

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT**

**OF**

**THE AUDITOR–GENERAL**

**ON THE**

**FINANCIAL OPERATIONS**

**OF**

**THE COUNTY GOVERNMENT OF**  
**MIGORI 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 COUNTY GOVERNMENT OF MIGORI AND ITS DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013**

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## **1. EXECUTIVE SUMMARY**

### **1.1 Introduction**

The Auditor-General has the mandate under Article 229 of the Constitution of Kenya to audit and report on the accounts of the National and County Governments. The County Government Act, 2012 Section 134 (1) repealed the Local Government Act, Cap 265, and thus effectively dissolving all the 175 Local Authorities and creating 47 County Governments.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 Municipal Council of Migori, Municipal Council of Kehancha, County Council of Migori, Town Council of Awendo and Town Council of Rongo transactions for the period 1 January 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 Authorities
- ✓ 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 Migori County Executive and County Assembly**

##### **1.3.1.1 Current assets and liabilities**

###### **Failure to close Bank Accounts**

The defunct Councils continued operating the accounts, some of them to date in total disregard of the County Governments Public Finance Management Transition Act, 2013 which required that the bank accounts be closed and reconciliations done within three months w.e.f 5 March 2013.

##### **1.3.1.2 Irregular payment of Travelling and Accommodation Allowances**

Staff and County Assembly members were paid night out allowance of Kshs.4,825,000 while attending a seminar in Nakuru while at the same time they were on full board at a cost of Kshs.3,276,000 in the same Hotel leading to double payment.

##### **1.3.1.3 Purchases not taken on charge**

The County Government purchased various stores worth Kshs.2,375,996. However, there were no records to show that these items were received and issued out for use in the County. Further, the items could not be traced to stores as no ledger cards were availed though the items were received using S13. Management should adhere to procurement procedures by receiving goods and services using S13, recording them in S3 and issuing them using S11 and therefore balances being reflected in the S3 ledger cards for accountability.

#### **1.3.2 County Council of Migori**

##### **1.3.2.1 Current assets and liabilities**

###### **i) Creditors**

The creditors balances amounting to Kshs.23,156,332.00 handed over to the County Government by the defunct County Council of Migori were not supported by creditor's registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls. The creditors should be

promptly recorded in a ledger indicating particulars of each creditor and the same updated on a regular basis.

## **ii) Debtors**

Records availed indicate debtors balances amounting to Kshs.7,187,942.00 were handed over to the County Government by the defunct County Council of Migori. However, these balances were not supported by listings, debtor's registers, copies of invoices and demand notices and they have also not been incorporated in the books of the County Government. Further a stock take of unused receipt books held by the defunct local authorities at the time of changeover to the new series of receipt books by the County Government was not done leading to a possibility of misappropriation of receipts from debtors. Appropriate systems for recording debtors by the County Government should be developed 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.

### **1.3.2.2 Irregular Recruitment**

The County Council of Migori irregularly recruited 22 personnel without the authority of the Ministry of Local Government and approval from the finance committee. Due to this irregular recruitment, Migori County Government incurred an expenditure of Kshs.2,059,330 between the months of April – June 2013. However in July 2013, the County Government stopped salaries of 17 employees when it discovered that their recruitment was irregular. The County Government should scrutinize and disengage the workers who were irregularly incorporated in the payroll but not merely stopping their salaries which may lead to litigation charges being preferred against the County Government by the affected staff.

### **1.3.2.3 Nugatory expenditure**

During the period under review, the defunct Council spent Kshs.3,441,378 received from LATF to prepare a five year strategic plan covering the period 2013 – 2017 despite the fact that the Council was no longer going to be in existence beyond 4 March 2013. Public funds may be lost by incurring unnecessary expenditures. The responsible officers should be held liable for the loss as it was plainly clear to them that there is no value for money.

