

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT**

**OF**

**THE AUDITOR–GENERAL**

**ON THE**

**FINANCIAL OPERATIONS**

**OF**

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

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## **EXECUTIVE SUMMARY**

### **1.0 Introduction**

**1.1** The Auditor-General has the mandate to audit and report on the accounts of National and County Governments under Article 229 of the Constitution and the Public Audit Act, 2003. Further, the County Government Act, 2012 replaced the Local Government Act, Cap 265, thus 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 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.

### **2.0 Audit Objectives**

The audit covered the West Pokot County Executive, County Assembly and the former County Council of Pokot, former Municipal Council of Kapenguria and former Town Council of Chepareria 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 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

**2.1** 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 timeline.

### **3.0 Key Audit Findings**

#### **West Pokot County Executive and County Assembly**

##### **3.1 Handing over of assets, staff and liabilities to County Government**

The County Government of West Pokot had not officially taken over the assets and liabilities of the former County Council of Pokot, Municipal Council of Kapenguria and Town Council of Chepareria as at the time of conclusion of audit on 27 September 2013. Arrangements should be made by Transition Authority to have assets and liabilities of the former Councils handed over to the County Government. The former Councils' assets and liabilities closing balances will assist the County Government in determining opening balances for its books of account.

##### **3.2 Cash and Bank Balances**

The County Government continued to operate eleven (11) bank accounts of the defunct local authorities even after opening the County bank accounts, in total disregard of the requirements of the County Governments Public Finance Management Transition Act, 2013. The five (5) bank accounts of the defunct County Council of Pokot, four (4) and two (2) accounts of the defunct Municipal Council of Kapenguria and Town Council of Chepareria respectively had not been closed as at the time of conclusion of the audit exercise on 14 September 2013.

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 validated to be proper charge to public funds.

Further, the County Government maintained one cashbook which was used to record transactions for both the County Executive and the County Assembly, although these are distinct accounting units within the County. Separate cashbooks should be opened and maintained for each unit to enhance proper accountability of funds allocated to them.

##### **3.3 Debtors**

The County did not validate or consolidate its debtors, especially those from defunct local authorities totalling Kshs.111,691,198.00 as at 28 February 2013. An appropriate system for recording debtors should be put in place to ensure accuracy and completeness. Debt collection policy should be developed to facilitate collection of the County debts when they fall due.

##### **3.4 Creditors**

Creditors balances outstanding totalling Kshs.66,962,067.00 as at 28 February 2013 in respect of former County Council of Pokot (Kshs.41,646,674.00), former Municipal Council of Kapenguria (Kshs.7,247,275.00) and former Town Council of Chepareria

(Kshs.18,068,118.00.00) had not been validated and recorded in the County's books of account as at 30 June 2013. Reconciliation of creditors' balances should be carried out to ensure authentic and accurate balances are taken over by the County Government.

### **3.5 Motor Vehicles and Equipment**

Fixed assets register was not maintained by the County Government. Further, as at the time of audit no formal handing over had been carried out and instead, the County Government had taken over motor vehicles and other equipment from the former local authorities without proper recording.

Proper handing over should be carried out without further delay. In addition, an asset register to record assets taken over from former local authorities and those being acquired by the County Government should be maintained and updated on a regular basis.

### **3.6 Establishment and IPPD payroll**

The County Government carried out staff head count exercise although the report had not been finalized. A combined IPPD payroll system was implemented in the month of June 2013. However, personnel records revealed that, out of the eighty three (83) staff from former local authorities, twenty six (26) of them did not have copies of documents in their personal files including appointment letters, copies of identity cards and certificates. In addition, seven (7) employees were on suspension.

The County Government should ensure that employee's database is maintained and updated regularly. It is also recommended that, job evaluation and assessment be undertaken to facilitate deployment of key staff to relevant departments and also act as a guide in recruitment of staff with required skills and knowledge.

### **3.7 Procurement and Procurement Procedures**

#### **Non compliance with public procurement regulations in purchase of Hansard equipment**

The County procured Hansard equipment for the County Assembly through restricted tendering. Three (3) quotations were received from identified suppliers and the contract was given to the most responsive bidder at a contract price of Kshs.6,508,958.00. However it was noted that as at the time of conclusion of audit on 27 September 2013, the supplier had not delivered the Hansard, three months after the contract was given.

The County Government should ensure that future procurement of goods and services are done in accordance with the Public Procurement and Disposal Act, 2005 and related 2006 regulations. Further, payment should only be made based on evidence of receipt of goods and services.

### **3.8 Internal Control Environment**

A review of the internal control environment revealed the following weaknesses:

- (i) The management has not developed relevant manuals including an Operation Manual, Finance Manual, Human Resource Manual and the required procedures in line with the Public Finance Management Act, 2012.
- (ii) The Internal Audit Department has only one officer seconded by the Transition Authority, therefore cannot perform the oversight role effectively.
- (iii) The County Government did not maintain proper books of account including vote book, fixed assets register, imprest register, debtors' and creditors' ledgers.

The County Government should establish appropriate procedures and manuals to act as a guide in its operations. Relevant financial records and books of account should be maintained in accordance with the Public Finance Management Act, 2012.

### **3.9 Summary of audit of Information Communication Technology (ICT) and G-Pay**

Assessment of how the County has put in place structures to govern and manage the information systems revealed the following weaknesses amongst others:

- The County was yet to develop and implement some of the key ICT documents including: ICT policies and procedures, ICT Strategic Plan, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP).
- There was no ICT Steering Committee in place
- The ICT department was not allocated funds in 2013/2014 budget for capital expenditure
- The server room was not restricted therefore easily accessible to unauthorized staff
- The IT section had two (2) officers who did not have defined roles and responsibilities for effective management of IT operations while only one officer had been trained on use of IPPD.
- The County Government had received nineteen (19) personal computers from the National Treasury to be used for IFMIS, however, none had anti-virus software in place. Further, an ICT asset register was not maintained.
- The County Government had three (3) operating servers at the County Headquarters. However, there was no firewall to protect the network from harmful intrusions after establishing an internet connection.

- There was no established Wide Area Network (WAN) at the County to connect the four (4) Sub-Counties of West Pokot, North Pokot, Central Pokot and South Pokot where operations were still manual.
- The County Government had managed to utilize IFMIS on budgeting only. Other financial operations were manual. The IPPD system was implemented in June 2013.

In order to mitigate the above risks, the County Government should develop and approve the key ICT documents that ensure proper management of IT operation. Wide Area Network (WAN) should be installed that connects all the sub-counties with the county headquarters to ensure the operations are centrally managed. In addition, all IT systems in place should be fully utilized and all financial operations automated.

