

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT**

**OF**

**THE AUDITOR–GENERAL**

**ON THE**

**FINANCIAL OPERATIONS**

**OF**

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

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

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# **REPORT OF THE COUNTY GOVERNMENT OF BUNGOMA AND ITS DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2013**

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## **EXECUTIVE SUMMARY**

### **1.0 Introduction**

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 Further, the County Government Act, 2012 Section 134 (1) repealed the Local Government Act, Cap 265, and thus effectively dissolving all the 175 Local Authorities and creating 47 County Governments.

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

### **1.1 Audit Objectives**

The audit covered the County Executive and County Assembly and the former Bungoma Municipal Council, County Council of Bungoma, County Council of Mt Elgon, Municipal Council of Kimilili, Municipal Council of Webuye, Town Council of Sirisia and Town Council of Malakisi transactions for the period 1 January to 30 June, 2013 and took into account transactions before, during and after the transition period. The terms of reference set for the audit included verifications and confirmations of transactions in respect to but not limited to the following areas:

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

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

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

## **1.2 Key Audit Findings**

### **1.2.1 Bungoma County Executive and County Assembly**

#### **1.2.1.1 Procurement of goods and services**

##### **(i) Unsupported Expenditure**

Payments amounting to Kshs.56,195,317.00 lacked the relevant supporting documents consequently the authenticity and propriety of these payments could not be ascertained.

The management should ensure that payment vouchers have the necessary support documents and that they are availed for audit scrutiny.

##### **(ii) Single Sourcing**

During the period the Bungoma County Government procured goods, works and services amounting to Kshs.112,370,587.00. The goods, works and services however appear not to have been competitively sourced.

Procurement procedures should be followed as required by the Public Procurement and disposal Act 2005 and regulations 2006.

The county government should avail all the procurement documents and payment vouchers to support goods, works and services procured during the transition period.

##### **(iii) Unaccounted for stores**

It was noted that the county government procured stores amounting to Kshs.78,070,902.00 which were not recorded as having been received. It was therefore not possible to ascertain the propriety of these payments.

The management should ensure that all stores purchased are received and recorded in the S3 Cards.

### **1.2.2 County Council of Bungoma**

#### **Local Authorities Transfer Fund (LATF)**

The council received Kshs.267,122,587.00. However, capital projects worth Kshs.50,544,676.00 were not implemented. The Payment vouchers supporting the expenditure recorded in the payment register were not produced for audit verification. It was also noted that the council spent over 7,258,218.00 on consultancy services out of LATF funds of which the Payment vouchers and the end product/documents from consultancy services were not availed.

Payment Voucher with relevant supporting document should be prepared to support any payment made.

LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period.



Public Procurement and disposal Act 2005 and regulation 2006 should be complied with in procurement of goods and services.

The Council should maintain all the relevant documents and books of accounts.

The Council should avail Payment vouchers, tender documents, insurance policies and consultancy services end products when required.

### **1.2.3 Municipal Council of Bungoma**

#### **Expenditure**

The Council received Kshs.79,487,643.00 from LATF but Capital Projects worth Kshs.38,287,807.00 were not implemented.

LATF Funds should be used for the intended purposes as outlined in the budget and within the specified period

The relevant payment cashbooks, Daily abstract and monthly abstracts in respect to LATF should be properly maintained

### **1.2.4 County Council of Mt. Elgon**

#### **1.2.4.1 Procurement of Goods and Services**

##### **i) LATF Expenditure**

The Council received Kshs.58,150,375.00 from LATF. However capital Projects worth Kshs.16,535,824.00 were not implemented. A scrutiny of the payment vouchers and cashbook revealed that funds were diverted toward payments of staff salaries and statutory creditors.

LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period.

##### **ii) Double Payment**

A Consultancy firm was paid Ksh.570,000.00 and Ksh.600,000.00 on 7 August, 2012 and 18 February, 2013 respectively using the same invoice No.4563 dated 1 August, 2012 for consultancy services.

The overpayment should be recovered.

### **iii) Unsupported Payment**

Payments amounting to Ksh.200,960.00 for various activities were not supported with a payment voucher.

