

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT**

**OF**

**THE AUDITOR–GENERAL**

**ON THE**

**FINANCIAL OPERATIONS**

**OF**

**THE COUNTY GOVERNMENT OF**  
**KERICHO AND ITS**  
**DEFUNCT LOCAL AUTHORITIES**

**FOR THE PERIOD**  
**I JANUARY TO 30 JUNE 2013**

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# **SPECIAL AUDIT REPORT ON THE OPERATIONS OF THE COUNTY GOVERNMENT OF KERICHO AND THE DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD JANUARY TO JUNE 2013**

## **EXECUTIVE SUMMARY**

### **Introduction**

#### **1.1 General**

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. The County Government Act, 2012 Section 134 (1) repealed the Local Government Act, Cap 265, and thus effectively dissolving all the 175 Local Authorities and creating 47 County Governments.

**1.2** 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 purpose 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.

**1.3** This report covers operations of the County Government of Kericho comprising the County Government Executive, the County Assembly and the six (6) defunct Local Authorities which are, Municipal Council of Kericho, Town Council of Kipkelion, Town Council of Londiani, Town Council of Litein, County Council of Kipsigis and the County Council of Bureti.

#### **2.0 Audit Objectives**

The audit covered the County Government of Bomet and the defunct Local Authorities transactions for the period 1 January to 30 June, 2013 and took into account transactions before, during and after the transition period. The objective of the audit was to verify the county government's preparedness to receive and utilize devolved funds before, during and after the transition period. The terms of reference set for the audit included verification and confirmation 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

**2.2** The audit teams faced several constraints during the audit, 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 audit within the planned timelines

### **3.0 Key Audit Findings**

The following are some of the key findings of the audit:-

- 1) Non-implementation of the IFMIS, IPPD leading to irregular promotions of seventy four employees by one of the defunct local authorities during the transition period.
- 2) The defunct local authorities had a total of one hundred and ninety one (191) casual employees who had served for more than six months which is against labour laws.
- 3) Unaccounted for expenditures as a result of weak internal control systems since expenditure worth Kshs.30,170,712 could not be accounted for due to lack of adequate supporting documents. In addition expenditure worth Kshs.40,778,845 were not examined and other expenditure worthy Kshs.15,794,154 were not voted for since the County Government did not have a vote book at the time of the audit.
- 4) The County Government violated the provisions of the Public Procurement and Disposal Act, 2005 and Public Procurement Regulations, 2006 leading to the procurement of goods and services worthy Kshs.16,211,889 without following the cited regulations.
- 5) The County Government received a total of Kshs.180,359,834 from the National Government between the periods of 26 April to 25 June 2013 as Exchequer issues.
- 6) The County Government opened two bank accounts namely, Kericho County Revenue Collection Account Number 1140754294 on 10 April, 2013 and Kericho County Government Imprest Account Number 11412257580 on 25 April, 2013 at the Kenya Commercial Bank (KCB), Kericho branch. There were no monthly bank reconciliation statements and all the former local authorities did not close all their respective bank accounts as had been instructed by the Transitional Authority.
- 7) Unaccounted for revenue collections by the defunct local authorities to the tune of Kshs.19,478,337 as a result of under-banking.

- 8) Uncollected account receivables owed by the former local authorities of Kshs.209,837,760 which on average were supported by primary underlying records.
- 9) Outstanding account payables which the defunct local authorities had not cleared of Kshs.271,884,337 which could not be verified for lack of supporting schedules and non-reconciliation.
- 10) Uncoordinated nature of surrendering the assets of the defunct local authorities where nearly all the motor vehicles were recalled to the county headquarters in Kericho while the logbooks remained at the sub-county offices. Ownership of the GK B 179D acquired by the County Government could not be verified for lack of logbook and the use of GK number plate also not explained. Furthermore most of the motor vehicles recalled were grounded at the county headquarters thus not of any economic value to the County Government.
- 11) As a result of the foregoing, the County Government needs to upscale the infrastructure needed with regard to the implementation of IFMIS which is very critical in monitoring the usage of the disbursed funds.



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**AUDITOR-GENERAL**

**Nairobi**

**21 October 2014**

# **DETAILED AUDIT REPORT ON THE OPERATIONS OF THE COUNTY GOVERNMENT OF KERICHO AND DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013**

## **1.0 Audit Objectives**

The following were the main audit objectives:

- Confirm existence of proper accountability of cash and bank balances before, during and after transition to the County Government.
- Confirm that revenue and expenditure were recorded and properly accounted for before, during and after the transition period.
- Confirm that operational debtors and creditors were accurately recorded and transferred from the defunct local authority to County Government.
- Establish that assets taken over by the County Government are properly listed, exist and are being used to provide services to the County.
- Ensure that assimilation of the defunct local authority's staff with other county government staff is seamless and no ghost workers or irregular change of terms have been imported in the new IPPD system.
- Ensure that the County Assembly and Executive Committees comply with the budget and that expenditure is properly charged to County Revenue Fund.
- Ensure that ICT system is not circumvented by manual system where IFMIS and G-Pay systems are fully implemented.
- Confirm that where manual systems are in use, proper accountability system is put in place and specific plans for system changeover exist.
- Confirm that procurement of goods and services is done in accordance with the Public Procurement and Disposal Act, 2005, and the related Regulations - 2006.

## **2.0 KEY AUDIT FINDINGS**

### **KERICHO COUNTY GOVERNMENT**

#### **2.1 Failure to take over the Defunct Local Authorities**

The County Government of Kericho had not officially taken over the assets and liabilities of the Municipal Council of Kericho, Town Council of Kipkelion, Town Council of Londiani, Town Council of Litein, County Council of Kipsigis and the County Council of Bureti until 22 August 2013, contrary to instructions issued by the Ministry of Local Government vide Circular No. MLG/1333/TY/52 of 18 February, 2013.

#### **2.2 Cash and Bank Balances**

The County Government opened the following two bank accounts:

<u>Accounts Name</u>	<u>Bank</u>	<u>Account No.</u>	<u>Date opened</u>
a) Kericho County Revenue Collection	K.C.B	1140754297	10.04.13
b) Kericho Count Government Imprest Account	K.C.B	1141257580	25.04.13

The Count Government issued instructions to all defunct councils to deposit all revenue as they collect to the County Revenue Collection Account. However, the Bank accounts of defunct councils remained operational up to 27 June 2013 and not 28 February as directed by Transitional Authority. In addition there were no reconciliations done and no revenue summaries were prepared to ensure that all revenue collected by the Sub – Counties was actually banked. A board of survey was also not constituted as at 30 June 2013 to confirm how much cash was at hand as at that date.