## **The Defunct County Council of Pokot**

### **3.10 Handing over of assets, liabilities and staff to the County Government**

The former County Council of Pokot did not prepare statement of assets and liabilities for handing over to the Transition Authority as required by the Ministry of Local Government Circular No. MLG/1333/TY/52 of 18 February, 2013. As a result, the County Government has no records of assets and liabilities owned by the former County Council of Pokot. Arrangements should be made by the Transition Authority to have the assets and liabilities of the defunct local authorities officially handed over to the County Government

### **3.11 Non-closure of bank accounts**

The defunct council operated five (5) bank accounts in Kenya Commercial Bank, Equity Bank and Family Bank. However, all the bank accounts had not been closed by 28 February 2013. The County Government continued to make payments through the accounts in contravention of the law. Further, cashbooks and monthly bank reconciliation statements were not maintained during the period from 01 January to 30 June 2013. The accounts should be closed without further delay. The County Government should also ensure that cashbooks and bank reconciliations are maintained and balanced daily as required by the Government Financial Regulations and Procedures.

### **3.12 Debtors**

The defunct County Council of Pokot debtor's balances totalled Kshs.79,459,293.00 as at 28 February 2013. However, detailed schedules, ledgers and control accounts were not maintained. The County Government should ensure appropriate system for recording of debtors is in place in accordance with the Public Finance Management Act, 2012.



### **3.13 Creditors**

Creditors' balance amounting to Kshs.41,646,674.00 was listed as outstanding as at 28 February 2013. However, no proper records including detailed schedules, ledgers and control accounts were maintained. Appropriate creditors records should be maintained to include particulars of each creditor. Further, no creditors should be settled before validation of the balances.

### **3.14 Motor Vehicles, Furniture and Equipment**

According to the list of assets availed for audit review, the defunct County Council of Pokot had five (5) motor vehicles, various computers and furniture and equipment valued at Kshs.13,320,000.00, Kshs.315,000.00 and Kshs.717,000.00 respectively. However, no fixed assets register was maintained and ownership documents for all motor vehicles were not produced for audit review. Fixed assets register should be opened to record details of assets owned by the County Government and proper handing over is carried out.

### **3.15 Recurrent Expenditure - Unsupported Payments**

During the period between January to March 2013 the defunct council made payments totalling Kshs.23,572,504.00 without relevant documents such as invoices, receipts and delivery notes. The County Government should ensure that payments are properly supported and authorized in accordance with the Government Financial Regulations and Procedures.

### **3.16 Procurement**

#### **(a) Irregular Payments for consultancy services - Payment for Preparation of Valuation Roll**

Payment amounting to Kshs.1,950,000.00 was made by the defunct County Council of Pokot vide cheque No. 000840 dated 28 February 2013 supposedly for consultancy for preparation of valuation roll. Details of the procurement were not made available for verification, neither was there evidence that the valuation roll service was rendered to warrant the payment.

#### **(b) Payment for Baseline Survey**

A consulting firm was paid Kshs.1,790,000.00 on 21 February 2013 in respect of baseline survey on work environment and employees' satisfaction. However, no terms of reference were set, defining measurable deliverables that would be received on the consultancy service. Further, the council did not call for expression of interest from various consultancy firms which could have offered the services at the most competitive prices and also in order to determine the firm's qualifications and capacity to undertake this work. There was no evidence that the payment was validly made for service rendered.

### **a) Payment for Environmental Impact Assessment Consultancy**

Consultancy service to carry out environmental impact assessment at Sigor and Kacheliba markets at a sum of Kshs.799,900.00 was procured through single sourcing on 27 February 2013. The consultant submitted an invoice on the same day which was paid vide cheque number 000842 on 28 February 2013. No contract agreement was signed between the council and the consultant. Further, the payment was irregularly paid as there was no evidence that the assessment was done and the service offered which contravened the Government Financial Regulations and Procedures.

In view of the foregoing, it could not be ascertained that the consultancy service was properly sourced, that value for money was realized in the transactions and whether the payment amounting to Kshs.4,539,700.00 was a proper charge on public funds.

The County Government should investigate the above payment to confirm delivery of services. Further, procurement procedures should be adhered to when procuring goods and services.

### **3.17 Other Audit Findings**

#### **(a) Revenue collection system**

Review of revenue collected against the banking for the period from January to April 2013 revealed that revenue amounting to Kshs.1,284,823.00, was not banked and remained unaccounted for contrary to the Government Financial Regulations and Procedures. Further, there was no proper system of monitoring of receipt books and internal control checks to ensure that revenue is collected and accounted for promptly. Revenue received or collected should be banked intact in accordance with Government Financial Regulations and Procedures.

#### **(b) Irregular use of LATF grants**

The defunct council received LATF grants from National Government amounting to Kshs.91,346,035.00 on 23 February 2013. According to the 2012/2013 budget, the council had allocated an amount of Kshs.41,603,475.00 for capital projects. However, none of the projects was implemented but instead projects' funds were irregularly diverted and used on other recurrent expenditure without prior approval from the Ministry of Local Government. The County Government should ensure that funds budgeted are utilized for the intended purposes only.

### **The defunct Municipal Council of Kapenguria**

#### **3.18 Failure to handover assets, liabilities and staff to County Government**

The defunct Municipal Council of Kapenguria ceased operations from 4 March 2013 and was supposed to prepare statement of assets and liabilities for handing over to the County Government. However, no formal handing over to the Transition Authority had been done as at the time of audit on September 2013. Arrangements should be made by the Transition Authority to have the assets and liabilities of the defunct local

authorities officially handed over to the County Government to enable it to have a basis of opening balances to be reflected in the books of account.

### **3.19 Non-closure of bank accounts**

The defunct council was supposed to close its bank accounts and transfer any funds to the County Revenue Account by 28 February 2013. However, four (4) bank accounts maintained at Kenya Commercial Bank, Equity Bank and Family Bank Kapenguria Branches had not been closed as at 27 September 2013. Further, Cashbook and bank reconciliation statements for all the bank accounts were not maintained. The County Government should ensure that cashbooks and bank reconciliations are maintained and balanced on a daily basis as required by the Government Financial Regulations and Procedures.

### **3.20 Debtors**

The defunct Municipal Council of Kapenguria submitted a debtors list dated 28 February 2013 to the Transition Authority amounting to Kshs.30,695,305.00. The balances were not supported with proper records including ledgers and control accounts. An appropriate system for recording debtors should be developed to ensure accuracy and completeness. Also, handing over of assets and liabilities to County Government should be done without further delay.