The management should ensure that payment vouchers have necessary supporting documents and availed for audit.

### **iv) Procurement**

No tender documents were provided for award of Consultancy and Insurance Services to support payments of Ksh.871,000.00 and Ksh.554,451.00 respectively.

Tender documents should be availed to confirm the authenticity of these payments.

## **1.2.5 Municipal Council of Kimilili**

### **Unsupported Expenditure**

There were payment vouchers amounting to Kshs.3,078,832.00 that were not supported with any records or relevant expenditure documents. In the absence of these documents, the propriety of these expenditures could not be ascertained.

The management should ensure that payment vouchers have the necessary support documents and they should be availed for audit scrutiny.

## **1.2.6 Municipal Council of Webuye**

### **(i) Missing payment vouchers Kshs.2,773,727.00**

Examination of cashbook and cheque counterfoils revealed that during the months of January and February, 2013 various payments amounting to Kshs.2,773,727.00 were made. However no payment vouchers were availed in relation to these payments.

Payment vouchers should be prepared together with the necessary supporting documents and be fully authorized before payment is made.

### **ii) LATF**

The Council received Kshs.42,386,517.00 from LATF. However, capital projects worth Kshs.19,720,787.00 were not implemented. A scrutiny of the payment vouchers revealed that funds were diverted toward payments of staff salaries and other Council creditors. It was also noted that the LATF cashbook was not maintained and LATF payments amounting Kshs.9,876,745.00 were not supported by payment vouchers.

LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period.

Payment vouchers with relevant supporting document should be prepared to support any payment made

### **1.2.7 Town Council of Sirisia**

#### **LATF**

The Council received Kshs.10,593,608.00 from LATF. However, capital projects worth 3,982,008.00 were not implemented. A scrutiny of the payment vouchers and cashbook revealed that funds were diverted toward payments of staff salaries and councillors' allowances. Further, Kshs.560,000.00 was paid to some Consultancy firms in respect of consultancy services rendered in 2010/2011 financial year but payments were not supported with documentary evidence.

LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period.

Further, Kshs.560,000.00 paid to consultancy services creditors not appearing in council records should be recovered from the officer responsible for such payment.

### **1.2.8 Town Council of Malakisi**

#### **i) Payroll**

The Council employed thirteen (13) officers without having approval or authority from Ministry of Local Government.

Workload analysis be done to set the optimum staffing level. In addition, Before any recruitment is done authority should be sought from the relevant bodies.

#### **ii) Expenditure**

The Council received Kshs.21,073,182.00 from LATF. However, capital projects worth Kshs.8,480,000.00 were not implemented. A scrutiny of the payment vouchers and cashbook revealed that funds were diverted toward payments of staff salaries arrears and councillors allowances.

LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period

### **1.2.9 Information Systems assessment**

#### **i) Hardware**

The County received twenty two (22) computers from The National Treasury (IFMIS Department) which were solely being used for IFMIS and one from Central bank for G-PAY.

## **ii) Implementation Status of Integrated Financial Management Information System (IFMIS)**

IFMIS system was installed in the County, the staff were trained, but they were not using the Procure –to- Pay module for the County’s expenditure operations as at the time of audit. All the payment operations were manual. There was no connectivity and support from IFMIS department.

## **iii) G-Pay**

The County had received two computers from The National Treasury which are dedicated for G-Pay. The G- pay system was not in use.

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

LAIFOMS had only been in operation in 5 Sub – Counties. There was an under banking of Kshs.20,084,603.00 for the period 1 July to 3 March 2013 and Kshs.57,473,603.00 for the period,4 March to 17 Sept 2013 in the County Council of Bungoma.

Bungoma town unit had its LAIFOMs disconnected due to lack of office space.

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

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

- There were twenty eight (28) officers with Incorrect Tax Personal Identification Numbers.
- There were six (6) officers who had wrong ID numbers.

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

The County had six (6) ICT staff to provide support for the applications in place. There were no defined roles and responsibilities on how to oversee the IT operations hence there was no clear segregation of duties.

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

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

The IPPD and G-PAY servers are located in the Human Resource office and Accounts office respectively where accessibility had not been restricted with adequate physical access controls.