### Recommendation

Failure to close bank accounts implied that transactions including expenditure continued to take place in these accounts contrary to the instructions of the Transition Authority. The bank accounts should be closed and balances transferred to County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed proper charge to public funds.

### 2.3 Establishment

The following is a breakdown of the employees in the entire County Government before, during and after the transition period on 20 February, 1 April and 30 June 2013 respectively:-

<b>Station</b>	<b>Permanent Employees</b>	<b>Casuals</b>	<b>Total</b>
Kipkelion East (Town Council of Londiani	39	12	51
Kipkelion West(Town C. of Kipkelion	24	64	88
Town Council of Litein	28	31	59
County Council of Bureti	82	-	82
Ainamoi Sub- County (CC. of Kipsigis)	118	75	193
Municipal Council of Kericho	184	-	184
County Assembly	24	9	33
Executive	44	-	44
Sub Total	541	191	732
<b>Total Employees</b>			<b><u>732</u></b>

The defunct County Council of Kipsigis (Ainamoi sub-county) promoted seventy four employees while the defunct Town Council of Litein also promoted a total of 12 employees during the transition period. However there were no proper authority and



approval sought from the former parent Ministry of Local Authorities and as such the promotions were irregular.

### **Recommendation**

Staff head count should be carried out to ensure that in order to ensure that no ghost workers were inherited from the defunct councils. It is also important that job evaluation and assessment be undertaken to facilitate deployment of key staff to relevant departments and also be a guide in recruitment of staff with required skills and knowledge.

### **2.4 Revenue collections and banking**

Nearly all the former local authorities experienced underbankings of revenue explained as being due to direct appropriation of revenues at source. The analysis of the total under-bankings during the transition period of Kshs.16,847,938 are as follows:-

<b>Name of the Defunct Council</b>	<b>Amt. Collected (Kshs.)</b>	<b>Amt. Banked (Kshs.)</b>	<b>Under-Banking (Kshs.)</b>
Town Council of Kipkelion	5,622,872.00	3,143,386.00	2,479,486.00
Town Council of Londiani	3,166,883.00	2,058,660.00	1,112,223.00
County Council of Kipsigis	24,448,680.00	22,582,810.00	1,865,870.00
Municipal Council of Kericho	51,242,025.00	50,249,883.00	992,142.00
Town Council of Litein	13,737,372.00	7,897,586.00	5,839,786.00
County Council of Bureti	32,884,793.00	28,326,362.00	4,558,431.00
<b>Total</b>			<b>16,847,938.00</b>

The defunct local authorities failed to adhere to prudent financial management regulations by not ensuring that all revenues collected are banked intact and on time.

### **Recommendation**

Detailed analyses of all revenue collected during the transition period at each of the defunct Local Authorities should be undertaken and variances explained. Proper systems should be put in place to ensure that revenue collected is promptly receipted, recorded and banked intact. In addition revenue collection in the entire county should be computerized where integrated automated receipting system is used. The County Government should also put in place strong internal control system to ensure proper accountability at every stage in the revenue collection cycle.

## 2.5 Outstanding Creditors

The defunct local authorities had outstanding debts of Kshs.271,884,611.00 as at 28 February 2013 analyzed as follows:-

<b>Name of the Defunct Local Authority</b>	<b>Amount not paid Kshs.</b>	<b>Remarks</b>
Town Council of Kipkelion	4,221,000.00	No schedules to support the balance
Town Council of Londiani	19,459,300.00.00	No creditors records to support the balance
County Council of Kipsigis	5,929,206.00	Supported by primary underlying records
Municipal Council of Kericho	221,969,335.00	Not Supported
Town Council of Litein	-	Merged together with balances of Bureti county
County Council of Bureti	20,305,770.00	No schedules to support the balance outstanding
<b>Total</b>	<b>271,884,611.00</b>	On overall the total amount of payables due by the defunct councils could not be verified for lack of supporting schedules.

However, the total amount of payables from the defunct councils could not be verified due to lack of supporting schedules. As a result, the County Government may inherit debts whose validity and accuracy cannot be ascertained.

### **Recommendation**

The County Government should institute proper system of recording, updating and reconciling its creditors so as to ensure the genuineness of its debt portfolio.

## 2.6 Outstanding receivables

The defunct local authorities did not maintain and update their debtors' ledgers. In addition, the Municipal Council of Kericho and County Council of Bureti, did not avail records for audit. The outstanding receivable amounting to Kshs.209,837,768 analyzed below could therefore not be confirmed in the absence of supporting documents:

<b>Local Authorities' Name</b>	<b>Outstanding Debt Kshs.</b>	<b>Remarks</b>
Town Council of Kipkelion	7,154,740.00	No schedules to support the balance
Town Council of Londiani	29,070,772.00	No underlying records to support the outstanding balance
County Council of Kipsigis	169,568,775.00	The balance was confirmed from the primary underlying records.
Municipal Council of Kericho	N/A	No records were availed
Town Council of Litein	4,043,473.00	LAIFOMS generated ledgers
County Council of Bureti	N/A	No records were availed
<b>Total</b>	<b>209,837,760.00</b>	

The County Government has also not developed a debt recovery policy in the absence of which it is unclear how these outstanding amounts will be recovered.

### **Recommendation**

The new County Government should carry out a proper audit and reconciliation of all the outstanding debts. Further, a debt recovery policy should be developed.

### **2.7 IFMIS and Payroll Issues**

The following was noted in regard to the County Executive:

- i) IFMIS was not yet installed.
- ii) There was no IFMIS connectivity and staff had not been trained to handle the system.
- iii) Though there were sufficient computers to process the data, the main server had not been connected.
- iv) No transactions or reports were done through IFMIS as the manual system has not been discontinued and payments were not made through G-Pay.
- v) The chart of accounts has not been uploaded into the budget module in the IFMIS.
- vi) Revenue collected by sub-counties was not uploaded into the IFMIS budget.

The County Government failed to implement/enforce IFMIS changeover regulations as required.

## **Recommendation**

- i) The County Government should ensure that the IFMIS system is installed and operationalized and arrangements made to train staff on how to operate the system.
- ii) Compliance with the IFMIS regulations as stipulated is mandatory and the County Government should in future ensure compliance.

## **2.8 Summary of IT audit**

The observations and findings are categorized into hardware, software and the ICT control environment.

