

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR–GENERAL

ON THE

FINANCIAL OPERATIONS

OF

THE COUNTY GOVERNMENT OF
KAKAMEGA AND ITS DEFUNCT
LOCAL AUTHORITIES

FOR THE PERIOD
I JANUARY TO 30 JUNE 2013

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REPORT OF THE AUDITOR-GENERAL ON THE OPERATIONS OF KAKAMEGA 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 Further, the County Government Act, 2012 Section 134 (1) repealed the Local Government Act, Cap 265, and thus effectively dissolving all the 175 Local Authorities and creating 47 County Governments.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 Kakamega, Municipal Council Kakamega, Municipal Council of Mumias, County Council of Lugari, Town Council of Malava and County Council of Butere Mumias, transactions for the period 1 January 2013 to 30 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

The audit teams faced several constraints during the audits, including delay in obtaining requisite documentation and information in relation to the exercise and non-availability of key staff of the former Local Authorities. These constraints resulted in delay in concluding the audits within the planned timelines.

This summary of our findings should be read in conjunction with the full report.

1.3 Key Audit Findings and recommendations

1.3.1 Kakamega County Executive and County Assembly

1.3.1.1 Current Assets and Liabilities

Debtors/Creditors

Proper records were not in place to support debtor balances of Kshs.488,128,819.00 and creditors of Kshs.305,700,431.00 reportedly taken over from the six Sub Counties. The County Government should ensure Sub Counties adhere to financial regulations and that all Debtors and Creditors are supported with relevant records.

1.3.1.2 Non- Current Assets

Motor vehicles

A motor vehicle Toyota Prado GK B496D was irregularly procured by Shinyalu-Ikolomani Sub-County for the Governor in that the payment amounting to Kshs.5,227,404.00 was made from LATF. However, at the time of audit the vehicle had not been delivered, therefore, it could not be physically verified. It was further noted that the County Government had so far procured nine (9) new motor vehicles at a total cost of Kshs.49,436,711.30 including a Defender 110 Land Rover procured for Kshs.4,890,000.00 which had also not been delivered as at the time of audit.

The County Government should ensure that all motor vehicles purchased are delivered and that the government gets value for money for the purchase.

1.3.1.3 Payroll

Three (3) senior employees were paid salaries at higher rates than provided for leading to an overpayment of Kshs.186,456.00 for a four (4) month period.

The County Government should effect recoveries of the excess employee costs from the three (3) responsible officers and properly account for the same.

1.3.1.4 Imprest

Outstanding imprest for the County Executive as of 30 June,2013 amounted to Kshs.3,455,972.00 which had increased to Kshs.22,000,000.00 as at 26 September, 2013. However, it was noted that this imprests appear to have been issued irregularly. The County Government should put in place Imprest procedures and controls for approval, issuing, surrender, recoverability and recording of imprests.

1.3.1.5 Office Refurbishment

No formal Bills of Quantities were prepared for the work of refurbishing offices for which expenditure amounting to Kshs.36,471,082.25 had been incurred. However, a labor based contract that was based on the engineer's estimates on the quantity of materials required was used.

Procurement procedures should be strictly adhered to.

1.3.2 Municipal Council of Mumias

1.3.2.1 Current Assets and Liabilities

i) Debtors

The Debtors records were not updated. There was no evidence including among others invoices and demand notices to confirm recovery efforts for Debtors amounting to Kshs.10,242,367.00 as at 1 April 2013.

The County Government should authenticate debtor's balances and maintain proper accounting records.

ii) Creditors and Suppliers

The total creditors handed over to the County amounted to Kshs.18,018,491.00 some of which were not supported with original documents. The County Government should authenticate creditor's balances before they are paid including support by valid contract agreements and evidence of service/goods delivery.

1.3.2.2 Revenue

Sugar cane cess revenue from Mumias Sugar Co. was not collected between January 2013 and June 2013. The revenue should be followed up for collection and Internal control system be put in place to ensure proper accountability at every stage in the revenue collection cycle.

1.3.2.3 Motor Vehicles

The council did not produce Motor vehicles logbooks for audit as they were stolen in March 2013. The council should follow up this case with the police to ascertain the culprit.

1.3.2.4 Procurement

Payments to suppliers and creditors and traveling expenses amounting to Kshs.14,228,278.00 and Kshs.270,000.00 respectively were not supported. Further,

a variation of contract on construction of Mumias town hall at Kshs.3,381,200.00 was not authorized.

The Public Procurement and Disposal 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. In addition, proper procurement documents must be maintained.

1.3.3 County Council of Butere - Mumias

1.3.3.1 Current Assets and Liabilities

i) Cash and Bank Balances

Bank certificates for all the bank accounts and bank reconciliation statements were not provided for review. Further, there was no evidence for closure of the Kazi Kwa Vijana bank account no.078000013759 at Family Bank which had a balance of Kshs.615,124.00 as at 30 March, 2013. Bank accounts of the defunct Councils should be closed and balances transferred to County revenue Accounts as per the Transition Authority directive.

ii) Debtors

Debtors handed over to the County Government amounted to Kshs.6,472,381.00. However, debtors' ledgers and registers were not maintained. Debtors' records should be updated before they are handed over to the County Government.

iii) Creditors

Creditors handed over to the County Government amounted to Kshs.17,319,926.00. However, there were various expenditures that had not been supported by the required relevant supporting documents. These included payment vouchers for Kshs.2,892,152.00, insurance payments of Kshs.3,498,905.00 and payments to contractors amounting to Kshs.37,000,176.00. Creditors' ledger should be updated and balances validated before any payments are made.

1.3.4 County Council of Lugari

1.3.4.1 Current assets and liabilities

i) Cash and Bank Balances

Cash withdrawals from various branches of the Equity Bank amounting to Kshs.3,601,332.00 were not recorded in the cash book and therefore remain

unaccounted for. Sub Counties should provide complete documentation and records that support bank transactions and balances transferred.

ii) Debtors

Debtors handed over to the County Government amounted to Kshs.222,082,368.00. It was established that debtors' ledger and register were not maintained to confirm the same. Records should be updated and handed over to County Government.

iii) Creditors

Creditors handed over to the County Government amounted to Kshs.11,780,967.00. However, EFT payments to a consulting firm amounting to Kshs.2,192,000 paid on 1 March 2013 were neither supported by a payment voucher, contract agreement nor goods received notes. The County Government should authenticate creditor's balances before they are paid and they should be supported by valid contract agreements and evidence of service/goods delivery and an updated record for suppliers and ledger should also be maintained.