The County Government should ensure that there is adequate IT infrastructure and all sub-counties are interconnected to the head office to ensure efficient monitoring of each sub-county processes. The county should ensure that IFMIS is fully operational including all modules and is fully utilized for its financial operations.

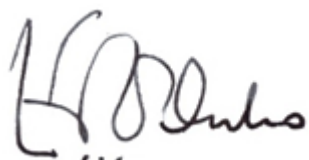
The County management should take control of LAIFOMS to ensure that revenue collection is accounted for. The IT department should be enhanced with more personnel. Role and responsibilities should be defined to ensure segregation of duties. Further, ICT staff should be trained on all the applications in use to enable them offer support to system users.

In addition, the County should develop and implement ICT policies, IT strategic plans, Business continuity and Disaster recovery plans to ensure proper management of IT operations.

### **1.3 CONCLUSION**

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

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



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**AUDITOR-GENERAL**

**Nairobi**

**13 March 2014**

# MAIN AUDIT REPORT OF THE COUNTY GOVERNMENT OF BUNGOMA AND ITS DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2013

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## 1.0 MAIN REPORT

### 1.1 Introduction

The County Government of Bungoma took over the defunct Local Authorities namely; Bungoma Municipal Council, County Council of Bungoma, County Council of Mt Elgon, Municipal Council of Kimilili, Municipal Council of Webuye, Town Council of Sirisia and Town Council of Malakisi following the General Election on 4 March, 2013. The County Government was established to carry out the devolved functions to the County.

The special audit exercise was to verify County Government preparedness to receive and utilize devolved funds before, during, and after transition period.

### 1.2. Terms of Reference

The Office of the Auditor-General is an Independent Office mandated by Article 229 of the Constitution to audit the accounts of the National and County Government. In this regard the office planned an audit for the Bungoma County with the following terms of reference:

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

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

### 1.3 Methodology

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

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

## **2.0 DETAILED FINDINGS**

### **2.1 COUNTY GOVERNMENT OF BUNGOMA**

#### **2.1.1 Handing over to the County Government**

There was no proper handing over by all the defunct Local Authorities of their assets and liabilities to the Transition Authority as required by the Ministry of Local Authority circular.

#### **Recommendation**

The County Government should ensure that all assets and liabilities are handed over properly without further delay.

#### **2.1.2. Cash for Office Use**

The County encashed Kshs.35,754,272.00 for office use through cheques without preparing any payment vouchers to account for the payments. This is a contravention of Public Finance Management Regulations.

#### **Recommendation**

The County Government should put in place a proper cash processing system in order to strengthen cash management.

#### **2.1.3 Unsupported Expenditure**

Payments amounting to Kshs.56,195,317.00 lacked the relevant supporting documents consequently the authenticity and propriety of these payments could not be ascertained.

#### **Recommendation**

The County Government should ensure that payment vouchers are adequately supported with relevant documents.

#### **2.1.4 Procurements; Single Sourcing**

During the period the Bungoma County Government procured goods, works and services amounting to Ksh.112,370,587.00. The goods, works and services were, however, not competitively sourced.

It was also noted that County Government lacked the following;

- i) There was no procurement plan for the period the County Government had been in operation. This is against the Public Procurement and Disposal Act, 2005, section 26 (3) (a)
- ii) The County Government did not maintain a record of tenders awarded during the period.
- iii) No maintenance of accountable documents such as Counter Foil Receipt Book (CRB), store ledger and control card (S3), Counter receipt voucher (S13) and Counter Receipt & Issue voucher (S11) were not properly maintained.
- iv) There was no Inspection and Acceptance Committee in place.

This made it difficult to confirm whether the county government got value for money for goods, works and services procured during the period.

#### **Recommendation**

Procurement procedures should be followed as required by the Public Procurement and disposal Act 2005, and related regulations.

The County Government should avail all the procurement documents and payment vouchers to support goods, works and services procured during the transition period.

#### **2.1.5 Unaccounted for stores**

It was noted that the County Government procured stores amounting to Kshs.78,070,902.00 which were not recorded as having been received. It was therefore not possible to ascertain the propriety of these payments.