## **1.3.3 Municipal Council of Kehancha**

### **1.3.3.1 Current assets and liabilities**

#### **i) Creditors**

The creditors balances amounting to Kshs.14,516,053.00 handed over to the County Government by the defunct Municipal Council of Kehancha were not supported by creditor's registers, original contract agreements, invoices,

delivery notes, statements, schedules and payrolls. The creditors should be promptly recorded in a ledger indicating particulars of each creditor and the same updated on a regular basis.

## **ii) Debtors**

The defunct Municipal Council of Kehancha did not hand over any debtors to the County Government of Migori. However, the defunct local authority held in its books outstanding debtors totaling to Kshs.8,420,371.00 as at 30 June 2012. However, appropriate systems for recording debtors by the County Government should be developed 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.

### **1.3.3.2 Non surrender of Laptops**

Three Laptops purchased by the defunct Municipal Council of Kehancha could not be physically verified as it was explained that they were issued to former staff whom upon transfer never surrendered them back. The officers should be asked to return the laptops and if need be, they may be re-issued to them once received by the County government.

### **1.3.3.3 Revenue**

The Municipal Council of Kehancha did not maintain the Revenue Analysis Sheets/Book. Further the receipt cash book was poorly maintained hence it was not possible to ascertain as to how much was collected and banked. Some of the receipt books taken by Revenue Officers had not been returned hence not possible to ascertain total collection against the banking done. It was also revealed that the Transition Authority's internal auditor together with other County officers withdrew books from Kehancha T.C, Rongo T.C, Awendo T.C, Municipal Council of Migori and the Migori County Council without recording the books in a register for proper accounting. The receipt books so withdrawn should be recorded.

## **1.3.4 Municipal Council of Migori**

### **1.3.4.1 Current assets and liabilities**

#### **i) Creditors**

The creditors balances amounting to Kshs.78,758,301.00 handed over to the County Government by the defunct Municipal Council of Migori were not supported by creditor's registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls. Further, the debt position of the local authority increased by Kshs.44,552,268.00 from Kshs.34,206,033.00

reported in the financial statements for the period ended 30 June 2012 to Kshs.78,758,301.00 handed over to the County Government. The creditors should be promptly recorded in a ledger indicating particulars of each creditor and the same updated on a regular basis.

## **ii) Debtors**

The defunct Municipal Council of Migori did not hand over any debtor to the County Government of Migori. However, the defunct local authority held in its books outstanding debtors totaling to Kshs.21,940,366.00 as at 30 June 2012. Debtors' balances held by the defunct local Authority should be incorporated in the books of the County Government.

### **1.3.5 Town Council of Awendo**

#### **1.3.5.1 Current assets and liabilities**

##### **i) Creditors**

The creditors balances amounting to Kshs.171,147,216.00 handed over to the County Government by the defunct Town Council of Awendo were not supported by creditor's registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls. The debt position of the local authority increased by Kshs.117,952,298.00 from Kshs.53,194,918.00 reported in the financial statements for the period ended 30 June 2012 to Kshs.171,147,216.00 handed over to the County Government. It was not possible to ascertain the propriety of this material increase in creditors balance due to lack of vital creditors records. The creditors should be promptly recorded in a ledger indicating particulars of each creditor and the same updated on a regular basis.

##### **ii) Debtors**

Records availed indicate that debtors balances amounting to Kshs.81,276,199.00 were handed over to the County Government by the defunct Town Council of Awendo. However outstanding debtor's balances were not supported by listings, debtor's registers, copies of invoices and demand notices. Further an amount of Kshs.15,652,079.00 received from Sony sugar company vide miscellaneous receipt numbers 34375 and 34377 dated 24 June 2003 in respect of part payment of outstanding rates of Kshs.23,425,876.00 has not been captured in the records of the County Government. However, appropriate systems for recording debtors by the County Government should be developed 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.



### **1.3.5.2 Non-Current assets**

#### **Motor Vehicles**

Two motor vehicles; Isuzu Tipper KAW 793Z and Toyota Double Cabin KAH 089Y belonging to defunct Awendo Town Council did not have log books. The Council did not explain the whereabouts of the said log books. The log book would equally not be verified in the County headquarters. Missing motor vehicles log books should be traced and if lost an official report be made to the Police for the County Government to get an abstract to assist in getting duplicate log books.