1.3.4.2 Motor Vehicles

Motor vehicles/machinery handed over to the County Government had a book value of Kshs.14,125,544.00 while office furniture and equipment balance was Kshs.1,712,238.00. No formal valuation had taken place and therefore the basis of valuation was not clear. The County Government should value, code and properly record all assets taken over from the defunct Councils. In addition ownership documents should be validated and kept by designated officers.

1.3.4.3 Procurement

The LATF amount received was Kshs.40,493,616.00 out of which Kshs.2,979,550.00 was paid to suppliers without proper supporting documents. A supplier was paid Kshs.655,760.00 for supply of stationery and was not among the prequalified suppliers in the financial year 2012/13. The Public Procurement and Disposal 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 and proper procurement documents should be maintained.

1.3.5 Town Council of Malava

1.3.5.1 Creditors

The creditors handed over to the County Government amounted to Kshs.8,437,921.00 but they were not supported by verifiable documents.

The County Government should authenticate creditor's balances before they are paid. Payments should be supported by valid contract agreements and evidence of service/goods delivery.

1.3.5.2 Procurement

The Council failed to spend Kshs.10,093,649.00 disbursed for LATF Capital Projects. Further, a payment of Kshs.300,000.00 made to a supplier was not supported.

The Public Procurement and Disposal Act, 2005 and related Regulations of 2006 should be followed to ensure Public funds are utilized for intended purposes. In addition, proper procurement documents should be maintained.

1.3.6 County Council of Kakamega

1.3.6.1 Cash and Bank Balances

Bank accounts were not closed on 28 March, 2013 as required and it was noted that there was irregular encashment of cheques by the cashier totaling to Kshs.9,692,859.00.

The money withdrawn in cash by the cashier should be accounted for. Bank accounts of the defunct Councils should be closed and the balances transferred to County revenue accounts after reconciliation as per the Transition Authority directive.

1.3.6.2 Debtors

There were no documentation in support of debtors balances handed over to the County of Kshs.148,720,043.00. Debtors' records should be updated and handed over to the County Government.

1.3.6.3 Creditors

There were no records in place in support of Creditors balances handed over to the County amounting to Kshs.43,402,385.00. The County Government should authenticate creditor's balances before they are paid. Further, action should be taken against those who failed to maintain updated records for suppliers and approved/authorized payments with neither supportive documents nor evidence of goods/serviced received.

1.3.6.4 Motor Vehicles

The book value of the Motor vehicles handed over to the County Government was Kshs.34,479,129.00. The basis of the values assigned to the assets was not clear since no formal valuation had taken place. Further, a Motor Vehicle double cabin registration number KAW 742Z did not have a logbook.

The County Government should value, code and properly record all assets taken over from the defunct councils. In addition ownership documents should be validated and kept by designated officers.

1.3.6.5 Procurement

A contractor was paid Kshs.4,999,000.00 out of LATF Fund instead of Cess and CDF fund. The Public Procurement and Disposal 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.

1.3.7 Municipal Council of Kakamega

1.3.7.1 Cash and Bank Balances

Bank statements and reconciliations for the period January, 2013 to June 2013 and Certificate of Bank balances as at 4 March 2013 were not availed for audit verification. The Council should avail these records/documents for audit.

1.3.7.2 Debtors

The Council did not provide a schedule and record of debtors handed over to the County Government indicated as Kshs.83,546,224.00. Debtors' records should be properly maintained and handed over to the County Government.

1.3.7.3 Creditors

The Creditors balance handed over to the County Government totaled Kshs.206,740,741.00. However, the council failed to maintain updated creditors ledger posted with invoices and payments to creditors. The County Government should authenticate creditor's balances before they are paid and they should be supported by valid contract agreements and evidence of service/goods delivery. Further, an updated record for suppliers and a ledger should be maintained.

1.3.7.4 Revenue

The County failed to provide bank statements and deposit slips for revenue amounting to Kshs.53,970,783.00 for the period between January and June 2013. The documents should be availed for audit and the internal control system over revenue collection should be strengthened.

1.3.7.5 Procurement

There were no supporting documents for payments of Kshs.1,527,481.00 and Kshs.1,654,175.00 made to two contractors in respect of grading and leveling of Bukhungu stadium and supply of cleaning materials respectively. Further, the tender

minutes for the award of the Bukhungu stadium work were also not availed. Action should be taken against the officers who made payment for unsupported and unauthorized expenditure and the amount involved be accounted for.

1.3.8 Information Systems assessment

1.3.8.1 IFMIS AND G-PAY

IFMIS and G-Pay had not been implemented in any of the County Government units.

1.3.8.2 Local Authority Integrated Financial Operations Management System (LAIFOMS)

LAIFOMS had been implemented in 5 Sub – Counties i.e. Municipal Council of Kakamega and Mumias Town Council, Kakamega County council, Malava Town and Butere Khwisero Sub-Counties.

Audit review of Municipal Council of Kakamega revealed that there was an under banking of Kshs.18,220.560.00 between the period 1 July 2012 to 3 March 2013 and Kshs.24,526,933.00 between the period 4 March to 19 September 2013.

1.3.8.3 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. One user had been trained in IPPD. The system lacks segregation of duties controls and one user had conflicting user rights. The data that was migrated into IPPD from LAIFOMS had the following integrity issues:

- There were sixteen (16) officers with Incorrect Tax Personal Identification Numbers.
- There was one (1) with incorrect ID
- Fourteen officers have no date of posting.

1.3.8.4 IT control environment and ICT governance

The IT section had eight (8) staffs 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 applications 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. 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 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. The County should ensure that IFMIS is installed in all County units. IFMIS Directorate should train and give priority to the staff of the ICT Department when conducting its training. 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. 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.