### **3.21 Outstanding Creditors**

The defunct Council creditors' balance as at 28 February 2013 totalling Kshs.7,247,275.00 constituted mainly of unremitted salary deductions owed to various statutory bodies. Proper records including ledgers and control accounts were not maintained. It is recommended that creditors records should be promptly recorded in a ledger indicating particulars of each creditor and be updated on regular basis.

### **3.22 Unsupported Payments**

Examination of expenditure vouchers revealed that payments totalling Kshs.3,580,828.00 were made without supporting documents. The payment lacked appropriate certificates, invoices and receipts as required by Government Financial Regulations and Procedures. It was therefore not possible to ascertain the propriety of the payments. Effort should be made to ensure that all payments are properly supported.

### **3.23 Other Audit Findings**

#### **(a) Failure to maintain Books of accounts and records**

During the period between January and March 2013, the defunct council did not maintain financial records and books of accounts including fixed assets register, stores records, cashbooks, bank reconciliation statement, debtors' and creditors' ledgers. The County Government should ensure that proper records are maintained as required by Public Finance Management Act, 2012.

## **(b) Irregular use of LATF grants**

According to the 2012/2013 budget, the council had allocated Kshs.22,550,000.00 for capital projects. However, none of the projects were implemented despite receiving LATF disbursements amounting to Kshs.40,712,244.00 on 23 February 2013. The funds were diverted to pay other recurrent expenditure without prior approval from the Ministry of Local Government. The County Government should ensure that funds budgeted are utilized for the intended purpose only.

## **The defunct Town Council of Chepareria**

### **3.24 Non-closure of bank accounts**

The defunct council operated two (2) bank accounts at Kenya Commercial Bank, Kapenguria Branch. However, no proper cashbooks and bank reconciliations were kept as required by Government financial Regulations and Procedures. Further, the bank accounts had not been closed as at the time of the audit in September 2013 in disregard of the Transition Authority directive that required all bank accounts to be closed by 28 February 2013. The Transition Authority should ensure that bank reconciliation statements are finalised and accounts closed without further delay.

### **3.25 Debtors**

The defunct Town Council of Chepareria list of debtors dated 28 February 2013 indicated that outstanding plot rent amounted to Kshs.30,695,305.00. The balances were not supported with verifiable records including ledgers and control accounts. As a result, debtors' balances that were set to be handed over to the County Government could not be confirmed. Debtors' ledger should be maintained and updated to ensure accurate balances.

### **3.26 Outstanding Creditors**

The list for creditors prepared by defunct council indicated that various institutions and suppliers were owed debts totalling Kshs.18,068,118.00 as at 28 February 2013. However, the balances were not supported with, invoices and statements. Further, proper records including ledgers and schedules were not maintained and therefore the source and validity of the balances could not be ascertained. Reconciliation on creditors balances should be carried out to ensure that valid and accurate balances are taken over by the County Government.

### **3.27 Unsupported Recurrent Expenditure**

An examination of recurrent expenditure incurred during the period between January 2013 and 4 March 2013 revealed that payment vouchers worth Kshs.1,245,188.00 were made without relevant supporting documents such as appropriate certificates, invoices and receipts as required by Government Financial Regulations and Procedures. The propriety of the payments therefore could not be determined. It is recommended that efforts be made to ensure that all payments are properly supported.

### **3.28 Other Audit Findings**

#### **(a) Failure to maintain proper books of account and records**

The defunct Council did not maintain proper books of account in contravention of the Public Finance Management Act, 2012. A fixed asset register, vote book, cashbooks and expenditure ledgers, were not prepared by the council. The County Government should ensure that financial records are opened and updated regularly.

#### **(b) Revenue collection and banking**

A review of revenue collected and amount banked between January to April 2013 revealed that revenue amounting to Kshs.953,650.00 was not banked and there was no evidence showing how the unbanked revenue was accounted for. The internal control system should be improved to ensure prompt recording of revenue to include checking of the records by senior officers on a rotational basis, ensuring accuracy and prompt surrender of revenue and daily reconciliation of collections and banking.

#### **(c) Irregular use of LATF grants**

The defunct council received LATF grants from the National Government amounting to Kshs.4,693,231.00 on 23 February 2013, however, none of the planned capital projects for 2012/2013 period with a budget allocation of Kshs.2,467,000.00 were implemented. Instead, projects funds were irregularly diverted and used on other recurrent expenditure items mainly on paying staff salaries. There was no prior approval from the Ministry of Local Government allowing the council to re-allocate the funds for other purposes. The County Government should ensure that funds budgeted are utilized for the intended purposes only and approval obtained for any planned re-allocation of funds.

### **4.0 Conclusion**

The audit has revealed that poor book keeping was very much evident in the defunct Local Authorities and this also appears to exist in the County Government. Financial controls are also weak as no financial policies have been formulated by the County Treasury that would help to strengthen the existing laws and regulations in ensuring full accountability of public resources. In addition the adoption of technology is very low and the county government has not put in place mechanisms to improve the situation. It is also clearly evident 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 Public Finance Management Act, 2012. Further, the 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 which is herewith appended.

A handwritten signature in black ink, appearing to read 'E. R. O. Ouko', with three dots below the name.

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

**Nairobi**

**30 April 2014**

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

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## **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 authorities to the 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 related 2006 and 2013 Regulations.

## **2.0 Detailed Audit Findings**

### **West Pokot County Executive and the County Assembly**

#### **2.1 Handing over of assets, staff and liabilities to the County Government**

All local authorities were supposed to prepare a detailed listing of assets, liabilities and staff to facilitate handing over to the County Governments in their region of jurisdiction in accordance with the Ministry of Local Government Circular No. MLG/1333/TY/52 of 18 February 2013. However as at the time of audit in September

2013, no proper handing over had been done; instead, the County Government had taken over some noncurrent assets from the former Councils without proper recording of the same.

Under the circumstances, the correctness, ownership and validity of assets and liabilities taken over by the County Government could not be ascertained.

### **Recommendation**

The Transition Authority should ensure that accurate statement of assets and liabilities as at 28 February 2013, is prepared by the relevant Council officials and that a proper handing over/taking over is done to enable the County Government have a basis of opening balances to be recorded in the books of account.

## **2.2 Cash and Bank Balances**

### **2.2.1 Bank Accounts**

According to the Transition to Devolved Government Act, 2012 all the local authorities were to close their bank accounts by 28 February 2013 and transfer all the funds to the County Government Revenue Account. However, the County Government did not open the revenue account as required by the Act and neither did the local authorities close the bank accounts by 28 February 2013 as envisaged in the law.