#### **Recommendation**

The County Government should ensure that all goods purchased are recorded in the stores ledger and control card.

#### **2.1.6 Imprest**

An imprest of Kshs.4,413,632.00 was outstanding at the time of audit. However, the details of the Imprests could not be ascertained since the imprest register was not updated.



It was also observed that the County Government continued to disburse imprest to officers who had not surrendered their previous imprest. Further some Imprests were made vide payment vouchers and Imprests warrants were not authorized.

### **Recommendation**

The county government should ensure that an imprest register is maintained to record all Imprests issued and surrendered.

Imprest advanced should be surrendered within 48 hours after the return to duty stations.

No additional imprest issued before surrender of the first one.

### **2.1.7 Internal Controls Weaknesses:**

Review of source of payment vouchers and a scrutiny of the cash book maintained by the County Government revealed the following weaknesses.

- i) The payment vouchers were paid before they were processed, i.e. no signature for the A.I.E holders, no examination, vote book section not filled and no authorization nor certification.
- ii) The Local Purchase Orders (LPO) and Local Service Orders (LSO) attached to the payment vouchers were not processed.
- iii) Most payment vouchers lack supporting documents.
- iv) The Cash Book was being prepared using cheque counter foil instead of using payment vouchers and not up to date.
- v) No Vote book control to check against overdrawing of the existing voted provisions
- vi) The cash management system seemed to lack proper segregation of duties and internal check system.
- vii) No movement registers to record payment vouchers, imprests, LPOs, LSOs and Cheques.
- viii) The payment office seems to lack capacity on accounting and record keeping.
- ix) There seemed to be a mix up as to which system of accounting to be adopted, either the Local Government system, Central Government system or both.
- x) Not all committees have been constituted in respect to finance management.

### **Recommendation**

- i) County Treasury should hold a consultative meeting so as to deliberate on which accounting system to adopt.
- ii) Elaborate accounting procedures should be established to minimize risks.
- iii) The cash office should be headed by a qualified accountant for bulk payments and revenue collections.
- iv) The County Treasury should establish the following key departments which will check the payment vouchers and committal documents:

- Examination section
  - Vote book section
  - Bank reconciliation section
- v) Cash book should be prepared on the basis of payment vouchers.
- vi) Payment cashier should pay cash or pay cheques only when a payment voucher or documents initiating the payment are fully authorized and processed.

### **2.1.8 IFMIS and G-PAY**

County Government has not put in place IFMIS and G-Pay but instead use manual system which is subject to malpractices.

#### **Recommendation**

The County Government should liaise with Treasury to put in place the use of IFMIS and G-PAY immediately.

## **2.2 County Council of Bungoma**

### **2.2.1 Cash and Bank Balances**

The Council did not close the Bank accounts by 28 February 2013 as directed by the Transition Authority in its Circular No. TA/7/5/(20) dated 12 February,2013.

Bank Reconciliation was not done.

Main Cash Book was not maintained.

Details of actual Cash and Bank Balances handed over to the County Government were not disclosed.

Bank Statements for Six (6) bank accounts were not availed for audit while four (4) bank accounts were operational up to the month of August 2013. No evidence was produced that they were closed.

#### **Recommendation**

- i) The details of actual cash and bank balances handed over to the County Government and the dates of closure of bank accounts should be clearly recorded for is of reference.
- ii) The missing Bank Statements and Certificates of Bank balances at specified dates should be made available.

### **2.2.2 Debtors**

The outstanding imprests and Councilors' and other staff advances of Kshs.12,605,905.00 and Kshs.1,098,730.00 respectively could not be confirmed as

correct debtors transferred to the County Government. Further, outstanding lists of single business permit and property rates were not availed.

### **Recommendation**

- i) Temporary imprests must be surrendered or accounted for within 48 hours as required.
- ii) Correct debtors position should be ascertained so that County Government may know the right amount to expect from the defunct council as debtors.

### **2.2.3 Creditors**

The list of work-in-progress of Kshs.66,539,616.00 and documents relating to payroll creditors and other creditors were not availed for audit scrutiny.