1.4 Conclusion

The above matters clearly indicate that the process of taking over of assets and liabilities, including staff of the former Councils was not properly handled due to apparent lack of leadership by officials of Transition Authority who had the responsibility to ensure a smooth and seamless transition process. The County Government should however ensure full control of functions, including revenue collection, recording and proper accounting for the same while awaiting guidance from the National Treasury on the accounting and reporting systems to be developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the Public Finance Management Act 2012. 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.



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AUDITOR-GENERAL

Nairobi

18 March, 2014

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

2.0 MAIN REPORT

2.1 Introduction

The County Government of Kakamega, took over the six defunct Local Authorities namely County Councils of Kakamega, Municipal Council Kakamega, Municipal Council of Mumias, County Council of Lugari, Town Council of Malava and County Council of Butere Mumias, following the General Election on 4 March 2013. The County Government was established to carry out the devolved functions to the County. The special audit exercise was to verify County Government preparedness to receive and utilize devolved funds before, during and after transition period.

2.2 Terms of Reference

The Office of the Auditor-General is an independent office mandated by Article 229 of the Constitution of Kenya to audit the accounts of the National and County Government. In this regard the office planned an audit for the Kakamega 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 1 January 2013 to 30 June 2013.
- Examination of transactions of the County Government and County Assembly between 5 March and 30 June 2013.
- Confirm the closure of bank accounts as directed by Transitional Authority.
- Confirm adherence to procurement procedures as per the Public Procurement and Disposal Act, 2005 and related 2006 Regulations.
- Confirm that proper balances of Debtors and Creditors were taken over
- Confirm Implementation of the IFMIS and G-Pay as opposed to manual system.
- Confirm whether all the Motor vehicles and items of equipment and Furniture were taken over and that they actually exist and are owned by the Counties.

- Confirm whether County bank accounts were opened on 04 March 2013.
- IPPD Payrolls – Confirm that employees off the defunct Local Authorities were taken over in correct numbers and salary grades.
- Irregular borrowings, overdrafts and payment of non-existing loans.

The audit was conducted in the month of August and September, 2013.

2.3 Methodology

The approach used in carrying out this audit included the following:

- Interviews with key officers at the County headquarters and defunct Local Authorities.
- Review of applicable legislation and regulations
- Assessment of internal controls.
- Examination of payment vouchers, cash book, vote book, bank statements, bank slips, tender and contract documents, stores records and other related records.
- Review minutes for the meetings where there was resolution affecting management of cash.
- Physical inspection/verifications
- Verify the bank reconciliation statements as at 30 June 2013.

3 DETAILED FINDINGS

3.1 County Executive and Assembly

3.1.1 Expenditure

The County did not maintain a list of Prequalified Suppliers or registered tenderers as required by the Public Procurement and Disposal Regulations 2006. Further, it did not carry out documented Market Surveys to identify suppliers before issuing Requests for Quotations which is the main method it used in its Procurements.

Further, the maximum level of expenditure under request for quotation for the entity is Kshs.1,000,000 for goods and services and Kshs.2, 000,000 for works. However, the entity contrary to Section 30 (1) of the Act split its procurement to meet the thresholds.

Refurbishment of the office was a labor based contract that was based on the engineer's estimates of the quantities of the materials required. No formal bills of quantities were however prepared for the same. An expenditure of Kshs.36,471,082.25 had been incurred.

Nine (9) motor vehicles were unprocedurally procured at a total cost of Kshs.49,472,700.00 without following procurement regulations. The vehicles were not purchased from the contracted firms indicated in the supplies branch guideline.

Recommendation

The County Government should adhere to procurement regulations.

3.1.2 Cash and Bank Balances

The defunct local authorities failed to close bank accounts as at 28 February 2013 in accordance with Transition Authority instructions. In addition, the County failed to open County revenue account on 4 March in accordance with the Transition Authority instructions. Further, minutes authorizing opening of respective County bank accounts and respective signatories were not provided. A cash analysis book for the control of cash and bank balances was not kept. In addition, standing imprest was deposited into personal accounts of the respective cashiers to finance sub county operations. Also, bank reconciliation statements for Revenue Fund account number 1141473194 at KCB were not availed for audit review.

Recommendation

The County Government should ensure that bank accounts of the defunct councils are closed and balances transferred to County revenue Accounts.

3.1.3 Debtors

Audit verification revealed that debtors balances taken over from Lugari, Butere and Malava sub counties of Kshs.222,082,368, Kshs.6,472,381 and Kshs.17,065,436 respectively were not supported by schedules, registers and ledgers. There was no evidence that debtors were invoiced and issued with demand letters/notes. Further, no measures and plans are in place to recover opening debtors' balances from respective debtors.

Shinyalu Sub County failed to maintain Contribution in Lieu of Rates (CILOR) records to support debtors amounting to Kshs.100,816,557.00. Further, there were no correspondences with the Ministry acknowledging the debt. Further house rent and stall rent of Kshs.2,831,850.00 were not supported with schedule of tenants.

Kakamega Township sub county failed to provide schedule and records of debtors handed over to the county amounting to Kshs.83,546,224.00.

Recommendation

The County Government should require sub counties to support debtors submitted with relevant records. The Government should establish action plan for recovery of outstanding debts.

3.1.4 Imprest

The imprest register was not updated for the period March to August 2013. Further, imprest details including warrant numbers and date of surrender were not captured. Imprest amounting to Kshs.3,455,972 was issued without following regulations. Further, officers were issued with another imprest before surrendering earlier ones resulting to increase in outstanding imprests amount over Kshs.22 million as at 26 September 2013. In addition, all sub counties failed to provide imprests schedule showing imprests issued, surrendered and un-surrendered.

Recommendations

The County Government should put in place imprest procedures and controls for approval, issuing, surrender, recoverability and recording of imprests.

Imprest issued during the year 2012/2013 which remain un surrendered should be recovered immediately.