### **2.2.2 Lack of Independence of County Assembly in management of finances**

The County Government of West Pokot received a total of Kshs.224,037,773.00 from the National Treasury between March and June 2013. An amount of Kshs.215,357,857.00 was spent by both the County Executive and the County Assembly. The net surplus amounting to Kshs.8,679,916.00 was surrendered on 23 July 2013 as exchequer over issue.

It was however noted that The County Assembly expenditure was controlled and managed by the County Executive by procuring and paying goods and services on behalf of the County Assembly, even though they had their own budget. No evidence was seen authorizing the County Executive to incur expenditure on behalf of the County Assembly. Further, no separate cashbooks and vote book were maintained. This contravenes Section 147 of the Public Finance Management Act, 2012 which requires the accounting officer of the County Assembly to monitor, evaluate and oversee the management of its finances.

### **Recommendation**

Separate cash books and vote books should be maintained for the County Government and County Assembly to ensure proper accountability of funds received by each unit.



### **2.3 Debtors and Creditors**

Debtors and creditors ledgers were not maintained. There was no information on debtors and creditors transferred from the former local authorities to the County Government as handover had not been done as at the time of audit.

#### **Recommendation**

- i) The County Government should open and maintain ledgers and detailed schedules as stipulated in the Public Finance Management Act, 2012.
- ii) Reconciliation on debtors and creditors balances should be carried out to ensure that valid and accurate balances are taken over by the County Government.

### **2.4 Establishment and IPPD payroll**

The County Government had conducted a staff head count and implemented the IPPD payroll in the month of June 2013. However, a review of personnel records revealed that, out of the eighty three (83) staff from former local authorities, twenty six (26) of them did not have copies of relevant documents like appointment letters, identity cards, and certificates in their personal files. In addition, seven (7) employees were on suspension.

In absence of identification documents and other relevant certificates, ghost workers may have been entered in the payroll.

#### **Recommendation**

The county government should validate personnel records to ensure that only genuine employees are entered in the payroll.

### **2.5 Noncompliance with the Public Procurement and Disposal Act, 2005**

The County Government identified a supplier of Hansard equipment through restricted tendering on the justification that the equipment is of specialized nature and due to limited time available for open tendering. Bids were received from three (3) identified suppliers. However, the tender committee at its No. 05/2012/2013 held on 22 June 2013 awarded the contract for supply, installation and commissioning of the hansard equipment to the highest bidder at a contract sum of Kshs.6,508,958.00 contrary to the Public Procurement and Disposal Act, 2005, the Public Procurement and Disposal Regulations 2006 which require procuring entity to identify the successful tender based on the lowers price that meets the conditions set out in the tender. No satisfactory reason was given for disqualifying the lowest and the second lowest bidders who had quoted Kshs.5,528,780.00 and Kshs.6286,630.00 respectively.

Other anomalies noted on the tender are as follows:

- i) No contract agreement was signed between the County Government and the supplier contrary to Section 68 (1) of the Public Procurement and Disposal Act, 2005 and the Procurement Regulations, 2013 and therefore it is not clear how the supply and installation of the equipment was to be carried out thus exposing public funds to possible loss.
- ii) The County Government made advance payment of Kshs.6,508,958.00 vide Cheque No. 00143 dated 28 June 2013 before delivery of the equipment.
- iii) An inspection audit carried out on 27 September 2013 revealed that the hansard had not been delivered, almost 2½ months after it was paid for:

In the circumstances, the County Government never complied with the law and government financial regulations and procedures section 5.5.14 (c) which requires proof of receipt of goods and services before payment is made.

### **Recommendation**

- (i) The Public Procurement and Disposal Act, 2005 and related 2006 and 2013 regulations requirements should be followed on all procurement made by the County Government
- (ii) Payments should only be made based on evidence of receipt of goods and services
- (iii) The County Government should take appropriate action to ensure that the hansard equipment is supplied and installed

## **2.6 Information Communication Technology (ICT)**

Assessment of how the County Government has put in place structures to govern and manage the information systems in place revealed the following:

### **(a) Hardware**

- West Pokot County had received nineteen (19) desktop computers from The National Treasury for IFMIS, however, none had anti-virus software in place.
- The IT Department did not have an ICT Asset Register where IT inventory procured and transferred from the defunct Local Authorities are recorded indicating the purchase date, the location and condition of each asset.
- The County Government had two (2) servers in place, one for mail server while the other one had been acquired for the implementation of the LAIFOMS by Kapenguria Municipal Council which did not take off.

## **(b) Network connectivity**

There was no established Wide Area Network at the County to connect the four (4) Sub-Counties of West Pokot, North Pokot, Central Pokot and South Pokot. The presence of fiber connectivity in the County will enhance connectivity and access to information within the County.

### **Recommendation**

The County Government should ensure that all its Sub-County offices are inter-connected through a wide area network to the head office to ensure efficient monitoring of each Sub-County processes.

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

West Pokot County had only managed to utilize Plan to Budget module while the rest of the modules were yet to be implemented and the financial operations were still manual. Three (3) Orange Modems were received by the County for use to connect to IFMIS even though it was noted that the signal at the County offices was quite weak.

## **(d) Training of IT Staff**

Training of seven (7) staff had been carried which was carried out by IFMIS Directorate. However, none of the trained staff was from ICT Department yet this department may be required to provide support to the IFMIS. Further, all the staff at the County needed training on computer skills so as to understand and conceptualize the operations of the system.

## **(e) G-Pay**

The County had two (2) computers in place dedicated and configured for G-Pay. However, at the time of audit the system was not operational.

### **Recommendations**

- i) The County should ensure that IFMIS is in use and fully utilized for its financial operations and all modules are in use.
- ii) The County should ensure that all its financial operations are automated.
- iii) IFMIS Directorate should train and give priority to the staff of the ICT Department when conducting its training.

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

LAIFOMS had not been installed in the County offices. LAIFOMS was to be installed at Kapenguria Municipal Council but the installation did not take off. However, one

server and computers had been procured by the Council dedicated for LAIFOMS. At the time of assessment, the collection of revenue was being done manually.

### **Recommendation**

The management should ensure that the County has a system in place to monitor the collection of its revenue.

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

The County had implemented IPPD system and the payroll was run using the system from June 2013. There was only one (1) user who had been trained on the use of the system and there is need to train more payroll staff.

### **Recommendation**

The County should ensure that employees in the payroll department are adequately trained on IPPD.