Statutory audit fees arrears of Kshs.2,960,000.00 were not disclosed in the list of liabilities forwarded to the County Government.

### **Recommendation**

- i) The County Government should verify the existence of the work-in- progress and ensure the completion of the works before payment is effected.
- ii) Documents relating to application and authorization of the advance to councilors and council staff should be availed for audit.

### **2.2.4 Revenue**

The Revenue receipts during the transition period and previous year were analyzed as from 1 January, 2012 to 30 June, 2012 and 1 January, 2013 to 30 June, 2013 and the observation made are as indicated in the table below. The revenue decreased by Kshs.17,640,201.00 during the period. Further it was noted that records of all accountable (revenue collection books) handed over to the County Government were not availed.

There was expenditure out if revenue contrary to regulations that requires revenue be banked intact.

### **Recommendation**

Details of the returned Revenue Books and the un-issued books should be availed. The County Government should ensure that expenditure out of revenue is stopped.

Reimbursement of petty cash imprest should be prompt and timely.

### **2.2.5 Payroll**

The Council employed sixty (60) number of staff during the months of February 2012 and June, 2012. This was contrary to the Ministry of Local Governments authority MLG 1308-75/VI (51) (5) of July, 2012 allowing for employment of twenty five staff and MLG 1308-75-/vi (5) of 31 July 2012 allowing for employment of twenty staff.

## **Recommendation**

The Council should provide the Ministerial approval for employment of additional staff.

### **2.2.6 Imprests**

The Council paid out Kshs.11,409,828.00 as imprest and allowances. However, payment vouchers and relevant documents to support this amount were not produced. Imprest register was not properly maintained and that imprest payments were treated as direct expenditure instead of temporary imprest.

## **Recommendation**

- i) Imprest advanced is surrendered within 48 hours after the return to duty stations.
- ii) All travelling and subsistence allowances should be surrendered vide payment vouchers with all supporting documents.
- iii) A module in LAIFOMS should be developed that treats imprests appropriately.

### **2.2.7 Expenditure**

The Council did not avail most of the documents requested for the audit exercise the reason being that most of the documents either got lost or were misplaced during the takeover by the County Assembly in the month of May 2013. The County Assembly now occupies former Administration and Finance Blocks. This made it difficult to confirm the expenditure for the period between January – September 2013 for both GRF and LATF as no payment vouchers and other related supporting documents were produced for audit verifications.

### **2.2.8 LATF**

The Council received Kshs.267,122,587.00. However capital projects worth Kshs.50,544,676.00 were not implemented. The Payment vouchers supporting the payment recorded in the payment register were not produced for audit verification. It was also noted that the council spent over 7,258,218.00 on consultancy services out of LATF funds. However, payment vouchers and end product/documents from consultancy services were not produced for verification. Further, an insurance broker was paid Kshs.4,979,500.00 in respect of insurance premium. But the following documents were not availed for audit verification.

- The payment vouchers.
- The Tender documents and the
- Policy documents.

## **Recommendation**

- i) Payment Voucher with relevant supporting document should be prepared to support any payment made.
- ii) LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period.
- iii) Public Procurement and disposal Act 2005 and regulation 2006 should be complied with in procurement of goods and services.
- iv) The council should maintain all the relevant documents and books of accounts.
- v) The council should avail Payment vouchers, tender documents, insurance policies and consultancy services end products when required.

## **2.3 Municipal Council of Bungoma**

### **2.3.1 Cash and Bank Balances**

The Council operated 14 Bank Accounts within the Municipality. However, the accounts were not closed by 28 February 2013 as directed by the Transition Authority vide circular no Ta/7/5/(20) dated 12 February,2013. It was reported that all the Bank Accounts were closed during the month of April 2013,however,there was no evidence to support this and details of actual Cash and Bank balances handed over to the County Government were not disclosed.

It was not clear why the Council had to operate all of these accounts yet some of the accounts were similar: four (4) GRF, three (3) LATF and two (2) Savings accounts.

It was further established that the Council did not maintain Main Cash Books for all the accounts and no Bank Reconciliation was done.