### **Hardware**

#### **Computers**

The County had received nineteen (19) desktop computers from The National Treasury (IFMIS Department) to be used for IFMIS. However, seven (7) of these machines were still in the store waiting to be allocated to users. It was also noted that all these computers had updated anti-virus software installed.

However, the IT Department did not have an ICT Asset Register which records all IT inventory transferred from the Local Authorities indicating the condition and location which those machines are in.

#### **Servers**

The County has in place four (4) operating servers for the former Kericho Municipal Council located at the Town Administration office and one server each at the former County Council of Kipsigis and Town Council of Litein.

#### **Network connectivity**

There is no established Wide Area Network at the County to connect various Sub-County offices. However, there is an established Local Area Network (LAN) at the Kericho Town Administration office, Bureti Sub-County offices situated in Litein and Ainamoi Sub-County offices situated in Kericho. There was however, no established LAN at the Office of the Governor though the County had begun the tendering process of obtaining a vendor to network the governor's office and the County offices. There is presence of fiber connectivity in the County where it terminates at the Orange Kenya. There are also two other lines of fiber connectivity provided by Jamii Telkom and Access Kenya which are within the proximity of the County headquarters. Close proximity of fiber connectivity within the County headquarters will reduce the cost of obtaining internet connection and networking needed to facilitate the easier access of information within the County.

## **Software**

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

#### **Active Module**

The County has only utilized one module that is, Plan to Budget while the rest of the modules are yet to be utilized. It was also observed that the financial operations are still manual. As at the date of assessment, the County had managed to upload the 2013/14 budget into the system.

#### **a. Training on IFMIS**

Nine (9) County staff had been trained at Kenya School of Government on IFMIS. However, from the nominated officers, none was nominated from ICT Department yet this department may be required to provide support to the IFMIS.

#### **b. Connectivity**

Eighteen (18) Orange Modems were received by the County for IFMIS and it was observed that the orange signal in Kericho was relatively strong. However, with the presence of fiber connectivity in the County, Treasury could configure a Virtual Private Network between the router at the County Headquarters and Treasury to create a secure and reliable connection.

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

LAIFOMS are installed in three (3) sites that is; at the former Kericho Municipal Council, former Litein Town Council and former County Council of Kipsigis offices. Therefore, the County had only automated revenue collection in three (3) of its sub-counties; Kericho Town, Ainamoi and Bureti with the other four (4) sub-counties still operating manually. The Receipting module was the only active module. The Expenditure Module was automatically disabled from June 30, 2013.

An analysis of the data extracted from the system revealed that officers of the County except at the Kericho Town Administrative office were not fully utilizing the Receipting Module where all monies received should be banked intact and the corresponding banking slips posted into the system.

An analysis of the data extracted from the system revealed a net under-banking of Kshs.18,654,860 for the period between January 1, 2013 to September 24, 2013 as summarized below;

	<b>Underbankings in LAIFOMS</b>		
	<b>1st Jan-4th Mar. 2013 (Kshs)</b>	<b>5th Mar-24 Sept 2013 (Kshs)</b>	<b>Grand Total (Kshs)</b>
Kericho Municipal Council	-	419,130.00	<b>419,130.00</b>
Litein Town Council	76,500.00	3,112,592.00	<b>3,189,092.00</b>
Kipsigis County Council (Ainamoi)	5,103,579.00	9,943,059.00	<b>15,046,638.00</b>
<b>Grand Total</b>	<b>5,180,079.00</b>	<b>13,474,781.00</b>	<b>18,654,860.00</b>

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

The County had implemented IPPD system and the payroll from June 2013 was processed using the system. The acting Payroll Manager together with his staff had not been trained on IPPD and had challenges in operating the system. As a result, the data that was migrated into IPPD had the following shortcomings:-

- There was one (1) officer whose house allowance irregularly increased from Kshs. 13,000 in May to Kshs.14,000 in June 2013.
- There were two (2) officers whose basic salaries increased irregularly in the month of June 2013 as the payroll data was being migrated from LAIFOMS to IPPD.
- An officer was irregularly paid leave allowance twice during the same financial year that is, in the months of March 2013 and June 2013 both totalling to Kshs.38,837.
- There were six (6) officers who had been employed on permanent and pensionable terms in the month of February 2013 in the former Town Council of Litein contrary to the directive to freeze recruitment of staff by the then local authorities.
- There were two (2) officers whose records in IPPD showed that they were employed on permanent and pensionable terms of service when they were underage 14 and 16 years, respectively.
- There were three (3) officers whose dates of employment were captured wrongly.
- There was one (1) officer whose engagement code was reading Zero (0) yet the standard IPPD engagement codes ranges from 1 to 7.
- There were two (2) officers whose dates of birth were not captured in the system.
- There was one (1) officer whose date of birth captured was 1905.

- There were ten (10) officers with Incorrect Tax Personal Identification Numbers.
- There was one officer whose records showed that he was employed on permanent and pensionable terms at the age of fifty one (51) contrary to Government regulations on employment.
- There were two (2) bank accounts that were each being shared by two officers where in one instance an officer received two salaries.
- There were twenty (20) officers whose dates of birth in the IPPD and in LAIFOMS were different.
- There were seventy one (71) officers whose dates of employment in IPPD and in LAIFOMS were different.

It was also observed that there were variations in the salaries of officers in the former local authorities where rationalization of salaries was only carried out in two (2) of the former local authorities; Kericho Municipal Council and County Council of Kipsigis, while no rationalization was done in the other four (4). This rationalization report was implemented between February and March 2013 resulting to a sharp rise in some officers' salaries.

### **IT Control Environment and ICT Governance**

- The County has an Executive Member in charge of ICT and E-Governance. This indicates that the County views ICT as a strategic resource which will enable the County to achieve its objectives effectively and efficiently. However, there was no County ICT steering committee.
- Further, there was yet to develop and implement key ICT documents including; ICT policies and procedures, ICT Strategic Plan, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP).
- From the approved 2013/14 County budget, the ICT department was allocated Kshs. 43,000,000 for capital expenditure. This amount allocated to the ICT department is aimed at enabling the County to achieve some of its planned developments in the automation of its revenue collection and expenditure.
- The IT section had only one (1) personnel and there was no defined roles and responsibilities. However, the County had advertised for vacancies in the IT department.

### **Recommendations**

- Operationalize the County ICT steering committee
- The County should ensure that IFMIS fully utilized for its financial operations

- The County should ensure that all its financial operations are automated.
- 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 ICT Department should ensure that all machines are installed with anti-virus software to prevent the risk of virus attacks.
- The County management should take control of the management of LAIFOMS previously installed in the defunct Local Authorities so as to ensure that all revenue collected is accounted for.
- The County should carry out a data clean-up of its human resource data to ensure the integrity of the payroll data.
- Regular backup of data should be carried out to ensure continuity of County operations in the event of system failure.
- Although the physical access controls to server room seems adequate, adequate environmental controls need to be put in place.