3.1.5 Creditors and suppliers

Audit review revealed that the balances of creditors and suppliers taken over from defunct local authorities were not supported with original documents such as invoices and statements of balances. Creditor's balances taken over from Shinyalu, Malava and Lugari of Kshs.43,402,385, Kshs.11,780,967 and Kshs.8,437,921 were at variance with schedules provided by the sub counties. All sub counties failed to maintain updated creditors ledger posted with invoices and payments to creditors.

Recommendation

Creditors' ledger should be updated and balances validated before any payments are made.

3.1.6 Motor Vehicles, Office Furniture and Equipment.

County Government of Kakamega took over Office furniture, Equipment and Motor vehicles from the defunct councils. However, there were no proper procedures for handing over and taking over of assets by the Transitional Authority. Only a list of assets requested by the County government from the Defunct local authorities was compiled by the County Office and availed for audit. Further, the schedules from the Defunct Local Authorities and the schedule at the County government did not reconcile.

The value of motor vehicles and equipment from the defunct local authorities was Kshs.105,866,419.00, while the schedule availed by the County Government was Kshs.106,857,424, giving an unexplained difference of Kshs.991,005. The County Government also procured 9 motor vehicles at a cost of Kshs.49,436,711.30 including a Landrover Defender 110, worth Kshs.4,890,000.00 which was paid through proformer invoice and LPO No. 107193 dated 18 June 2013. However, the vehicle had not been delivered as at the time of audit in September, 2013.

In addition, Log books for the under listed vehicles were not availed for audit verification to confirm ownership of the motor vehicles;

- GK 496D-Toyota Prado Automatic
- KBU 627T-Toyota FortunerLanser
- KBU 625T-Toyota Rav 4 2.5L
- KBU 626T-X-Trail cdi
- KBU 903T-Cruiser Prado
- KBU 632T-Toyota Corolla Automatic

Recommendations

The County Government should value, code and properly record all assets taken over from the defunct councils. In addition ownership documents should be validated and kept by designated officers.

3.2 County Council of Butere-Mumias

3.2.1 Cash and Bank Balances

Certificates of bank balances were not provided for all the bank accounts that were maintained by the defunct Butere-Mumias County Council. Further, bank reconciliation Statements for the all the bank accounts were also not provided. There was no evidence of closure of Kazi Kwa Vijana account number 078000013759 at Family bank which had a balance of Kshs. 615,124 as at 30 March 2013.

Recommendations

Bank accounts of the defunct councils should be closed and balances transferred to County revenue Accounts after reconciliation.

3.2.2 Creditors and suppliers.

The creditors/contractors ledger were not updated. Various expenditures were not supported with relevant supporting documents. These included payments vouchers amounting to Kshs.2,892,152.00 and insurance services Kshs.3,498,905.00.

Payments made to suppliers, contractors and creditors amounting to Kshs. 37,000,176.00 in respect to the renovation of the town hall were not supported by invoices, contract agreements and delivery notes or acceptance certificates/ interim or final certificates on work done.

Recommendations

Creditors' ledger should be updated and balances validated before any payments are made.

3.2.3 Expenditure and procurement

During review of expenditure and procurement, the following documents were not provided:

- Policy documents for insurance covers
- Tender documents for the period under review
- Project file for the sampled projects
- Payment certificates for projects

In addition, some payment vouchers were noted to be missing.

The sub-county procured items in cash under the imprest system but did not observe the procurement regulations of low value procurement.

Recommendations

Procurement procedures should be strictly adhered to.

3.2.4 Motor Vehicles, Office Furniture and Equipments

The Sub County was in possession of 4 Motor vehicles, 1 Grader, 1 Tractor, trailer, Disk and 1 Harrow valued at Kshs.5,605,000.00. The balances differed from those taken over by county government. In addition, one Motor Vehicle Isuzu KAN 018P included above was grounded. Furniture and Equipment as per records of defunct Local Authorities totalled to Kshs.8,065,992.00 which differed with balances taken over by County Government. Physical verification of assets revealed that 2 laptops

procured were missing as they reportedly had not been handed over by two officers transferred to other stations.

Recommendation

The County Government should value, code and properly record all assets taken over from the defunct councils. In addition, ownership documents should be validated and kept by designated officers.

3.3 Municipal Council of Mumias

3.3.1 Cash and Bank Balances

Bank accounts operated by the Council were not closed as at 28 February, 2013. Also, certificates of Bank balances were not provided for the Kazi Kwa Vijana and Housing account nos. 0680295051977 and 128166762 respectively.

Recommendations

Bank accounts of the defunct councils should be closed and balances transferred to County Revenue Accounts.

3.3.2 Revenue

Sugarcane cess revenue from Mumias Sugar Company was not collected between the months of January, 2013 and June, 2013.

Recommendation

The revenue should be followed up for collection and Internal control system be put in place to ensure proper accountability at every stage in the revenue collection cycle.

3.3.3 Motor Vehicles, Office Furniture and Equipment

4 Motor vehicles, 2 Tractors and 3 Trailers amounting to Kshs.2,630,436.00 were handed over to the County Government. However, all motor vehicles' log books were reportedly stolen and therefore we could not verify ownership. Office furniture and equipment amounted to Kshs.2,416,263.00 but quantities of the specific assets were not disclosed.

Recommendation

The County Government should value, code and properly record all assets taken over from the defunct councils. In addition ownership documents should be validated and kept by designated officers.

3.4 Town Council of Malava

3.4.1 Cash and Bank Balances

Audit review revealed that, monthly bank reconciliation statements for all banks accounts were not prepared to confirm accuracy of the cashbooks. A bank account number 078000014697 maintained at Family bank was not in the list handed over to the County Government. Certificates of bank balances for account numbers 078790875101 and 078000014697 maintained at Family bank were not availed. Likewise, bank statements for three account numbers, 078790875101 and 078000014697 maintained at Family bank and account number 01120033990302 at Cooperative bank were not availed.

Recommendations

Bank accounts of the defunct councils should be closed and balances transferred to County revenue Accounts after a proper reconciliation is done. Bank reconciliations of all bank accounts should be carried out to facilitate their closure.

3.4.2 Revenue

No explanation was given for the persistent decline in Cess collection from a monthly average of Kshs.1.3 million in January, February and March 2013 to Kshs.10,000.00 in May and June 2013. This implies that in the two months alone, the Council may have under collected more than Ksh.2.4 million.