### **(h) IT control environment and ICT governance**

- The IT section had only two (2) officers, one attached to the County Assembly and one at the Office of the Governor. There was no ICT organizational chart and therefore no defined roles and responsibilities on how to oversee the IT operations.
- Although there is a Department in charge of Education and ICT, an analysis of an approved 2013/2014 budget showed that the ICT department was not allocated funds for capital expenditure during the year. Further, the IT department was not involved in the budget preparation process. Without any allocation of funds to the ICT Department, the County may not be able achieve some of its planned ICT development thereby hampering the efficiency and effectiveness of its operations.
- The County has an Executive Member who in charge of Education and ICT. This indicates that the County views ICT as a strategic resource which will enable the County to achieve its objectives effectively and efficiently.
- The County was yet to develop and implement some of the key ICT documents including; ICT policies and procedures, ICT Strategic Plan, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP). There was also no ICT Steering Committee in place.
- The server room did not have adequate physical access and environmental controls.

### **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 constitute IT Steering Committee to help in planning and implementation of ICT in the County.

## **2.7 Revenue collection system**

Records maintained by the County indicate that revenue amounting to Kshs.3,574,523.00 was collected in the months of May and June 2013 after the County Government took over operations of the defunct local authorities. However, an amount of Kshs.3,412,041.00 was banked in County Revenue account during the same period. The resultant difference totalling Kshs.162,482.00 of unbanked revenue has not been reconciled or accounted for contrary to Section 6.4.4 the Government Financial Regulations and Procedures which require that revenue collected should be promptly recorded and banked intact.

### **Recommendation**

The unbanked revenue should be accounted for and in future County Government should put in place internal control checks to ensure that revenue collected is banked promptly and intact as required by the Government Financial Management Regulations

## **2.8 Internal Control Environment**

An assessment of how the County has put in place internal controls to assist in carrying out its operations revealed the following weaknesses:

- i) The management has not developed relevant manuals including Operation Manual, Finance Manual, Human Resource Manual and the required procedures, policies and regulations in line with the Public Finance Management Act, 2012.
- ii) The Internal Audit Department has only one officer seconded by the Transition Authority, therefore cannot perform the oversight role effectively.
- iii) The County Government did not maintain proper books of account including vote book, fixed assets register, imprest register, debtors and creditors ledgers.

### **Recommendations**

- i) Operational procedures and manuals should be developed to guide the County on its operations.
- ii) Internal audit department should have adequate staff.
- iii) Relevant financial records and books of accounts should maintained as stipulated in the Public Finance Management Act, 2012

## The defunct County Council of Pokot

### 2.9 Handing over of assets, liabilities and staff to County Government

The defunct council was supposed to prepare a detailed listing of assets, liabilities and staff to facilitate handing over to the County Government in accordance with the Ministry of Local Government Circular No. MLG/1333/TY/52 of 18 February 2013. However, no formal handing over had been done as at the time of the audit. As a result, the County Government has no records of assets and liabilities owned by the former County Council.

#### Recommendation

The Transition Authority should arrange for proper handing over of assets, liabilities and staff of the former County Council to the County Government to enable the County Government have a basis of opening balances reflected in its books of account.

### 2.10 Non-closure of bank accounts

The defunct Council was required to close and transfer bank balances to the County Government Revenue accounts by 28 February 2013. It was established that the council had five (5) bank accounts in Kenya commercial bank, Equity bank and Family bank with a total credit balance of Kshs.2,303,675.85 as at 30 June 2013 which had not been closed as at the time of concluding the audit on 27 September 2013. Details of the bank accounts is given below:

<b>Bank Details</b>	<b>Account number</b>	<b>Bank statement balance on 28/2/2013 Kshs.</b>	<b>Bank statement Balance on 30/6/2013 Kshs.</b>
LATF-KCB	1105582973	16,734,127.00	114,666.85
GRF-KCB	1106261135	331,330.25	2,167,430.00
GRF-Equity bank	107029476097	(183,471.40)	(554.00)
Housing-KCB	110626096	(400.00)	(517.00)
Salaries-Family bank	093000006371	1,248,646.90	22,950.00
	<b>Total</b>	<b>18,130,232.75</b>	<b>2,303,675.85</b>

No reason was given as to why the bank accounts were not closed by 28 February 2013 or upon expiry of three months at the end of May 2013 to finalize reconciliations considering that the Council was dissolved on 4 March 2013. Further, cashbooks and monthly bank reconciliation statements were not maintained during the period from 01 January to 30 June 2013. In the circumstance the accuracy of the cash and cash equivalent credit balance of Kshs.2,303,675.85 could not be ascertained.

## Recommendation

The County Government should ensure that cashbooks and reconciliations for each bank account are prepared and the accounts closed without further delay.

### 2.11 Non supported debtors and creditors

The debtors and creditors balances amounted to Kshs.79,459,293.00 and Kshs.41,646,674.00 respectively as at 28 February 2013.

However, proper records including ledgers and control accounts were not maintained. Further, the balance owed as audit fees was indicated as Kshs.2,400,000.00 instead of actual balance of Kshs.3,328,000.00 owed by the defunct Council. The resultant difference of Kshs.928,000.00 was not reconciled. Consequently, the debtors and creditors balances that were set to be handed over to the County Government could not be confirmed as at 28 February 2013.

## Recommendation

- i) The County Government should open and maintain registers and ledgers to record details of all debtors and creditors.
- ii) Reconciliation on debtors and creditors balances should be carried out to ensure that valid and accurate balances are taken over by the County Government

### 2.12 Motor Vehicles, Furniture and Equipment

The defunct County Council of Pokot had five (5) motor vehicles, various furniture and equipment all valued at Kshs.14,352,000.00 as at 28 February 2013 as detailed below:

Item		Value (Kshs)
Motor vehicles	Nissan Van KWE 194	70,000.00
	Toyota Hilux KAB 186Q	750,000.00
	Toyota Hilux KAW 849U	2,000,000.00
	Toyota Prado KBG 218C	5,600,000.00
	Ford Everest KBR 838U	4,900,000.00
Computers	various	315,000.00
Furniture and fittings	various	717,000.00
	<b>Total</b>	<b>14,352,000.00</b>

However, no fixed assets register was maintained. Further, ownership documents for the above five (5) motor vehicles were not produced for audit review.

It was therefore not possible to establish the existence, completeness and ownership of the assets.