### 3. THE DEFUNCT MUNICIPAL COUNCIL OF KERICHO

#### 3.1 Cash and Cash Equivalent

As at the closure of the bank accounts the following were the balances transferred to the Kericho County Government General Purposes bank accounts No.1143492196:-

<b>Account Numbers</b>	<b>Account Details</b>	<b>Date of transfer</b>	<b>Amount Transferred</b>
Cash in hand	-	-	-
1103604643-KCB	KENYA ROAD BOARD	17.07.13	13,337.00
1102373656-KCB	LATF-MCN	17.07.13	8,988.00
11022799862-KCB	RENEWAL FUND	17.07.13	9,899.00
1103613758-KCB	LATF-CURRENT	17.07.13	21,263.00
1103613596-KCB	PUBLIC HEALTH	17.07.13	58,088.00
0152092190700-STANCHART	LATF	20.07.13	400,000.00
0102092190600-STANCHART	GRF	20.07.13	800,000.00

The defunct Municipal Council of Kericho did not close its bank accounts as at 28 February, 2013 but closed the bank accounts on 27 June 2013. The Council did not constitute a board of survey to confirm the cash in hand balance as at the closure of the



financial year on 30 June 2013 and bank reconciliation was done for all the accounts held by the council as at 30 June 2013. In addition the council did not produce bank confirmation certificate to support the bank balances.

As at the closure of the bank accounts on 27 June 2013, the total balance of Kshs.3,739,658 with the Council's eight (8) bank accounts was transferred to the Kericho County Government General Purposes bank accounts No.1143492196.

### Recommendations

The bank accounts should be closed and balances transferred to County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed proper charge to public funds.

### 3.2 Revenue Collections and Banking

The Council collected a total revenue of Kshs.51,242,025 during the period under review from January 2013 to June 2013 and banked Kshs.50,249,883 leading to an under banking of Kshs.992,142 arrived at as follows:

Month	Amount As Per Receipt Cashbook Kshs.	Amount As Per Banking Slips Kshs.	Unbanked Revenue Kshs.
Jan-13	9,283,603.00	9,251,442.00	(32,161.00)
Feb-13	8,162,110.00	7,970,330.00	(191,780.00)
Mar-13	11,212,056.00	11,144,756.00	(67,300.00)
Apr-13	6,783,604.00	6,595,854.00	(187,750.00)
May-13	9,556,784.00	9,155,183.00	(401,601.00)
Jun-13	6,243,868.00	6,132,318.00	(111,550.00)
<b>TOTALS</b>	<b>51,242,025.00</b>	<b>50,249,883.00</b>	<b>(992,142.00)</b>

The management of the former council failed to ensure that all the revenues collected were banked intact as required by Government financial regulations. Spending revenue at source is contrary to government financial regulations and may lead to misuse of public funds.

### Recommendations

Detailed analyses of all revenue collected during the transition period at each of the defunct Local Authorities should be undertaken and variances explained. Proper systems should be put in place to ensure that revenue collected is promptly receipted, recorded and banked intact. In addition revenue collection in the entire county should be computerized where integrated automated receipting system is used. The County Government should also put in place an internal control system to ensure proper

accountability and commentation at every stage in the revenue collection cycle. The county government should employ optimal experienced revenue collectors and internal auditors on permanent terms.

### **3.3 Outstanding Creditors' Balances**

Outstanding creditors as at 28 February 2013 stood as Kshs.221,969,335 which included a balance of Kshs.161,786,516 due to a local firm. However, the amounts could not be verified from the creditors' ledger and the movement schedules. Therefore, the accuracy of the creditors' balance of Kshs.221,969,335 could not be ascertained.

#### **Recommendation**

The County government should carry out an in-depth reconciliation of its creditors to determine the bonafide creditors

### **3.4 Non Current Assets**

#### **i) Motor Vehicles**

The former Municipal Council of Kericho had twenty eight (28) motor vehicles, trailers and graders which were inherited by the County Government. The following observations were made during the audit:

- i) The Municipal Council did not maintain a comprehensive record of the vehicles taken over by the County Government,
- ii) Six (6) of these of the County Government motor vehicles were grounded as at the time of our audit.
- iii) The log book of a tractor, M/Ferguson KAT 621Y was registered in the name of Borot Commercial Agencies. In addition the logbook for Peugeot 504, KAC100G is registered in the name of National Bank of Kenya. Further, the log book for the newly acquired Toyota Fortuner, GK B179D, was not availed for audit verification.
- iv) Existence of nine (9) vehicles could not be confirmed and in absence details about their physical location,
- v) According to the work tickets availed for audit, speedometer for four (4) motor vehicles had malfunctioned, and
- vi) Fuel drawn for tractor reg. no KLJ 454 had not been entered in the work ticket for December 2012.

Failure to obtain appropriate ownership documents and maintain proper records could lead to loss of the assets. The unserviceable motor vehicles are a liability because they continue to depreciate and waste away without any benefit to the County Government. Further, it is not possible to establish the mileage covered and fuel consumed by the vehicles with malfunctioning speedometers. This could lead to pilferage of fuel and misuse of the vehicles.

## ii) Land, Buildings, Plant and Machinery

Although, the financial statements of defunct Council 2011/12 show that the municipality had a total asset value of Ksh.378,846,896, there was no handing over report of the fixed assets of the former Municipal Council to the County Government. The assets register was also not maintained or updated to reflect the inherited assets from the defunct local authorities and those purchased by the County Government.

Failure by the Kericho Municipal Council to maintain proper books made it difficult to establish existence, completeness and accuracy of Land, Buildings, Plant and Machinery. Consequently the assets stand a risk of being misappropriated or illegally being diverted to private use.

### Recommendation

The Transition Authority should ensure that proper handing over by the former chief officers of the constituent Local Authorities is done to enable the County Government have proper records and opening balances of assets and liabilities inherited from the former Councils. The County Government should identify, take stock and tag all the assets taken over from the defunct local authorities taken over by the County Government. All the assets should be systematically recorded in the Fixed Assets Register (FAR) of the County Government. The register should be updated on regular basis. The County Governor should ensure that the grounded vehicles are repaired without any further delay and put to the right use to avoid accelerated depreciation out of idleness.