Recommendation

The County Government should put in place strong internal control system to ensure proper accountability at every stage in the revenue collection cycle.

3.4.3 Expenditure and procurement.

Suppliers/contractors for insurance services were not prequalified for the financial year under review. An amount of Kshs.10,093,649.00 disbursed on 22/2/2013 for LATF projects was not spent on any capital projects.

Most payment vouchers lacked supporting documents and were passed for payment before authorization and examination by the relevant officers. A supplier was paid a total sum of Kshs.600,000.00 but a payment voucher supporting only an amount of Kshs.300,000 withdrawn from the LATF account was availed leaving an amount of Kshs.300,000 drawn from the GRF account without a payment voucher.

Recommendations

The Public Procurement and Disposal 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. Proper procurement documents must be maintained.

3.4.4 Motor Vehicles, Office Furniture and Equipments

The Council handed over to the County Government 2 Motor vehicles, 1 tractor and 1 Trailer all valued at Kshs.3,523,828.00 and furniture and Equipment valued at Kshs.1,187,510.00. Included in the list was a motor vehicle registration number KBQ 159D which had no supporting documentation. Further, there was no breakdown for furniture worth Kshs.800,000.00.

Recommendations

The County Government should value, code and properly record all assets taken over from the defunct councils. In addition owner ship documents should be validated and kept by designated officers.

3.4.5 Creditors and suppliers.

The creditors handed over to the County Government amounted to Kshs.8,437,921.00 but they were not supported by verifiable documents. The following documents in support of creditors were not availed;

- Contract agreement and policy document for insurance services paid of Kshs.850,000.00 vide.
- LAPTRUST statements confirming outstanding balance of Kshs.17,000,000.00.
- Schedules for unpaid NSSF, LAPROFUND, KRA and NHIF statutory deductions of Kshs.62,000,000.00, Kshs.28,944,542.00, Kshs.17,622,046.00 and Kshs.2,240,840.00 respectively.

Recommendations

- The County Government should authenticate creditor's balances before they are paid and that should be supported by valid contract agreement and evidence of service/goods delivery.
- Action should be taken against those who failed to maintain updated records for suppliers, approved authorized payments without supportive documentations and evidence of goods/serviced received.

3.5 County Council of Kakamega

3.5.1. Cash and Bank Balance

Bank accounts were not closed on 28 March, 2013 as required and it was noted that there was irregular encashment of cheques by the cashier totaling to Kshs.9,692,859.00.

Further, the following documents in respect of cash and bank balances were not availed;

- Certificates of Bank balances for verification
- All bank statements for the period 1 January to 30 June 2013 for accounts listed below:
 - ✓ GRF A/C NO.1101935014-Coop Bank
 - ✓ LATF Account No.1101940166
 - ✓ Housing Account No.01120023407903
 - ✓ Mumias Cess Account No.01120023407902
 - ✓ West Kenya Cess Account No.01120023407900
 - ✓ Renewal Account No.1127274767

Recommendation

The money withdrawn in cash by the cashier should be accounted for. Bank accounts of the defunct Councils should be closed and the balances transferred to County revenue accounts after reconciliation as per the Transition Authority directive.

3.5.2 Creditors and suppliers

A demand letter from Municipal Council of Kakamega indicated that the Council owed Kshs.217,989,707.00 for land rates. The Council however disclosed Kshs.12,076,508.00 without the schedule to support outstanding rates to Municipal Council.

Outstanding payments to contractors amounting to Kshs.7,374,508.00 as at 30 June 2012 had been disclosed as unpaid as at 4 March 2013. However, the same balance was retained as at 4 March 2013 despite payments being made in the financial year 2012/2013 of Kshs.3,026,128.00. Further, the Council failed to maintain contractors register/ledger that show the movement in the contractors balances.

A figure of Kshs.2,621,144.00 due to a supplier was disclosed as creditors as at 4 March 2013. However, the ledger reflected a balance of Kshs.3,915,000.00 as additions in March, 2013 which was not supported by invoice/unpaid certificate of completion. Further, payments of Kshs.2,137,500 were not posted in the ledger.

An amount of Kshs.10,886,500.00 owed to a creditor was not supported by invoices. Further, another amount of Kshs.2,265,900.00 owed to a creditor was not recorded in the creditor's ledger despite the creditor being paid Kshs.2,265,900.00.

Recommendations

The County Government should authenticate creditor's balances before they are paid and that should be supported by valid contract agreement and evidence of service/goods delivery. Action should be taken against those who failed to maintain updated records for suppliers, approved authorized payments without supportive documentations and evidence of goods/serviced received.

3.5.3 Expenditure and procurement

Procurement procedures were not generally adhered to as follows

Only one advertisement was made in respect of procurement of goods/services. There was continued use of imprest in procurement of goods/services in excess of statutory limits. Further, there was failure to evaluate financial position of contractors leading to cash payments on the grounds that they had overdrafts in their accounts. There was irregular procurement of a motor vehicle which was not budgeted for at an amount of Kshs.5,227,404.00.

An irregular payment amounting to Kshs.4,999,000.00 was made for a project that was supposed to be carried out jointly by Mumias Sugar Company and the Constituency Development Fund (CDF). Further, the relevant payment voucher was not availed and the amount paid was over and above the initial contract sum of Kshs.1,000,000.00.

Recommendations

The Public Procurement and Disposal 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. Proper procurement documents must be maintained.

3.5.4 Motor Vehicles, Office Furniture and Equipment

There was an irregular payment of Kshs.5,227,404.00 from LATF towards purchase of a motor vehicle for the governor which had not been budgeted for in 2012/2013. The Council handed over motor vehicles valued at Kshs.34,479,129 which included 6 Motor vehicles, 2 Graders, 1 Tractor and Trailer, 1 Exhauster and 2 Motorcycles.

However, no log book was availed to confirm ownership for a Double cabin registration number KAW 742Z. Also, included in the list is a vehicle registration number KAW 204Z which had no documentation. Furniture and equipment amounting to Kshs.6,286,854.00 were also handed over. However, the schedule of furniture and Equipment did not indicate the quantities of the assets handed over.