### **1.3.6 Town Council of Rongo**

#### **1.3.6.1 Current assets and liabilities**

##### **i) Creditors**

The creditors' balances amounting to Kshs.41,172,038.00 handed over to the County Government by the defunct Town Council of Rongo were not supported by creditors register, original contract agreements, invoices, delivery notes, statements, schedules and payrolls. The debt position of the local authority increased by Kshs.40,432,703.00 from Kshs 739,335.00 reported in the financial statements for the period ended 30 June 2012 to Kshs.41,172,038.00 handed over to the County Government. It was not possible to ascertain the propriety of this material increase in creditors balance owing to lack of vital creditors records. The creditors should be promptly recorded in a ledger indicating particulars of each creditor and the same updated on a regular basis.

##### **ii) Debtors**

The defunct Town Council Rongo did not hand over any debtors to the County Government of Migori. However, the defunct local authority held in its books outstanding debtors totaling to Kshs.1,572,259.00 as at 30 June 2012. However, appropriate systems for recording debtors by the County Government should be developed to ensure accuracy or records. Also, debt collection policy should be put in place to facilitate collection of County debts as and when they fall due.

### **1.3.7 Information Systems Assessment**

#### **1.3.7.1 Hardware**

The County received nineteen (19) computers and nineteen (19) UPS from the National Treasury (IFMIS Department) which was solely to be used for IFMIS, one (1) computer from CBK for G-Pay. The County only had one IPPD server.

### **1.3.7.2 Integrated Financial Management Information System (IFMIS)**

IFMIS was located at the Treasury office; however, it was not in operation due to poor connectivity, we were informed by County Secretary and ICT officer that teams from Telkom Orange and IFMIS department were to visit the County on 10 October 2013 to resolve the problems.

### **1.3.7.3 Training of County Staff**

As at 9 October 2013, one ICT staff had been trained to support IFMIS while other staffs were undergoing training at Kenya school of government.

### **1.3.7.4 Local Authority Integrated Financial Operations Management System (LAIFOMS)**

The County had no LAIFOMS in all sub Counties and revenue collections were done manually.

### **1.3.7.5 Integrated Payroll and Personnel Database (IPPD)**

The County started the first payroll on April 2013; however, data extraction was not possible for our analysis as Payroll manager was away for training at Kenya school of government.

### **1.3.7.6 IT CONTROL ENVIRONMENT AND ICT GOVERNANCE**

- The county had three (3) ICT staffs that were qualified to provide support to the applications in place.
- The County lacked IT governance documentations such as; ICT Strategic Plan, ICT policies and procedures, the ICT assets register, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP). There was also no ICT Steering Committee in place and the in place.

## **1.4 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 PFMA, 2012. Expenditure should be incurred in accordance with the requirements of the Public Finance Management Act, 2012 and for the benefit of the tax payers.

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

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

**Edward R.O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**18 February 2014**

## **2 MAIN REPORT**

### **2.1 Background**

The audit was to verify County Government preparedness to receive and utilize devolved funds before, during and after transition period in addition to the transfer of assets, liabilities and staff from the four defunct local authorities.

### **2.2 Terms of Reference**

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 Migori 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 Public procurement and Disposal 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 equipments.
- 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.

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 GOVERNMENT OF MIGORI**

##### **3.1.1 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.

##### **Findings**

- Contrary to the above directive, the defunct Councils continued operating the accounts, some of them to date 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 accounts had not been closed as required.
- Bank statements for the defunct Municipal Council of Migori were not availed except Bank A/c No. 1140763997 held at KCB Migori which was opened on 13 March 2013 and revenue collected was being banked. No reason was given as to why the A/c was opened while the instructions were for all accounts to be closed. We were not able to verify the balances in the

previous accounts held by the Council as no statements were availed and no 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 Migori.
- 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.