### 3.5 Audit of Payroll (IFMIS, IPPD, LAIFOMS and G-PAY)

The IPPD Payroll audit for the former Municipal Council of Kericho found that the Council had a total of one hundred and eighty (180) employees. No new employees were engaged during the period under review and the records maintained were up to date.

## 4. THE DEFUNCT TOWN COUNCIL OF KIPKELION

### 4.1 Cash and Cash Equivalent

The bank account balances for the defunct council as at 28 February 2013 were as follows:

Account No	Account Details	Bank	Bal.28/2/13
11103603738	GRF	KCB	100,475.00
1103606107	LATF	"	
1103952439	HOUSE RENT	"	2,900.00

The former town council of Kipkelion operated three (3) bank accounts which remained operational until 27 June 2013 when they were officially closed and a total balance of Kshs.84,377 transferred to Kericho County Government General Purpose accounts No. 1143492196. As at the time of the audit, the council did not maintain a main cash book and the monthly reconciliations had not been done. Further, there was no board of survey done to determine the cash in hand as at 30 June 2013. It was therefore not possible to confirm how much cash was at hand as at that time and the accuracy of Kshs.84,377 transferred to the County Government cannot be confirmed.

The details of the balances transferred are as given below:

<b>Account Numbers</b>	<b>Account Details</b>	<b>Amount (Kshs)</b>	<b>Date of transfer</b>	<b>Amount Transferred</b>
KCB 1103603786	GRF	100,475	27/6/13	54,376.50
KCB 1103606107	LATF		"	30,000
KCB 1103952439	House Rent	2,900 DR	"	Nil

### **Recommendation**

The bank accounts should be closed and balances transferred to County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed.

### **4.2 Revenue Collections and Banking**

During the period the council collected total revenue of Kshs.2,766,883 but only Kshs.1,376,850 was banked leading to an under banking of Kshs.1,390,033. Failure to ensure that all the revenue collections are banked intact could lead to loss of funds.

### **Recommendations**

The under-bankings should be investigated. The County Government should ensure that all the revenue collected is banked intact as required by government regulations. Detailed analyses of all revenue collected during the transition period at each of the defunct Local Authorities should be undertaken and variances explained. Proper systems should be put in place to ensure that revenue collected is promptly receipted, recorded and banked intact. In addition revenue collection in the entire county should be computerized where integrated automated receipting system is used. The County Government should also put in place strong internal control system to ensure proper accountability at every stage in the revenue collection cycle. Revenue collection control sheets should be maintained by the County Revenue Officer.

### **4.3 Outstanding Property Rates**

The record availed for audit indicate that the former council had outstanding property rates amounting to Kshs.7,154,740 as at 30 June 2013. In addition the council was owed Kshs.3,000,000 as outstanding CILOR (Contribution-in-lieu of Rates). However, the primary source documents were not available and the authenticity of the balance could not be ascertained.

#### **Recommendation**

The new County Government and the Transition Authority should conduct a proper audit and reconciliation of all the debts outstanding and institute mechanisms of collecting them.

### **4.4 Outstanding Creditors and Suppliers Balances**

The schedule of creditors and suppliers balances of the former council was shown to be Kshs.4,221,000. However, the balance was not supported by ledger/schedules and as such their authenticity could not be confirmed. The former council did not comply with the Transition Authority regulations to maintain good records for the purpose of handing over to the new administration. The County Government may be taking a risk of taking up non-existent creditors due to poor record-keeping.

#### **Recommendation**

The County Government and the Transition Authority should constitute a committee to verify all the outstanding/pending bills to confirm their authenticity prior to their adoption.

### **4.5 Non Current Assets - Motor Vehicles**

The Town council of Kipkelion had seven (7) motor vehicles, trailers and tractors which were handed over to the County Government of Kericho. Physical inspection revealed that two (2) vehicles were grounded at the County Government premises while the Speedometer reading for another two (2) had malfunctioned and therefore the kilometres covered against the fuel consumed could not be determined. The grounded motor vehicles may not be adding value to the operations of the County Government in their current state of affairs while the vehicles with faulty speedometers could be inefficient.

#### **Recommendation**

All motor vehicles should be repaired so that they can be of benefit to the county. The Transition Authority should ensure that proper handing over by the former chief officers of the Town Council is done to enable the County have accurate records of assets and liabilities inherited from the former Council. The County Government should identify, take stock and tag all the assets taken over from the defunct Town Council of Kipkelion.

All the assets should be systematically recorded in the Fixed Assets Register (FAR) of the County Government. The register should be updated on regular basis.

#### **4.5 Payroll Audit and Employees Records**

The former Town Council of Kipkelion had a total of twenty four (24) permanent employees and sixty four (64) casuals. This brings the total work force to eighty eight (88) employees. It was noted that the LAIFOM and IPPD payroll were not in place. As a result, the payrolls were prepared manually. All the original files were taken to County Government Headquarters in Kericho.

It was noted with great concern that casual workers were deployed to work in many crucial areas like the revenue collections points but there was no proper explanation to justify the same.

#### **Recommendation**

Compliance with the regulations as stipulated is mandatory and the sub county should have adhered to these requirements.

### **5. THE FORMER TOWN COUNCIL OF LONDIANI**

#### **5.1 Cash and Cash Equivalents**

The following were the balances for bank accounts held by the Council as at 28 February, 2013:

<b>Account Number</b>	<b>Account Details</b>	<b>Bank</b>	<b>Balance as at 28/2/13</b>
Cash in hand			NIL
1103646907	GRF	KCB	1,328,875.00
1128641585	YOUTH FUND	KCB	100.00
1107149347	LATF	KCB	

As at the closure of the bank accounts on 22 August 2013, the following were the balances which were transferred to the Kericho County Government General Purposes bank accounts NO.1143492196:

<b>Account Numbers</b>	<b>Account Details</b>	<b>Amount (Kshs.) As at 28.02.13</b>	<b>Account Transferred to</b>	<b>Amount Transferred As at 28/2/13</b>
1103646907	GRF	1,328,875.00	01143492196	266.55
1128641585	Youth fund	100.00	01143492196	215.00
1107149347	LATF		01143492196	1,000.00

The defunct Town Council of Londiani did not close its bank accounts on 28 February 2013 as directed by the Transition Authority but instead closed on 22 August 2013 without any authority for extension. Further, the former Council did not constitute a board of survey to confirm the cash in hand balance to be handed over to the new administration and no bank reconciliation was done for all the accounts held by the council prior to closure and handover. A total of Kshs.1,482 was transferred to Kericho County Government General Purposes bank accounts No.1143492196 upon closure of the three (3) bank accounts.