Recommendations

The County Government should value, code and properly record all assets taken over from the defunct councils. In addition, ownership documents should be validated and kept by designated officers.

3.6 Municipal council of Kakamega

3.6.1 Cash and Bank Balances

Bank statements for the period 1 January 2013 to 30 June 2013 were not availed for audit review. Further, monthly bank reconciliations for the period 1 January 2013 to 30 June 2013 were not carried out. In addition, Certificates of bank balances as of 4 March 2013 were also not availed. The authenticity of the bank transactions over the period could therefore not be confirmed.

Recommendation

Ensure that bank accounts of the defunct councils are closed and balances transferred to County revenue Accounts after reconciliation.

3.6.2. Revenue

Bank statements and deposits slips to confirm banking of revenue collected between 1 January 2013 and 30 June 2013 of Kshs. 53,970,783.00 were not availed. In addition, LATF Account bank statements to confirm LATF receipts of Kshs.48,449,590.00 were also not availed. As detailed in paragraph 3.9 on LAIFOMs, there appear to have been under banking of more than Kshs.24,526,933.00 between March 2013 and June, 2013. Therefore, the receipt of all the amounts could not be confirmed.

Recommendations

The documents should be availed for audit and the internal control system over revenue collection be strengthened.

3.6.3 Expenditure and procurement.

Audit review revealed that, payments were not properly authorized and approved.

A supplier was paid an amount of Kshs.1,654,175 for supply of stationery and cleaning materials while a contractor was awarded a contract to level and grade Bukhungu Stadium at a cost of Kshs.1,527,481. However, the tender minutes for the above two cases were not availed for audit. Further, the Council was only expected to oversee the levelling and grading of the stadium but not fund the project. In addition, the project file for the Bukhungu Stadium Project was not availed for audit review.

Recommendations

- Action should be taken against those who floated procurement regulations
- Action should be taken against those who made payment for unsupported and unauthorized expenditure
- Obtain clear statement of work and definition of need
- Obtain appropriate approvals before undertaking process.
- Improve procurement plans.
- Government regulations and policies pertaining to procurement should be adhered to.

3.6.4 Motor Vehicles, Office Furniture and Equipment

The Council handed over non-current assets valued at Kshs.25,933,625.00 which included 13 Motor vehicles, 1 Fire Tender, 1 Grader, 1 Lawn Mower, 2 Tractors, 2 Trailers, 2 Motor bikes. Further, the status reports for the under listed grounded vehicles lying at the Ministry of Public Works mechanical yard were not availed:

- Toyota Pickup stout valued at Kshs.70,000,
- Land Rover valued at Kshs.250,000,
- Mercedes Benz KWT 200 with no value.
- ZB Trailer (No number) valued at Kshs.487,500.

The values for Office equipment and furniture in the schedule transferred to the County Government were not indicated/disclosed.

In addition, the basis of determining the carrying amounts for the non – current assets was not clear as no valuation by an expert had taken place.

Recommendations

Proper records should be maintained for the assets and liabilities taken over from the defunct Local Authorities.

The grounded vehicles should be assessed with and appropriate action taken to avoid further waste through nonuse.

3.6.5 Creditors

The Creditors balance handed over to the County Government totaled Kshs.206,740,741.00. However, the council failed to maintain updated creditors ledger posted with invoices and payments to creditors.

A payment of Kshs.4,000,000.00 to Kakamega Municipal Council Sacco was not posted to the ledger. Further, the unpaid deduction schedule was not availed to confirm balances outstanding.

Recommendations

The County Government should authenticate creditor's balances before they are paid which should include confirmation of the validity of the contract agreements and evidence of service/goods delivery. The County should also maintain an updated record for suppliers and ledger.

3.7 County Council of Lugari

3.7.1 Cash and Bank Balances

The following documents were not availed for audit review:

- Monthly bank reconciliation statements for the period 28 March 2013 to June 2013 for bank accounts not closed.
- All bank statements for the following bank accounts;
 - ✓ G.R.F-Cop bank-A/C No.01120049828100(20 April to 30 June 2013)
 - ✓ Cess-KCB-A/C No.1107198488 (7 February to 30 June 2013)
 - ✓ Renewal Fund-KCB-A/C No.1107199379 (1 January to 30 June 2013)
 - ✓ R.M.L.F-KCB-A/C No.1107197805(1 January to 30 June 2013)
 - ✓ LATF-Cop Bank- A/C No.0112004928101(18 April to 30 June 2013)
 - ✓ Kazi Kwa Vijana-Cop Bank-A/C No.01120049828102)

A payment of Kshs.310,400.00 debited in the bank account was not availed, neither was the supplier disclosed. Cash withdrawals from Equity bank account at various

branches amounting to Kshs.3,601,332 were neither posted in the cash book nor payments vouchers availed.

Recommendations

County Government should put in place structures and controls on the sub county expenditure. County Government should require sub counties to provide complete documentations and records that support bank balances transferred.

3.7.2 Expenditure and procurement

A total amount of Kshs.40,493,616.00 was received on account of LATF Projects. However, a total of Kshs.2,979,550.00 was paid to suppliers with no proper support documents and authorization. Even though suppliers were prequalified for the financial year 2012/2013, a supplier who was not prequalified was paid an amount of Ksh.655,760.00 for the supply of stationery. Also, there were cases of single sourcing.

Recommendations

The Public Procurement and Disposal 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. Proper procurement documents must be maintained.

3.7.3 Motor Vehicles, Office Furniture and Equipment

The Council had vehicles and machinery worth Kshs.14,125,544 which included 4 Motor vehicles, 1 Grader, 1 Tractor and 1 Trailer. However, the book value was at variance with the balances taken over by the County Government. Further, a Nissan pick up registration number KAH 098Y and Land Rover KAB 316Q were grounded. Also the Grader and Tractor, KAW 848Z and KAN 957U respectively require major service and purchase of tyres. In addition, repairs amounting to Kshs.602,102.00 were irregularly procured using imprest. The Council also had furniture and Equipment of Kshs.1,712,238.00 of which the book value was at variance with balances taken over by the County Government. It was not clear how the carrying amounts of assets were arrived at as no valuation had been carried out. The assets were also not coded for security and thus they risked being pilfered without notice.