### **Recommendation**

- (i) Proper handing over of assets and liabilities should be done and ownership documents for motor vehicles safeguarded.
- (ii) A fixed assets register should be opened to record details of assets owned by the County Government

### **2.13 Non Compliance with the with the Public Procurement and Disposal Act, 2005**

The Public Procurement and Disposal Act, 2005, and the related 2006 Regulations requires that all goods and services worth above Kshs.1,000,000.00 be procured through open tender. However, the defunct County Council of Pokot procured the following services without adhering to the laid down legal framework and there was no justified reason for the non-compliance;

#### **a) Payment for Preparation of Valuation Roll**

The defunct County Council of Pokot paid a Nairobi based firm, an amount of Kshs.1,950,000.00 through cheque No. 000840 on 28 February 2013 for the preparation of valuation roll. However, tender documents were not made available for audit review and it was not clear how the firm was identified to provide the service.

Further, the contract sum was paid in full contrary to contract agreement signed between the council and the firm dated 15/1/2013 indicating that payment was to be at 40% at the commencement of the contract and 60% after completion of work which was to take two (2) months. In addition, at the time concluding the audit in September 2013, valuation roll had not been prepared and submitted to the Council, seven months after the contract period. The payment was therefore irregular and expenditure was incurred without delivery of service.

In view of the foregoing, the Council was in breach of the financial regulations and the propriety of the above expenditure is in doubt.

#### **b) Payment for baseline survey**

The defunct Council issued LPO number 2136 on 13/6/2012 for baseline survey, and work environment including employee satisfaction at a sum of Kshs.1,790,000.00. The consultant was identified through single sourcing contrary to Section 74 of the Public Procurement and Disposal Act, 2005. Further, there was no contract agreement signed between the council and the consultant nor was there records indicating terms of reference defining measurable deliverables that would be received on this consultancy service. As at the time of the audit, there was no evidence to show that the payment was validly made for service rendered.



### c) **Payment for Environmental Impact Assessment Consultancy**

The defunct County Council of Pokot issued LPO number 2145 on 27 February 2013 to at a sum of Kshs.799,700.00 to carry out environmental impact assessment at Sigor and Kacheliba markets. On the same day, an invoice was received for the contract sum and on 28 February 2013, payment voucher number 4551 was prepared and paid vide cheque number 000842. Further, the following irregularities were also noted:

- i) The contract was procured on a single source basis contrary to Section 74 of the Public Procurement and Disposal Act, 2005.
- ii) The payment was irregular because no evidence was seen indicating that the intended environmental impact assessment was carried out.
- iii) No written contract agreement appeared to have been drawn between the Council and the consultant. It was therefore not clear as to how the assessment was to be carried out in absence of an agreement.

In view of the foregoing, the Council was in breach of the financial regulations and the propriety of the above expenditure totalling Kshs.4,539,700.00 was in doubt.

#### **Recommendation**

- i) The County Government should investigate the above expenditure to establish the validity of the payments and recover amount irregularly paid.
- ii) Procurement procedures and regulations stipulated in the Public Procurement and Disposal Act, 2005 should always be adhered to when procuring goods and services

#### **2.14 Unsupported Payments**

During the period between January and March 2013, the defunct County Council of Pokot incurred payments through LATF and GRF bank accounts totalling Kshs.23,572,504.00. The payments on various items were made without appropriate and relevant documents like invoices, statements, certificates of work done, cash sale receipts and delivery notes contrary to Government Financial Regulations and Procedures. It has not been possible therefore to ascertain the propriety of the following expenditure:

<b>Month</b>	<b>GRF-Family bank account Kshs.</b>	<b>LATF-KCB account Kshs.</b>	<b>Total Kshs.</b>
January-March 2013	1,950,363.00	21,622,141.00	23,572,504

## Recommendation

- i) The County Government should investigate the above expenditure to establish the validity of the payments and recover those unsupported with adequate evidence.
- ii) All expenditure vouchers should be supported with relevant documentations before payment is effected.

### 2.15 Revenue collection system

Analysis of revenue collected and banking for the period from January to April 2013 revealed that, the defunct County Council of Pokot collected revenue amounting to Kshs.3,494,917.00 but only banked Kshs.2,210,094.00 in the same period. The resultant difference of Kshs.1,284,823.00 was not accounted for contrary to Section 6.4.4 of the Government Financial Regulations and Procedures. Analysis of revenue is given below:

Month	Amount collected Kshs.	Amount banked Kshs.	Difference Kshs.
January 2013	719,010.00	155,900.00	563,110.00
February 2013	1,130,799.00	838,200.00	292,599.00
March 2013	437,895.00	267,600.00	170,295.00
April 2013	1,207,213.00	948,394.00	258,819.00
<b>Total</b>	<b>3,494,917.00</b>	<b>2,210,094.00</b>	<b>1,284,823.00</b>

## Recommendation

- i) The County Government should ensure that revenue collected is banked promptly as required by the Financial Regulations in force.
- ii) The under banking amounting to Kshs.1,248,823.00 should be investigated or reconciled.

### 2.16 Irregular use of LATF grants

The Council received LATF grants from National Government amounting to Kshs.91,346,035.00 on 23 February 2013 through LATF account maintained at the Kenya Commercial Bank. A scrutiny of the approved budget for 2012/2013 indicated that the defunct Council had allocated funds amounting to Kshs.41,603,475.00 for capital projects. However, none of the capital projects was implemented which was in contravention of the Local Authorities Transfer Fund (LATF) Act, 1998 that requires local authorities to use at least 60% of the funds received to fund identified Local Authority Service Delivery Action Plan (LASDAP) capital projects mainly in education, health, water and road sectors among others.

It was established that funds were irregularly diverted and spent on other recurrent expenditure items including salaries and allowances without prior approval from the Ministry of Local Government.

### **Recommendation**

LATF funds should be used on the approved projects and supplementary budgets prepared for any re allocation of funds.

## **The defunct Municipal Council of Kapenguria**

### **2.17 Failure to handover of assets, liabilities and staff to County Government**

The defunct council was supposed to prepare a detailed listing of assets, liabilities and staff to facilitate handing over to the County Government in accordance with the Ministry of Local Government Circular No. MLG/1333/TY/52 of 18 February 2013. However, as at the time of conclusion of the audit on 23 September 2013, no proper handing over had been carried out. No explanation was given for the delay in preparing statement of assets and liabilities and handing over to the County Government.

Consequently, the accuracy of opening balances of assets and liabilities reflected in the books of account of the County Government as at 5 March 2013 could not be confirmed.

### **Recommendations**

- (i) The Transition Authority should ensure that former Chief Officers of the defunct Local Authority properly hand over the assets and liabilities.
- (ii) A supported statement of assets and liabilities should be prepared for handing over to the County Government.