The council operated the bank accounts in breach of the Transitional Authority Circular on closure of the bank accounts and keeping good records for the purpose of handing over. As a result, it might not be possible to ascertain the correctness of the cash balances transferred to County Government.

### **Recommendation**

The Transition Authority and the County Government should ensure that the accounts being taken over by the County Government reflect the correct and accurate position. The bank accounts should be closed and balances transferred to County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed proper charge to public funds.

### **5.2 Revenue Collections and banking**

During the transition period January 2013 to June 2013, the defunct council collected revenue amounting to Kshs.2,542,244 while Kshs.1,902,332 was banked resulting in an under banking of Kshs.639,912. The reason provided is that the revenue was spent at source. Financial best practices and government financial regulations require that all the revenues collected should be banked intact. Using revenue at source before banking might not have been budgeted for and this could lead to misuse of funds. The revenue might also be omitted from the relevant revenue accounts leading to understatement of revenue in the financial statements.

## **Recommendations**

Management of the County Government should ensure that all revenue collected is banked intact and promptly. Detailed analyses of all revenue collected during the transition period at each of the defunct Local Authorities should be undertaken and variances explained. Proper systems should be put in place to ensure that revenue collected is promptly receipted, recorded and banked intact. In addition revenue collection in the entire county should be computerized where integrated automated receipting system is used. The County Government should also put in place strong internal control system to ensure proper accountability at every stage and location in the revenue collection cycle. Revenue collection control sheets should be maintained by the County Revenue Officer.

### **5.3 Non Current Assets**

The former Town Council gave a list of all the assets which were handed over to the County Government of Kericho and whose existence was confirmed as follows:

- Motor vehicles - Four (4) motor vehicles and a trailer were handed over along with the logbooks but the values of these assets were not indicated in the handing over report. It therefore means that valuation was not done to establish what they are worth.
- Furniture and Fittings - similarly, a detailed list of office chairs, wooden benches, coffee tables, office desks, tables, office cabinets among others were availed for audit. However, there were no values indicated in the list attached to the handing over report.
- Computers - the two computer desk tops and one lap top handed over had no values.

### **Recommendation**

The county government should take it upon itself to have the assets taken over from the defunct councils valued and the assets register updated accordingly. The Transition Authority should ensure that proper handing over by the former defunct Municipal Council is done to enable the County Government have accurate records of assets and liabilities inherited from the former Council. The County Government should identify, take stock and tag all the assets taken over from the defunct the Town Council of Londiani. All the assets should be systematically recorded in the Fixed Assets Register (FAR) of the County Government. The register should be updated on regular basis.

### **5.4 Audit of Personnel Records**

The Sub county of Londiani has a total of thirty nine (39) permanent employees and twelve (12) casuals bringing the total number of staff to fifty one (51).



## **IPPD Payroll**

All the original files were taken to the County Government headquarters but the former council retained photocopies. Thirteen (13) officers were transferred to the former council, which is now a sub county vide letter Ref. KKES/45 of 30 August 2013 but files or copies of the files were not forwarded to the station.

### **Recommendation**

Staff head count should be carried out to ensure that no ghost workers are inherited from the defunct councils. It is also important that job evaluation and assessment is undertaken to facilitate deployment of key staff to relevant departments and also guide in recruitment of staff with required skills and knowledge.

Further, staff payrolls had not been incorporated into the IPPD system; instead the County Government continued to use the LAIFOMS payroll operated by the former local authorities. Payrolls should be consolidated in IPPD system for easier management and accountability.

## **5.5 Outstanding Property Rates**

The former council did not maintain a debtor's ledger or debtors control accounts. A manual register that was availed for audit showed that the former Council is owed a total of Kshs.29,070,772 in outstanding land rates in Kedowa and Londiani townships. However, this figure was not supported by the corresponding schedules and other primary records. Reconciliation of the amounts due to the former council may not be possible due to inadequate record keeping. Consequently, the authenticity of the outstanding land rates amounting to Kshs.29,070,772 could not be verified.

### **Recommendation**

The County Government is strongly advised to ensure that all the records pertaining to receivables are well maintained and updated on a regular basis. The records should form the basis for enforcing collection of the outstanding dues.

## **5.6 Outstanding Creditors and Suppliers Balances**

The sub-county administrator wrote an unreferenced letter to the County Secretary on 17 July 2013 outlining the debts owed by the former town council of Londiani. The letter indicated that the former town council had creditors' balance of Kshs.19,459,300. However, it was noted that the ledger, creditors control accounts and movement schedules were not maintained and the salary arrears balances were not supported while the KENAO outstanding audit fees of Kshs.1.2 million as at 30 June 2012 was not included in the list provided to the County Secretary. Without adequate primary source records to show how the balances were arrived at, and an exhaustive list of the creditors' balances, confirmation of the pending bills could be hampered.

## Recommendation

The management of the sub-county should ensure that the amounts due to various suppliers of services are sufficiently documented and supported. Suppliers invoices should be promptly recorded in the creditors' ledger detailing particulars of each creditor and the same updated on a regular basis. The creditors' balances should be verified and confirmed independently before effecting any payments.

### 5.7 Financial Irregularities

The Public Financial Management Act, 2012 stipulates clearly that all public expenditures incurred should be supported sufficiently by the relevant supporting documents. Scrutiny of some payment vouchers revealed the following anomalies:-

Date	Cheque No.	Payee	Amount (Kshs.)	Remarks
28.02.2013	005781	Salary Arrears	587,509	Paid cash not thro bank
"	"	A. Korir and J. Bii	"	Did not sign Pay Sheet
"	005784	Abdi Gorisha	200,000	Arrears not supported
6.03.2013	005800	Olweny & Co. Adv.	77,000	No fee notes attached
04.02.2013	005713	Elijah Mwangi	450,000	Work done not supported
-	005741	Gitari Githua & Co.	<u>200,000</u>	Consultancy not supported
<b>Total</b>			<b><u>1,514,509</u></b>	

The former Council was in violation of the laid down regulations as stipulated in the Public Financial Management Act, 2012 as the expenditure of Kshs.1,514,509 lacks adequate supporting documents.

## Recommendation

The management of the sub county should account for the above expenditures to ensure that public funds were spent appropriately and for the intended purposes.