Recommendations

The County Government should value, code and properly record all assets taken over from the defunct councils. In addition ownership documents should be validated and kept by designated officers.

3.7.4 Revenue

Bank pay-in slips for Butere Khwisero, Mumias and Lugari Sub – Counties for the months of April, May and June 2013 were not availed to enable us confirm whether all revenue from Sub Counties were reflected in the County Revenue Account.

The Council failed to collect Cess on sugar cane from Butali Sugar Factory thereby denying the Council much needed revenue.

There was failure to properly account and record grader revenue between 1 January, 2013 and 30 June 2013 resulting into revenue realized being lower than the cost of fuel consumed. The revenue realized was Kshs.1,100,000.00 against 10995 litres of fuel drawn worth Kshs.1,209,450.00.

Recommendations

The management should put in place measures that ensure consistent revenue collection. Further, Management should ensure that revenue banked by the Sub-Counties is reconciled with the banking of the County's revenue account

3.8 Municipal Council of Mumias

3.8.1 Revenue

In May 2013, Mumias Sub County banked Kshs.2,761,078 as per bank deposits slips while revenue analysis by County office reflected Kshs.3,197,347 giving a difference of Kshs.436,269.00 as under banking.

Unquantified amount of Sugar cane Cess revenue from Mumias Sugar Company was not collected between the period 1 January 2013 and 30 June, 2013. There was no clear system to determine collectable revenue. The Sub County only relied on the company's submissions.

Recommendations

The County Government should put in place strong internal system to ensure proper accountability at every stage in the revenue collection cycle. The Sub – County to follow up on the uncollected revenue.

3.8.2 Creditors and Suppliers

Payments made to suppliers and Creditors amounting to Kshs.14,228,278.00 were not supported by invoices, contract agreements, delivery notes and acceptance certificates.

Recommendations

The County Government should authenticate creditor's balances before they are paid and that should be supported by valid contract agreements and evidence of service/goods delivery.

3.8.3 Expenditure and Procurement

Payments made to suppliers and creditors amounting to Kshs.14,228,278.00 were not supported by invoices, contract agreements, delivery notes and acceptance certificates. Tender documents for the work at Mumias Town Hall were not availed and thus it was not confirmed whether it was awarded to the lowest bidder. The audit revealed other unsatisfactory matters concerning the project as follows:

- Payment details could not be agreed with the progress certificates,
- No progress certificates were prepared for the labor based contract and in addition Certificate No.1 and 2 did not indicate the amounts paid and were not authorized by the works officer.
- Certificate No.3 which was for the final payment, authorized a payment of Kshs.859,670.00 to the contractor.
- The total contract sum as at the time of audit was estimated at Kshs.20,042,180.00 but the agreement was not valid. The original contract sum as per the Bills of Quantities availed put the price at Kshs.16,060,980 with an additional Bills of Quantity drawn for a variation of Kshs.3,981,200 without an authorized Variation Order. Pre-qualification of contracted services i.e. legal and security services were not done. Travelling expenditure totaling to Kshs.270,500.00 was not supported.

Recommendations

The Public Procurement and Disposal 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. Proper procurement documents must be maintained.

3.9 INTERGRADED FINANCIAL MANAGEMENT INFORMATION SYSTEM (IFMIS) AND G-PAY

3.9.1 Information Systems Assessment (included IFMIS and G-Pay)

IFMIS and G-Pay programs had not been implemented in any of the county government units. However, IFMIS operations were being carried at the Office of the Governor. Further, there were no IFMIS and G-PAY systems' strategic plan and steering committee in place to handle its policy framework. Also, the number of computers available could not be sufficient to handle IFMIS and G-Pay programs for the entire county government.

a) Active Modules

The county had two (2) modules installed i.e. Plan to Budget and Procure to pay - the rest of the modules are yet to be installed. However, the county has not begun utilizing Procure to pay module and as at 25 September 2013, the payments were being processed manually.

a) Training of County Staff

Thirty (30) county staffs have been trained on IFMIS at the Kenya School of Government which covered the modules in use. In the course of our interviews it was established that more training is needed from IFMIS department. We also established that ICT officers have not been trained in order to enable them to offer relevant support to IFMIS users.

b) Connectivity

IFMIS department provided five (20) 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.

c) 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 in most cases, the county officers received no feedback to their issues raised.

d) 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.

e) G-PAY

The County had received two computers from The National Treasury which were dedicated for G-Pay. The county, however, has not been using G-pay because of IFMIS which has not been running due to poor network connectivity.

Recommendations

- i. The County 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.
- viii. The county government should establish and maintain IFMIS and G-PAY systems' strategic plan and steering committee to handle its related policy framework. This would encompass development and implementation of policies and procedures relating to the systems' infrastructure and user training and support.

3.9.2 INTEGRATED PAYROLL AND PERSONNEL DATABASE (IPPD)

The County Government had not implemented IPPD Payroll by June 30, 2013. The county payroll section relied on payroll submissions from the sub-units to settle wage bills for the months of May 2013 and June 2013. The implementation of IPPD payroll program was nevertheless effected in the month of July 2013.

Only one user has been trained; however, the data that was migrated into IPPD from LAIFOMS had the following integrity issues:

- There were sixteen (16) officers with Incorrect Tax Personal Identification Numbers.
- There was one (1) with incorrect ID.
- Fourteen officers have no date of posting.

Further analysis of the IPPD data revealed that some details in the activity logs were missing from the report extracted. This includes the particulars of “who edited” and “date and time edited”.

There was lack of segregation of duties in the IPPD system since the payroll manager had the rights of system administrators and could create, edit and delete both human resource and payroll data.

Audit review also revealed that there were one hundred and forty six officers from Kakamega County that were missing in the human resource data. These officers were appearing in Vihiga County’s human resource data. The DPM support team had not been able to solve the issue as at 26 September 2013 despite several requests from the county Human Resource Manager.