### **2.18 Non-closure of bank accounts**

The council was required to close and transfer bank balances to the County Government Revenue Fund account by 28 February 2013. However four (4) bank accounts with a total credit of Kshs.3,748,136.75 maintained at Kenya Commercial Bank, Equity and Family Bank (Kapenguria branch) had not been closed as at 27 September 2013. The respective statement balances for each of the bank accounts were as indicated below:

<b>Bank Details</b>	<b>Account number</b>	<b>Balance on 30/1/2013 Kshs.</b>	<b>Balance on 28/2/2013 Kshs.</b>	<b>Balance on 30/6/2013 Kshs.</b>
LATF-Equity	1070299584128	415,038.25	12,290,341.25	1,044,860.65
Cess-KCB	11062622298	292,844.50	540,920.50	2,401,282.50
Renewals	093000004376	213,287.60	213,287.60	212,087.60

fund-Family				
Bank				
KazikwaVijana- Equity	1070296269506	89,906.00	89,906.00	89,906.00
<b>Total</b>		<b>1,011,076.35</b>	<b>13,134,455.35</b>	<b>3,748,136.75</b>

Further, cashbook and bank reconciliation statements for all the bank accounts were not prepared. No reason was given as to why the bank accounts were not closed by 28 February 2013 or upon expiry of three months at the end of the month of May 2013 to finalize reconciliations, considering that the Council was dissolved on 4 March 2013.

### Recommendation

Reconciliations should be carried out and all bank accounts of former council closed and balances transferred to the County Government Revenue Fund Account.

### 2.19 Debtors and Creditors

The debtors and creditors balances as per a schedule dated 28 February 2013 amounted to Kshs.30,695,305.00 and Kshs.7,247,275.00 respectively as analyzed below:

#### (a) Debtors

	Details	Amount - Kshs.
1	Contribution in lieu of rates-CILOR	12,800,000.00
2	Casual Wages advance	2,000.00
3	Kiosk rent	1,086,600.00
4	Plot rent	16,560,505.00
5	Staff advances	246,200.00
	<b>TOTAL</b>	<b><u>30,695,305.00</u></b>

#### (b) Outstanding creditors

No.	Details	Amount (Kshs.)
1	KENAO	1,800,000.00
2	Staff Salary Arrears	2,823,836.00
3	Local Authorities Provident Fund	592,000.00
4	LAP TRUST	1,071,875.00
5	Kenya Revenue Authority	959,564.00
	<b>Total</b>	<b><u>7,247,275.00</u></b>

Proper records including ledgers and control accounts were not maintained. As a result, the above debtors' balances totalling Kshs.30,695,305.00 and creditors'

balances owed to Kenya Revenue Authority, Local Authorities Provident Fund and LAPTRUST pension fund amounting to Kshs.959,564.00, Kshs.592,000.00 and Kshs.1,071,875.00 respectively could not be confirmed.

Further, an officer was paid salary advance of Kshs.208,500.00 to be recovered in a period of more than 2 years contrary to Section H of the Code of Regulations which require that salary advances should be recovered within twelve (12) months.

### **Recommendation**

- i) The County Government should open and maintain registers and ledgers to record details of all debtors and creditors.
- ii) Reconciliation on debtors and creditors balances should be carried out to ensure that valid and accurate balances are taken over by the County Government.
- iii) Payment of advances should be managed in accordance with the applicable rules and regulations in force.

### **2.20 Non-supported Payments**

During the period, the defunct Municipal Council of Kapenguria incurred payments through LATF and GRF bank accounts totalling Kshs.3,580,828.00. The payments on various items were made without appropriate and relevant documents like invoices, statements, cash sale receipts and delivery notes in contravention of Section 5.5.14 (c) of the Government Financial Regulations and Procedures. It has therefore not been possible to ascertain the propriety of the following expenditure:

<b>Month</b>	<b>Unsupported payments Kshs.</b>
January 2013	713,861.00
February 2013	1,728,988.00
March 2013	<u>1,137,979.00</u>
<b>Total</b>	<b><u>3,580,828.00</u></b>

### **Recommendations**

- i) The County Government should investigate the above expenditure to establish the validity of the payments and recover those unsupported with adequate evidence.
- ii) All expenditure should be supported with relevant documentations before payment is effected.

### **2.21 Failure to maintain books of account and records**

The defunct council did not maintain financial records and books of account including fixed assets register, stores records, cashbooks, bank reconciliation statements,

debtors and creditors ledgers. Records and books of account for the defunct council were therefore unreliable.

### Recommendation

Financial records and books of account as stipulated in the Public Finance Management Act, 2013 should be maintained and updated regularly.

### 2.22 Revenue collection system

Revenue amounting to Kshs5,708,730.00 was collected by the Council from 1 January to 30 April 2013, but only Kshs.4,816,152.00 was banked, leaving unaccounted for difference of Kshs.892,578.00 in contravention of the Government Financial Regulations and Procedures. The unbanked revenue is indicated below:

Month	Amount collected Kshs.	Bank in slips- Kshs.	Difference Kshs.
January 2013	1,854,490.00	1,157,480.00	697,010.00
February 2013	1,280,172.00	1,054,132.00	226,040.00
March 2013	976,073.00	1,138,150.00	(162,077.00)
April 2013	<u>1,597,995.00</u>	<u>1,466,390.00</u>	<u>131,605.00</u>
<b>Total</b>	<b><u>5,708,730.00</u></b>	<b><u>4,816,152.00</u></b>	<b><u>892,578.00</u></b>

### Recommendation

- i) The County Government should ensure that revenue collected is banked promptly and intact as required by the Financial Regulations in force.
- ii) The under banking amounting to Kshs.892,578.00 should be investigated or reconciled.

### 2.23 Irregular use of LATF grants

The Local Authorities Transfer Fund (LATF) Act, 1998 requires local authorities to use at least 60% of the funds received to fund identified Local Authority Service Delivery Action Plan (LASDAP) capital projects mainly in education, health, water and roads sectors among others. The Council however did not implement any of the projects worth Kshs.22,550,000.00 in 2012/2013 budget despite receiving LATF disbursements amounting to Kshs.40,712,244.00 on 23 February 2013. The funds were irregularly diverted to pay other recurrent expenditure including staff salaries and allowances.

Consequently, it could not be confirmed whether LATF receipts were properly utilized for the intended purpose.

### **Recommendation**

LATF funds should be used on the approved projects and supplementary budgets prepared for planned re-allocation of funds.