#### **3.1.2 Travelling and Accommodation Allowances**

Examination of payment voucher nos. PV 959 & PV 1074 dated 28 June 2013 in respect of travelling and accommodation and full board payment revealed that staff and County Assembly members attended a seminar in Nakuru. However, they were paid night out allowance of Kshs.4,825,000 while at the same time they were on full board at a cost of Kshs.3,276,000 in the same Hotel leading to double payment.

#### **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 budget provisions.
- Recoveries of Kshs.4,825,000 should be made from both staff and Assembly Members.

#### **3.1.3 Purchases not taken on charge – Kshs.2,375,996**

Procurement procedures require that while receiving purchases, goods and services are recorded through S13 and subsequently entered in S3 cards then stored in the stores for further issues to department for subsequent use. Issues are done using S11 and the same S11 is used to balance off S3 cards.

#### **Findings**

The total purchase of Kshs.2,375,996 for various items had not been recorded to show that these items were received and issued out for use in the County.

The items would not be traced to stores as no ledger cards were availed though the items were received using S13.

## **Recommendation**

- Follow procurement procedures by receiving goods and services using S13, record them in S3 and issue them using S11 hence have balances in the S3 ledger cards.

### **3.1.4 IFMIS**

#### **Findings**

It was verbally reported by the County Finance officer and head of accounts that the IFMIS has been installed for Treasury operations.

Physical verification revealed that IFMIS components of a) Plan to budget and b) IFMIS E-business systems were installed, but it was not possible to walk through the system due to low internet capacity. Transactions are not processed through IFMIS hence, defeats the purpose of connecting it.

#### **Recommendation**

- Right bandwidth of the internet to support operations should be sourced.

## **3.2 COUNTY COUNCIL OF MIGORI**

### **3.2.1 Creditors**

The creditors balances amounting to Kshs.23,156,332.00 handed over to the County Government by the defunct County Council of Migori were not supported by creditor's registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls

#### **Recommendation**

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

### **3.2.2 Debtors**

Records availed indicate debtors balances amounting to Kshs.7,187,942.00 were handed over to the County Government by the defunct County Council of Migori. Outstanding debtor's balances were not supported by listings, debtor's registers, copies of invoices and demand notices. The outstanding debtor's balances have not been incorporated in the books of the County Government.

A stock take of unused receipt books held by the defunct local authorities at the time of changeover to the new series of receipt books by the County Government was not done. This omission is likely to have opened room for possible misappropriation of receipts from debtors.

## **Recommendation**

- i. A reconciliation of debtors' balances should be carried out and reconciled balances incorporated in the books of the County Government.
- ii. Computerize debtors' records for effective management of the revenue potential.
- iii. Promptly collect all outstanding dues in order to boost the cash flow position.

### **3.2.3 Irregular Recruitment – Kshs.2,059,330**

The defunct Local Authorities were to seek authority from the parent Ministry for approval to employ staff of the Council and the finance committee to ratify the recruitment.

## **Findings**

The County Council of Migori irregularly recruited 22 personnel without the authority of the Ministry of Local Government and approval from the finance committee. Due to this irregular recruitment, Migori County Government paid Kshs.2,059,330 between the months of April – June 2013. The 22 new employees were taken over by the County Government of Migori and subsequently added into the payroll which later on (July 2013), the County Government stopped salaries of 17 employees when it discovered that they were irregularly employed.

## **Recommendation**

- The County Government should vet and disengage the workers who were irregularly incorporated in the payroll and not just stopping their salaries.

### **3.2.4 Nugatory expenditure**

During the period under review, the defunct Council spent Kshs.3,441,378 received from LATF to prepare a 5 year strategic plan covering the period 2013 – 2017 despite the fact that the Council was no longer going to be in existence beyond 4 March 2013.

## **Recommendation**

- The responsible officers should be held liable for the loss.