Other issues as reported by the county employee’s such as wrong date of retirement appearing in the pay-slip, deductions made to the wrong fund, wrong salary amounts among others were yet to be sorted.

The IPPD payroll for the month of August 2013 was sampled for audit and the following audit exceptions were noted:

- Three (3) County employees were paid at higher rates than provided for in the Salaries and Remunerations Commission’s directives. This resulted to excess payment of Kshs.186,456.00 as at August 30, 2013 (i.e. 4 months from May 2013). The County government Human Resource Manager had not been assigned access rights to the IPPD Payroll to assist in delivering her managerial responsibilities. There were no approved IPPD Payroll systems’ repair and maintenance program in place. IPPD Payroll authorization and validation policies and procedures are not documented. There is no adequate induction and training for users of IPPD payroll. The IPPD Payroll contained incomplete information on Date of birth, Date of Retirement (End Date) and Job group.
- The IPPD Payroll included members of the County Service Board whose terms of engagement were not provided. The board members did not have appointment and acceptance letters save for the letters of oath of office which were all dated August 21, 2013. Furthermore, the county government had not gazetted any appointment of the Public Service Board as required by Article 235 (1) of the Constitution and Sections 57 and 58(1) (b) (c) and (4) of the County Government Act, 2012.

Malava Town Council (Malava Sub-County) employed thirteen (13) staff in the month of February 2013 against ministerial directive vide Circular Ref: MLG 1308/XII(126) dated January 13 2013. The employments were terminated in the month of March 2013. The council incurred a payroll cost of Kshs 475,360.00 on the same.

The County Government had not established Human Resource Advisory Committee to oversee the development and implementation of Human Resources policies and procedures. The County Government also lacked institutional Code of Ethics and Regulations and Job Description for its employees.

The County Government terminated employment of ninety eight (98) employees of the defunct Kakamega Municipal Council in the months of May 2013 on the ground of alleged irregularities in their employment. The termination appears not to have considered industrial relations laws and has since attracted legal proceedings vide industrial case no. 182 of 2013. The case is yet to be determined.

The County Public Service Board suspended three (3) senior managers of the defunct Kakamega Municipal Council on the ground of irregularities on employment. The terms of the suspension as indicated in the respective letters did not, however, comply with the standing terms and conditions of service and may as well attract industrial litigations.

The County Assembly wage-bill for the period under review was integrated in the County Government IPPD Payroll system operated at the County Executive administration block. The allowances were computed on the basis of returns provided by the Assembly clerk. This compromised the devolution requirement of operating an autonomous County Assembly as an arm of the County Government.

Recommendations

- A head count of the County staff should be done.
- The County should carry out a data clean-up of its human resource data to ensure the integrity of the payroll data.
- The County Government should develop clear and implement clear policy framework for its IPPD Payroll system. This should include authorisation, validation and access rights allocation procedures.
- The County Government should establish its Human Resource Advisory Committee to oversee the development and implementation of Human Resources policies and procedures. This would provide an expertise sight necessary to foster sustainable industrial relations and staff welfare and development.
- The County Government should establish its own Code of Ethics and Regulations and Job Description for it employees and to guide in its personnel management.
- The County Government should effect recoveries of the excess employee costs from responsible officers and properly account for the same.
- The County Government should correct the observed irregularities

3.9.3 Hardware

The County received nineteen (19) computers and one (1) from The National Treasury (IFMIS Department) which were solely being used for IFMIS. The Chief Finance Officer confirmed that the computers served the IFMIS operations adequately when connectivity was stable.

3.9.4 Software

The County received a trial version of Kerspaskey anti-virus software and some has expired.

3.9.5 Servers

The County had in place five (5) operating servers one at the Office of the Governor and four at the County Council Offices.

3.9.6 Network Connectivity

There was no established Wide Area Network at the County to connect various Sub-County offices. However, there were Local Area Networks (LAN) in the Office of the Governor and in three defunct Local Authorities i.e. Kakamega Municipal Council, Kakamega County Council and Mumias town Council. There was no internet connection at Lugari County Council among others.

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.

3.9.7 LOCAL AUTHORITY INTEGRATED FINANCIAL OPERATIONS MANAGEMENT SYSTEM (LAIFOMS)

LAIFOMS had only been in use in 5 defunct Local Authorities/ Sub - Counties: Municipal Council of Kakamega and Mumias County Council, Kakamega County council, Malava and Butere Khwisero. 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 Municipal County Council of Kakamega revealed the following:

- There was an under banking of Kshs. 18,220,560.00 between the period 1 July to 3 March and Kshs.24,526,933.00 between the period 4 March to 19 September 2013.
- Kakamega Municipal Council had a 50% decline in revenue collections between the period of 2 January and 6 May 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.

3.9.8 IT CONTROL ENVIRONMENT

3.9.8.1 Staffing and Segregation of duties

The IT section had eight (8) 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 applications in place i.e. LAIFOMs, IPPD and IFMIS for them to be able to offer adequate support to the system users.

Recommendations

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

3.9.8.2 Management of IT Operations

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

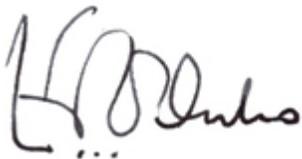
- i. The County Executive and Management should develop, approve, communicate and implement the respective ICT policies, IT Strategic Plan, Business Continuity Plan and Disaster Recovery Plan that ensure proper management of IT operations.
- ii. The County should ensure that a properly constituted IT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

3.9.8.3 Physical Controls

The IPPD server is located in the Human Resource office and accounts office respectively where accessibility is not restricted with adequate physical access controls. Physical access controls to the server room need to be reinforced.

Conclusion

The foregoing observations clearly indicate that the process of taking over of assets and liabilities, including staff of the former Councils was not properly handled due to apparent lack of leadership by officials of Transition Authority who had the responsibility to ensure a smooth and seamless transition process. The County Government should however ensure full control of functions, including revenue collection, recording and proper accounting for the same while awaiting guidance from the National Treasury on the accounting and reporting systems to be developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the 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.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

18 March, 2014