## **The Defunct Town Council of Chepareria**

### **2.24 Non-closure of bank accounts**

The defunct Council was required to close and transfer bank balances to the County Government revenue accounts by 28 February 2013. However, as at the conclusion of audit on 27 September 2013, the defunct council had not closed the General Rate Fund and LATF bank accounts maintained at Kenya Commercial Bank (Kapenguria branch) with a total credit balance of Kshs.256,492.40 as at 30 June 2013 as below.

<b>Bank Details</b>	<b>Account number</b>	<b>Balance 28/2/2013 Kshs.</b>	<b>Balance 30/6/2013 Kshs.</b>
LATF-KCB	1106268849	11,632.80	517.20 DR
GRF-KCB	1106263162	4,019.60	<u>257,009.60</u>
	<b>Total</b>	<b>15,652.40</b>	<b><u>256,492.40</u></b>

No reason was given as to why the bank accounts were not closed by 28 February 2013 or upon expiry of three months at the end of May 2013 to finalize reconciliations considering that the Council was dissolved on 4 March 2013. Further, cashbooks and monthly bank reconciliation statements were not maintained during the period from 01 January to 30 June 2013.

### **Recommendation**

The County Government should ensure that cashbooks and reconciliations for each bank account are prepared and the accounts closed without further delay.

### **2.26 Debtors and Creditors**

The plot rent debtors balances as per a schedule dated 28 February 2013 amounted to Kshs.1,536,600.00. Further, outstanding creditors owed to various statutory bodies and suppliers totalled to Kshs18,068,118.00.

Ledgers, invoices, and detailed schedules were however not prepared and the validity of the balances could not be confirmed.

### **Recommendations**

- (i) The County Government should open and maintain ledgers and detailed schedules as stipulated in the Public Finance Management Act, 2012.

- (ii) Reconciliation on debtors and creditors balances should be carried out to ensure that valid and accurate balances are taken over by the County Government.

## **2.27 Unsupported payments**

During the period between January and 4 March 2013 the defunct council made payments totalling Kshs.1,245,188.00. The payments were however not supported with relevant documents like invoices, delivery notes, cash sale receipts and statements. Consequently, the propriety of the expenditure could not be confirmed.

### **Recommendation**

- i) The County Government should investigate the above payments to establish the genuine payments and recover those unsupported with adequate evidence.
- ii) In future expenditure vouchers should be supported with relevant documentations before payment is effected

## **2.28 Failure to maintain books of account and records**

The defunct Council was required to keep accurate and up to date financial records. It was however noted that most of the records and books of account including asset register, income, debtors, creditors and expenditure ledgers were not maintained during the period between January to March 2013.

### **Recommendation**

Financial records and books of account should be maintained and updated regularly as stipulated in the Public Finance Management Act, 2012.

## **2.29 Revenue collection system**

Revenue amounting to Kshs.1,173,010.00 was collected by the Council from 1 January to May 2013, but only Kshs.219,650.00 was banked in April, leaving unaccounted for difference of Kshs.953,650.00 as listed below. No information was provided on how the unbanked revenue was utilized.

<b>No.</b>	<b>Date</b>	<b>Receipt No.</b>	<b>Amount - Kshs.</b>
<b>1</b>	10.1.2013	69928-68752	19,360.00
<b>2</b>	17.1.2013	69769-26631	37,840.00
<b>3</b>	24.1.2013	67202-67689	15,370.00
<b>4</b>	30.1.1013	67202-67699	7,400.00
<b>5</b>	31.1.2013	70532-27143	45,520.00
<b>6</b>	7.2.2013	68901-27182	32,320.00
<b>7</b>	14.2.2013	70701-28333	30,420.00
<b>8</b>	20.2.2013	2151-2152	4,800.00
<b>9</b>	27.2.2013	71301	11,750.00
<b>10</b>	28.2.2013	70405-69021	26,940.00



11	01.3.2013	71071	1,000.00
12	07.3.2013	71072-71111	9,020.00
13	12.3.2013	71097	1,500.00
14	14.3.2013	29501-29587	42,240.00
15	17.3.2013	29720-29728	2,480.00
16	18.3.2013	71302-71312	34,000.00
17	21.3.2013	70431-70437	36,920.00
18	26.3.2013	69613-69617	5,850.00
19	27.3.2013	69618-69620	2,050.00
20	28.3.2013	70729-70748	55,350.00
21	02.4.2013	10145-10156	1,360.00
22	03.4.2013	2161-2200	202,800.00
23	03.4.2013	2251-2291	110,780.00
24	04.4.2013	71186-71233	70,610.00
25	10.4.2013	11401-11413	37,500.00
26	10.4.2013	2301-2308	26,800.00
27	11.4.2013	72052-72059	143,930.00
28	18.4.2013	73201-73208	52,590.00
29	22.4.2013	30270-30282	15,420.00
30	24.4.2013	69675-69679	7,240.00
31	25.4.2013	72734-72788	59,070.00
32	26.4.2013	28387-28396	800.00
33	26.4.2013	27601-27689	21,980.00
<b>Total collected January-April</b>			<b><u>1,173,010.00</u></b>
Banking- April 2013			<u>(219,650.000)</u>
<b>Total unbanked</b>			<b><u>953,360.00</u></b>

### Recommendation

- i) The County Government should ensure that revenue collected is banked intact as required by the financial regulations.
- ii) The under banking amounting to Kshs.953,360.00 should be investigated or reconciled.

### 2.30 Irregular re-allocation of LATF grants

The defunct council received LATF grants from the National Government amounting to Kshs.4,693,231.00 on 23 February 2013 through LATF account maintained at the Kenya Commercial Bank. The approved budget for the period 2012/2013 indicates that Kshs.2,467,000.00 out of the total LATF receipts had been set aside for the funding of capital projects. However, none of the projects was implemented during the period in contravention of LATF Act, 1998 which require that at least 60% of the funds received to fund identified Local Authority Service Delivery Action Plan (LASDAP) capital projects mainly in education, health, water and roads sectors among others. LATF money funds were irregularly diverted and used on other recurrent expenditure

items mainly on paying staff salaries. No approval was sought from the Ministry of Local Government for the re-allocation of funds.

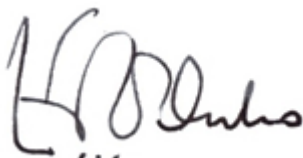
Consequently, it could not be confirmed whether LATF receipts were properly utilized for the intended purpose.

### **Recommendation**

LATF funds should be used on the approved projects and supplementary budgets prepared for planned re-allocation of funds.

### **3.0 Conclusion**

I wish to thank the management of West Pokot 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**

**30 April 2014**