## 6. TOWN COUNCIL OF LITEIN

### 6.1 Bank and Cash

The defunct Town Council of Litein had its bank accounts operational up to 27 June, 2013 when they were officially closed and balances transferred to Kericho County Government General Purpose accounts No. 1143492196. The account balances for the defunct council as at 28 February 2013 when they were required to have been closed were as follows:

<b>Account No</b>	<b>Account Details</b>	<b>Bank</b>	<b>Bal.28/2/13</b>
0530295515704	LATF	EQUITY	267,630.00 CR
0280290422815	GRF	"EQUITY	208,544.00 CR
10530295003730	SALARY	"EQUITY	469,133.00 CR

- 2) However, the council continued to effect payments up to the time the council's bank accounts were taken over by the County Government as at 27 June 2013. The details of the balances transferred are as given below:

<b>Account Numbers</b>	<b>Account Details</b>	<b>Amount (Kshs.)as at 28.02.13</b>	<b>Date of transfer</b>	<b>Amount Transferred</b>
Cash on hand	N/A	N/A	N/A	nil
Petty cash	N/A	N/A	N/A	nil
EQUITY 0530295515704	LATF	267,630.00	18.07.13	7820.50
EQUITY 0280290422815	GRF	208,544.00	18.07.13	2,966,012.00
EQUITY 0530295003730	SALARY	469,133.00	07.06.13	63.00

- 3) As at the time of the audit the council did not maintain a main cash book and the monthly reconciliations had not been done. Further, there was no board of survey constituted by the council to determine the cash in hand as at 30 June 2013. It was therefore not possible to confirm how much cash was at hand as at that time.

## **6.2 Cash and Cash Equivalent**

The bank accounts of the defunct town council were operated up to 27 June 2013 when they were officially closed and balances totaling Kshs.2,973,895.50 was transferred to the County Government General Purpose accounts No. 1143492196. Monthly revenue reconciliations were not done the board of survey was not constituted to determine the cash in hand as at 27 June 2013 when the accounts were closed and balances handed over. It was therefore not possible to confirm how much cash was at hand as at that time.

## **Recommendation**

All transactions done during this period should be thoroughly investigated and monthly bank reconciliation done. The County Government should ensure that instructions and directives issued from time to time are adhered to.

### **6.3 Revenue Collections and Banking**

During the period January to June 2013, the former council collected revenue totaling Kshs.13,734,372 but banked only Kshs.10,842,009 resulting in under banking of Kshs.2,892,363. Failure to bank revenue promptly and intact might lead to misuse since there was no budget for such expenditure. Such revenue may also be omitted in the relevant revenue accounts leading to understatement.

## **Recommendation**

The County Government should ensure that all the revenue collected is banked intact and that the bad habit of spending revenue directly is not devolved to the new structure of administration. Detailed analyses of all revenue collected during the transition period at defunct Town Council of Litein should be undertaken and variances explained. Proper systems should be put in place to ensure that revenue collected is promptly receipted, recorded and banked intact. In addition revenue collection in the entire county should be computerized where integrated automated receipting system is used. The County Government should also put in place strong internal control system to ensure proper accountability at every stage in the revenue collection cycle. Revenue collection control sheets should be maintained by the County Revenue Officer. The county government should employ optimal number of experienced revenue collectors and internal auditors on permanent terms to assist on management of revenue collection.

### **6.4 Non-Current Assets**

#### **i) Motor Vehicle**

The former council which became a Sub County in the new dispensation had four (4) vehicles and tractors two (2) of which were grounded. The original log book for one of the grounded vehicle a Peugeot registration no. KAA 455 was not availed for audit. The grounded motor vehicles are currently of no economic benefit to the county. Without the original logbook, the ownership of the Peugeot KAA 455 could not be established.

## **Recommendations**

The sub county should ensure that the original ownership documents be produced for audit verification. Serviceable vehicles should be repaired in order to deliver services to the sub county.

#### **ii) Land & Buildings, Vehicles, Office Equipments, Furniture & fittings, Computers & other equipments**

The Litein Sub County gave a list of all Assets, Land and Buildings, Vehicles, Office Equipments and Furniture, Furniture and Fittings and Computer & other Equipments which were handed over to the Kericho County. The land has Registration / Parcel No. The Sub - County also gave the size of the given land and the value. Details on these assets & their values amounting to Kshs.79,032,529.00 were obtained from the handing- over report to the County Government.

<b>Assets Details</b>	<b>Values Kshs.</b>
Land & Buildings	62,720,000.00
Office Buildings	7,500,000.00
Plant & Equipments	600,000.00
Furniture, Fixtures & Fittings	1,582,529.00
Motor Vehicles / Tractor	6,630,000.00
<b>Total Assets</b>	<b>79,032,529.00</b>

However there was no Fixed Asset Register containing details of all assets of the County.

### **Recommendation**

The Transition Authority should ensure that proper handing over by the former chief officers of the Town Council is done to enable the County Government to have accurate records of assets and liabilities inherited from the former Council. The County Government should identify, take stock and tag all the assets taken over from the defunct Town Council of Litein. All the assets should be systematically recorded in the Fixed Assets Register (FAR) of the County Government. The register should be updated on regular basis.

### **6.5 Payroll Audit**

The Town Council of Litein had twenty eight (28) permanent employees and thirty one (31) casuals. It was observed that the Council operated LAIFOM which was manned by one casual worker. Further, thirteen (13) officers were promoted during the period January to June 2013 and the promotion letters were seen. However, the authority and approval for these promotions were not availed for audit verification. The promotions might have been done irregularly.

### **Recommendation**

The county government should in future comply with the regulations as stipulated. The County Government should also carry out audit of the staff to ascertain the optimum

number and skill gaps which needs to be filled for smooth and optimal operation of the County Government.

## 6.6 Outstanding Debtors Balances

The former Council generated a Local Authority Integrated Financial Operations Management (LAIFOM) debtors ledger reflecting receivables from various plot owners amounting to Kshs.4,043,473. However, the debts were not analyzed or aged.

### Recommendation

The management of the Bureti Sub County should come up with concrete and clearly defined work plans of how to collect the debts.

## 6.7 Unsupported Expenditure

The financial records examined revealed that numerous payments totalling to Kshs.14,310,510 were made without supporting documentation as follows:

	Payee	Details	Date	Amount (Kshs.)
1.	Former Employees	Night out allowances	11.8.2012	1,274,000
2.	Various members of staff	Salary arrears	1.3.2013	1,273,555
3.	M/s Kiron Construction Co.	Construction of roads	1.3.2013	700,000
4.	Members of staff	Salary arrears	26.2.2013	755,725
5.	Kipsigis Teachers Sacco	No details	31.5.2012	242,627
6.	Faulu Kenya – Litein	No details	3.7.2012	393,070
7.	Koskei & Monda Advocates	Legal fees	20.11.2012	150,000
8.	Other unsupported payments	No details	various	9,246,733
			<b>Total</b>	<b>145,035,710</b>

### Recommendation

The County Government should ensure that all the above irregularities are investigated and any lost funds recovered.

