody.
- The expired books should be discarded using the laid down procedures (Government procedures for destroying obsolete stores)

2.7 Information System assessment

2.7.1 Hardware

The County received twenty (20) computers from The National Treasury (IFMIS Department) which were solely being used for IFMIS. The Chief Finance Officer confirmed that the computers are serving the IFMIS operations adequately and where they have had challenges, the ICT officers have sorted them satisfactorily.

The County had in place two (2) operating servers at the Office of the Governor and one the County Council Office.

2.7.2 Network Connectivity

There is no established Wide Area Network at the County to connect various Sub-County offices. However, there are Local Area Networks (LAN) in three (3) Sub-County offices; Office of the Governor, Kisumu Municipal Council and Kisumu City Council. There was no internet connection at the Ahero, Muhoroni and Nyando Sub-County offices.

Recommendations

- All Sub-County Offices should have adequate infrastructure and LAN to facilitate automation of the County operations.

- The County should ensure that all its Sub-County offices are inter-connected to the head office to ensure efficient monitoring of each Sub-County processes.

2.7.3 Integrated Financial Management Information System (IFMIS)

IFMIS operations were being carried at the Office of the Governor.

2.7.3.1 Active Modules

The county was utilizing two (2) modules i.e. Plan to Budget and Procure to pay - the rest of the modules are yet to be utilized. All the payments were also being processed using IFMIS.

The following modules were not in use as at the time of Inspection.

- i. Revenue to Cash (R2C) –Auto reconciliation of revenue and payments.
- ii. Record to Report (R2R) – Interface with CBK
- iii. ICT to Support (ICT2S) – Support function for hardware, software and Infrastructure.

2.7.3.2 Anti-virus software

The County received Kaspersky anti-virus software that could not update after the initial installation. The county has bought five (5) anti-virus software, which are not enough for the twenty (20) desk top computers that were received from the National Treasury (IFMIS Department).

2.7.3.3 Training of County Staff

The county staffs have been trained on IFMIS at the Kenya School of Government which covered the modules in use except Reporting module that was not covered adequately. The users were not able to generate reports as required and could not be able to ascertain the integrity of information processing.

In the course of our interviews, it was established more training has been conducted at the county's office, of which the officers requested that such trainings be offered regularly. However, the ICT officers have not been trained enough for them to be able to offer relevant support to IFMIS users.

2.7.3.4 Connectivity

IFMIS department provided five (5) orange MODEMS to facilitate connectivity to the central IFMIS server; however; signal for the orange (which is the internet provider) was weak in the County and had hindered smooth and efficient execution of County functions as a results of its network instability.

Despite the problem, the IFMIS department had not installed a network enhancer to boost the fragile signals. The County administration had put in place fiber optic connection awaiting the IFMIS department to provide a router for purposes of security and enhancement of connectivity.

2.7.3.5 Support Team/ Help Desk

The County staffs using IFMIS have access to the Helpdesk at the IFMIS center. However, from our interviews with the users, the support offered was not adequate since some officers offering the support appear not to be conversant with the IFMIS issues.

There is no formal procedure of reporting and documenting incidences and queries requiring support. This has resulted to persistent downtime and delays in processing transactions using IFMIS system.

2.7.3.6 Lack of Integration

The IFMIS system lacks integration with the revenue processing module in LAIFOMS and G-PAY system. There is no policy/procedure in place to govern how revenue collected locally should be incorporated in the IFMIS system.

Recommendations

- i. The County Government should ensure that IFMIS is fully utilized for its financial operations and all modules are in use.
- ii. The IFMIS Directorate should fast track the implementation of C-IFMIS which will be used to integrate the Revenue Module of LAIFOMS and IFMIS. This will ensure that all revenue collected by the County is reflected in IFMIS thereby promoting accountability of these funds. The IFMIS system should be integrated with G-PAY system
- iii. The County should ensure that all its financial operations are automated.
- iv. There is need to liaise with IFMIS Department to install a communication enhancer to boost the signal transmission so as to ensure continuous delivery of service.
- v. The County should also follow up with the acquisition of routers from the IFMIS Department so that they can use a Fiber connection which is faster and reliable.
- vi. IFMIS Directorate should train and give priority to the staff of the ICT Department when conducting its training.
- vii. The ICT Department should ensure that all machines are installed with anti-virus software to prevent the risk of virus attacks.

2.7.4 Local Authority Integrated Financial Operations Management System (LAIFOMS).

LAIFOMS had only been in 2 Sub - Counties: Municipal Council of Kisumu (City Council of Kisumu) and County Council of Kisumu. The Receipting Module is the only active module. The Expenditure Module was automatically disabled from 30 June 2013 and therefore beginning 1 July 2013 the budget was prepared through IFMIS.