### **3.3 MUNICIPAL COUNCIL OF KEHANCHA**

#### **3.3.1 Assets and Liabilities**

Three Laptops purchased by the defunct Municipal Council of Kehancha could not be physically verified as it was explained that they were issued to former staff whom upon transfer never surrendered them back

#### **Recommendation**

Officers should be asked to return the laptops and if need be re-issued to them.

#### **3.3.2 Creditors**

The creditors balances amounting to Kshs.14,516,053.00 handed over to the County Government by the defunct Municipal Council of Kehancha were not supported by creditor's registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls

#### **Recommendation**

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

#### **3.3.3 Debtors**

The defunct Municipal Council Kehancha did not hand over any debtors to the County Government of Migori. However, the defunct local authority held in its books outstanding debtors totaling to Kshs.8,420,371.00 as at 30 June 2012.

#### **Recommendations**

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

#### **3.3.4 Revenue**

The Municipal Council of Kehancha did not maintain the Revenue Analysis Sheets/Book. The receipt cash book was poorly maintained hence it was not possible to ascertain as to how much was collected and banked. Some of the receipt books taken by Revenue Officers had not been returned hence not possible to ascertain total collection against the banking done.

Further, it was revealed that the Transition Authority's internal auditor together with other County officers withdrew books from Kehancha, Rongo, Awendo, Municipal Council of Migori and the Migori County Council without recording the books in a register for proper accounting.

## **Recommendations**

- The receipt books so withdrawn should be recorded and compared with CRB register and be kept in safe custody.
- The books should be discarded using the laid down procedures (Government procedures for destroying obsolete stores)

### **3.4 MUNICIPAL COUNCIL OF MIGORI**

#### **3.4.1 Creditors**

The creditors balances amounting to Kshs.78,758,301.00 handed over to the County Government by the defunct Municipal Council of Migori were not supported by creditor's registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls.

The debt position of the local authority increased by Kshs.44,552,268.00 from Kshs.34,206,033.00 reported in the financial statements for the period ended 30 June 2012 to Kshs 78,758,301.00 handed over to the County Government. We were not able to vouch the propriety of this material increase in creditors balance owing to lack of vital creditors records.

#### **Recommendation**

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

#### **3.4.2 Debtors**

The defunct Municipal Council Migori did not hand over any debtors to the County Government of Migori. However, the defunct local authority held in its books outstanding debtors totaling to Kshs.21,940,366.00 as at 30 June 2012.

#### **Recommendations**

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

### **3.5 TOWN COUNCIL OF AWENDO**

#### **3.5.1 Assets**

Two motor vehicles; Isuzu Tipper KAW 793Z and Toyota Double Cabin KAH 089Y belonging to defunct Awendo Town Council did not have log books. The

Council would not explain the whereabouts of the said log books. The log book would not as well be verified in the County headquarters.

### **Recommendation**

Missing motor vehicles log books should be traced and if lost the report should be made to the Police for the County Government to get an abstract to assist in getting duplicate log books.

### **3.5.2 Liabilities**

The creditors balances amounting to Kshs.171,147,216.00 handed over to the County Government by the defunct Town Council of Awendo were not supported by creditor's registers, original contract agreements, invoices, delivery notes, statements, schedules and payrolls.

The debt position of the local authority increased by Kshs.117,952,298.00 from Kshs.53,194,918.00 reported in the financial statements for the period ended 30 June 2012 to Kshs.171,147,216.00 handed over to the County Government. We were not able to vouch the propriety of this material increase in creditors balance owing to lack of vital creditors records.

The county Treasury paid an amount of Kshs.7,742,747.00 to three creditors inherited from the defunct local authorities in the month of June 2013. However, the Transition Authority vide circular Ref No TA/2/5 dated 2 August 2013 advised that settlement of liabilities incurred prior to 27 April 2013 be deferred pending the finalization of work by the technical committee that has been appointed to deal with issues related with assets and liabilities.

### **Recommendation**

A forensic audit should be carried out to validate the creditors to be inherited by the County Government of Migori. Settlement of liabilities incurred prior to 27 April 2013 should be deferred pending the finalization of work by the technical committee as making such payments will be in contravention of the law in place.