## 6.8 Payroll and Establishment Audit (IFMIS, G-PAY, IPPD and LAIFOMS)

### i) Kericho County Executive

The following was noted in regard to the County Executive:

- i) IFMIS not installed.
- ii) No connectivity was in place and had inadequate trained personnel to handle the system.
- iii) There are sufficient computers to process the data but the main server has not been connected.
- iv) No transaction is done through IFMIS as manual system has not been discontinued and payments are not made through G- Pay.
- v) The chart of account has not been uploaded in the budget module in the IFMIS.
- vi) Reports are not being made through IFMIS.
- vii) No revenue collected by sub-counties has been uploaded in the IFMIS budget.

It is apparent that the County Government failed to implement and enforce regulations as required.

### **Recommendation**

The County Government should ensure that the IFMIS system is installed and operationalized along with arrangements to train sufficient personnel to handle the system.

Compliance with the regulations as stipulated is mandatory and the County Government should in future ensure that the sub-counties conform. The issue of casual employees should be addressed adequately to avoid over or under staffing.

### **7. COUNTY COUNCIL OF KIPSIGIS/AINAMOI**

The account balances for the defunct council as at 28<sup>th</sup> February 2013 when they were required to have been closed were as follows:

<b>Account No</b>	<b>Account Details</b>	<b>Bank</b>	<b>Bal.28/2/13</b>
1103602462	GRF	KCB	3,732,638.00
1103606271	LATF	KCB	50,520,950.00
1103604260	Produce Cess	KCB	1,202,013.00
22000006862	Salary	Family	38,417.00
280299895692	GRF Current	Equity	766,049.00
22000006861	Rehabilitation	Family	38,416.00

However, the council continued operating the accounts up to the time the council services were taken over by the County Government as at 27 June 2013. The details of the balances transferred are as given below:

<b>Account Numbers</b>	<b>Account Details</b>	<b>Amount (Kshs) as 28.02.13</b>	<b>Account Transferred to</b>	<b>Date of transfer</b>	<b>Amount (Kshs) Transferred</b>
Cash on hand	N/A	N/A	N/A	N/A	nil
Petty cash	N/A	N/A	N/A	N/A	nil
1103602462	GRF	3,732,638	1143492196	26.07.13	1,285,318
1103606271	LATF	50,520,950	1143492196	26.07.13	337,404
1103604260	PRODUCE CESS	1,202,013	1143492196	11.07.13	27,971.00
22000006862	SALARY	38,417	1143492196	11.07.13	285.80
280299895692	GRF CURRENT	766,049	1143492196	11.07.13	9,754.00
22000006861	REHABILITATION	38,416	1143492196	11.07.13	36,930.95

The bank accounts of the defunct County Council of Kipsigis operated up to 27 June, 2013 when they were officially closed and balances transferred to Kericho County Government General Purpose accounts No. 1143492196. However, the Council did not maintain a main cash book and the monthly reconciliations had not been done. Further, there was no board of survey constituted to determine the cash in hand as at 30 June 2013. It was therefore not possible to confirm how much cash was at hand as at that time.

### **Recommendations**

Failure to close bank accounts implied that revenue collections continued to be banked in these accounts and expenditure incurred, contrary to the law. The bank accounts should be closed and balances transferred to County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed proper charge to public funds.

#### **(f) County Council of Bureti**

The defunct County Council of Bureti did not close its bank accounts as at 28 February, 2013 as directed by the Transition Authority but relied on section 28 sub-section (2) of the County Government Financial Manual on the opening and closing of bank accounts which states that, "the Transition Principal Officer may authorize any such account to remain open for the purpose of completing on-going transactions". The following were the bank balances for bank accounts held by the Municipal Council as at 28 February, 2013.



<b>Account Number</b>	<b>Account Details</b>	<b>Bank</b>	<b>Balance as at 28/2/13</b>
Cash in hand			NIL
1105680290	GRF	KCB	905,634.00
1108431461	LATF-CURRENT	KCB	3059.00
1105258262	SALARY	KCB	1259.25
0530293752488	LATF	EQUITY	10,464,681.00

The Council did not constitute a board of survey to confirm the cash in hand balance as at the closure of the financial year 30 June 2013. No bank reconciliation was done for all the accounts held by the council as at 30 June 2013.

The Council did not produce bank confirmation certificate to support the bank balances.

Three of the councils accounts had debit balances an indication of the council having overdrawn its bank without authority.

As at the closure of the bank accounts the following were the balances which were transferred to the Kericho County Government General Purposes bank accounts NO.1143492196.

<b>Account Numbers</b>	<b>Account Details</b>	<b>Amount (Kshs) as at 28.02.13</b>	<b>Date of transfer</b>	<b>Amount Transferred</b>
Cash in hand				
1105680290 KCB	GRF	908,373.00	31.07.2013	962,663.35 DR
1108431461 KCB	LATF CURRENT	3059.00	30.08.2013	3405.00.DR
1105258262 KCB	SALARY	1259.00	22.08.2013	659.00
0530293752488 EQUITY	LATF	10,464,681.00		114,406.00 DR

## **Recommendations**

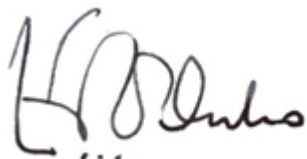
The bank accounts should be closed and balances transferred to County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed proper charge to public funds.

## **CONCLUSION**

From the foregoing audit findings, it is clear that the process of taking over of assets and liabilities of the defunct local authorities was not properly planned and organized. According to Transition to Devolved Governments Act, 2012, it was the responsibility of the Transition Authority to oversee the takeover of the functions, assets, liabilities and staff of the former Local Authorities by the County Governments after the March 4, 2013 general elections.

Similarly, according to Section 194 of the Public Financial Management Act, 2012, the Public Sector Accounting Standards Board is charged with the mandate of developing model accounting and reporting systems for the National Treasury which shall be adopted by the County Government in order to ensure standards applicable across the County Governments. This had not been done. But in spite of these challenges, the County Government of Kericho should take control of functions, including revenue collection, recording and proper accounting for the same.

I wish to thank the management of Kericho County for their cooperation and assistance extended to my staff during the period of this important audit assignment.



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

**Nairobi**

**21 October 2014**