An analysis of the data extracted from the system of various Sub-Counties revealed that officers of the county were not fully utilizing the Receipting Module where all monies received should be banked and the corresponding banking slips posted in the system.

A review of the system at the County council of Kisumu revealed the following:

- There was an under banking of Kshs.41,359,402.00 for the period 1 July to 3 March 2013. An over-banking of Kshs.50,203,312.00 revealed for the period, 4 March to 17 September 2013 may indicate incompleteness in capturing revenue in the LAIFOMS system.
- There has been significant decline in revenue collection in two months' time from; Kshs.38.8m collected from 2 January to 4 March 2013 to Kshs.2.3m collected from 5 March, 2013 to 5 May, 2013.

The review at the data from the Municipal Council of Kisumu revealed:

- There was an under banking of Kshs.36,793,556.00 for the period 1 July 2012 to 4 March 2013 and an Under banking of Kshs.48,955,105.00 for the period 5 March to 17 September 2013.

Recommendations

- i. The County management should take control of the management of LAIFOMS previously installed in the Local Authorities so as to ensure that revenue collection is accounted for.
- ii. The County should ensure that each Sub-County has a system in place to monitor the collection of its revenue and ensure that all expenditure incurred is centralized.

2.7.5 G-PAY

The County had received two computers from The National Treasury which are dedicated for G-Pay. Training for G-Pay had been undertaken for five (5) officers. All payments in the County were being made through G-PAY.

2.7.6 Integrated Payroll and Personnel Database (IPPD)

The County has fully installed the IPPD system and the payroll beginning July 2013 was processed using the system. There are six (6) users who have been trained on the use of the system. However, the data that was migrated into IPPD from LAIFOMS had the following integrity issues:

- There were forty-one (41) officers with Incorrect Tax Personal Identification Numbers.
- There were eight (8) officers whose date of hiring was blank.
- The IPPD system cannot process all the required queries as per user request

Recommendations

- i. A head count of the County staff should be done.
- ii. The County should carry out a data clean-up of its human resource data to ensure the integrity of the payroll data.
- iii. The query function in the IPPD should be enabled to serve the counter users adequately.

2.7.7 IT Control Environment

2.7.7.1 Staffing and Segregation of duties

The IT section had five (5) personnel but there were no defined roles and responsibilities on how to oversee the IT operations hence there is no clear segregation of duties. The staffs had relevant knowledge and skills on IT field but they had not been trained on the application in place i.e. LAIFOMS, IPPD and IFMIS for them to be able to offer adequate support to the system users

Recommendation

- i. The IT County Department should be enhanced in terms of personnel to adequately manage the IT operations in an efficient and effective manner. The roles and responsibilities should be defined and documented to ensure segregation of duty.

- ii. The ICT staffs should also be trained in all the system applications in place for them to offer adequate support.

2.7.7.2 Management of IT Operations

The County has an Executive Member who will solely be in charge of Planning and development, Communication and ICT. This indicates that the County views ICT as a strategic resource which will enable the County to achieve its objectives effectively and efficiently. An interview was conducted with the ICT manager on behalf of the Executive Member who explained the vision of the County in relation to ICT as set out in the draft ICT Policy and Security document as summarized below:

- To Use ICT to automate service delivery to the county staffs and the entire public e.g. Payroll Management, digitization of records, online access of application forms and documents.
- To develop more efficient IT- based systems for service delivery e.g. county revenue collection system, HR system, automotive management
- To always keep abreast with the dynamic technological changes for the county to remain competitive in its service delivery and also in ICT project implementations

In order to govern and manage the IT operations, the County is yet to develop and implement some of the key ICT documents including; ICT Strategic Plan, the ICT assets register, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP). There was also no ICT Steering Committee in place and the ICT policies and procedures in place had not been approved.

Recommendations

- i. The County Executive and Management should develop, approve, communicate and implement the respective ICT policies, IT Strategic Plan, Business Continuity Plan and Disaster Recovery Plan that ensure proper management of IT operations.
- ii. The County should ensure that a properly constituted IT Steering Committee is in place.

2.7.7.3 Physical Controls

The IPPD and G-PAY servers are located in the Human Resource office and Accounts office respectively where accessibility is not restricted with adequate physical access controls. The servers are also placed on the floor which is prone damage in case of floods.

Recommendations

- i. Physical access controls to the server room should be reinforced.
- ii. The servers should be placed on a raised floor.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 February 2014