### **3.5.3 Debtors**

Records availed indicate debtors balances amounting to Kshs.81,276,199.00 were handed over to the County Government by the defunct Town Council of Awendo. Outstanding debtor's balances were not supported by listings, debtor's registers, copies of invoices and demand notices.

An amount of Kshs.15,652,079.00 received from Sony Sugar Company vide miscellaneous receipt numbers 34375 and 34377 dated 24 June 2003 in respect of part payment of outstanding rates of Kshs.23,425,876.00 has not been captured in the records of the County Government.

## **Recommendations**

- Debtors' balances held by the defunct local Authority to be incorporated in the books of the County Government.
- Receipts from debtors need to be recorded

### **3.6 TOWN COUNCIL OF RONGO**

#### **3.6.1 Liabilities**

The creditors balances amounting to Kshs.41,172,038.00 handed over to the County Government by the defunct Town Council of Rongo were not supported by creditors register, original contract agreements, invoices, delivery notes, statements, schedules and payrolls.

The debt position of the local authority increased by Kshs.40,432,703.00 from Kshs.739,335.00 reported in the financial statements for the period ended 30 June 2012 to Kshs.41,172,038.00 handed over to the County Government. We were not able to vouch the propriety of this material increase in creditors balance owing to lack of vital creditors records.

#### **Recommendation**

County Government of Migori should only settle those creditors which are supported.

#### **3.6.2 Debtors**

The defunct Town Council Rongo did not hand over any debtor to the County Government of Migori. However, the defunct local authority held in its books outstanding debtors totaling to Kshs.1,572,259.00 as at 30 June 2012.

#### **Recommendations**

Any debtors' balances held by the defunct local Authority to be incorporated in the books of the County Government.

### **3.7 INFORMATION SYSTEMS ASSESSMENT**

#### **3.7.1 Hardware**

The County received nineteen (19) computers and nineteen (19) UPS from the National Treasury (IFMIS Department) which was solely to be used for IFMIS, one (1) computers from CBK for G-Pay and a few of modems whose number could not be established from neither the ICT manager nor the Chief Finance

Officer. The County had one IPPD server in place located in the ICT department and where access was not restricted to authorized staffs only.

### **3.7.2 Network Connectivity**

There was a LAN in the office of the governor; however, the ICT department had planned to interlink all sub Counties together so as to facilitate efficiency in operations.

### **3.7.3 Integrated Financial Management Information System (IFMIS)**

As at the time of conclusion of the audit on 9 October 2013, the IFMIS installed at the County was not operational. Although the National Treasury had provided necessary machines for full implementation of the system, there was no connectivity to the internet. The staff at the treasury who had been trained on system could not use it due to lack of internet connectivity. Meanwhile, all payments are currently being done manually by use of cheques, a system which the Government intended to abolish by adopting IFMIS and G-Pay system. It is important that action is taken to address connectivity problem which is hindering usage of the two systems, and which if fully implemented will improve financial management within the county.

In addition, only one ICT staff had been trained to support IFMIS while other staffs were undergoing training at Kenya school of government.

### **3.7.4 IT Control Environment**

#### **3.7.4.1 Staffing**

The county had three (3) ICT staffs who were qualified to provide support to the applications in place.

#### **3.7.4.2 Management of IT Operations**

In order to govern and manage the IT operations, the County had started to develop some of the key ICT documents including ICT policy which was in a draft format and had not been approved by management, while DRP/BCP have not been developed . There was no steering committee in place.

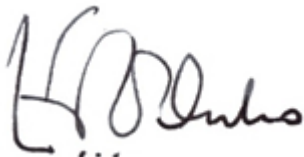
### **Recommendations**

- 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.

## **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 based on the accounting and reporting systems to be developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the PFMA, 2012. Expenditure should be incurred in accordance with the requirements of the Public Finance Management Act, 2012 and for the benefit of the tax payers.

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



**Edward R.O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**18 February 2014**