## **Recommendation**

- i) Records showing all the details of actual cash and bank balances handed over to the County Government and dates of closure of the Bank accounts should be availed.
- ii) Ensure that Bank Reconciliations are done and Main Cash Books maintained.

### **2.3.2 Debtors**

The Statement of Assets and Liabilities which was submitted to the County Government reflects a figure of debtors of Kshs.434,967,873.00 while records made available indicates a total of Kshs.422,588,668.00 made up of outstanding property rates Kshs.419,451,369.00 and outstanding house and stall rent of Kshs.3,137,299.00 .The difference of Kshs.12,379,205.00 could not be confirmed.

Further, Single Business permit defaulters' list was not availed for audit verification.

## **Recommendation**

- i) Reconciliation should be done to know the true position of debtors.
- ii) Proper books of accounts in respect to debtors should be maintained
- iii) Stiff penalties should be recommended to the defaulters.

### **2.3.3 Creditors**

The total amount of creditors of Kshs.80,296,621.21 reflected in the Statement of Assets and Liabilities forwarded to the County Government during the April 2013 could not be ascertained. Creditors with total outstanding balances of Kshs.33,623,341 could not be ascertained as correct as their files or records were not made available for audit verifications.

Further, the Statement also reflects statutory audit fees as Kshs.1,264,621.21 while records made available show a figure of Kshs.3,164,000.00. No reconciliation has been made to explain the difference.

Creditors files/ accounts that were not availed for the audit should be produced for audit verification.

### **2.3.4 Revenue**

The Revenue receipts during the transition period and previous year were analyzed as from 1 January, 2012 to 30 June, 2012 and 1st January, 2013 to June 2013. From the observation, it was concluded that Revenue receipts decreased by Kshs.22,361,046.00. Records of all accountable documents (Revenue Collection Books) handed over to the County Government were not availed.

There was some expenditure out of revenue contrary to the prevailing regulations. However, the revenue was later banked when petty cash imprest was received.

## **Recommendation**

The Manager should ensure that the residents are sensitized on the importance of paying fees and rates to the constitutionally mandated body which is in place at any given time.

The County management should take custody of all accountable documents.

Revenue must be banked intact.

### **2.3.5 Assets**

The Council did not maintain an inventory record for its assets.

A physical verification of office equipment revealed that the council could not account for its assets amounting to Kshs.755,000.00.

Further, motor cycle registration number KAW 267Z Suzuki valued at Kshs.45,000.00 was stolen during the year 2008 but allegedly replaced during the year 2009. However no such motor cycle was physically seen during the time of audit.

### **Recommendation**

- i) The inventory records should be opened and updated.
- ii) The existence of the above listed office equipment and motor cycle as having not been physically verified during the time of audit should be availed for audit verification.
- iii) The circumstances under which the motor cycle got stolen should be clearly verified and police report made should be provided.

### **2.3.6 Imprests**

The Council did not maintain any imprest register and was also using payment vouchers to issue out imprest. During the month of January Kshs.2,561,545.00 was paid to two officers without supporting documents.

Further scrutiny of the records made available revealed that these imprests were not surrendered.

There was no evidence that the purported journeys were official.

### **Recommendation**

The management should pursue recovery of the unsurrendered imprest.

### **2.3.7 Expenditure**

The Council received Kshs.79,487,643.00 from LATF. However Capital Projects worth Kshs.38,287,807.00 were not implemented and no payment vouchers were availed to show how the funds were spent. Further the following books in respect of LATF funds were not produced for audit verification;

- Payment cashbooks
- Daily abstracts of payments
- Monthly abstracts of payments

### **Recommendation**

- i) LATF Funds should be used for the intended purposes as outlined in the budget and within the specified period.
- ii) The relevant payment cashbooks, Daily abstract and monthly abstracts in respect to LATF should be properly maintained.

### **2.3.8 Payroll**

Before the County Government took over, Bungoma Municipal Council prepared their payroll using LAIFOMS. The examination of the LAIFOM payroll for months between July, 2012 to May, 2013 and the IPPD payroll for the month of June, 2013 to August, 2013 did not reveal any unsatisfactory matter.

## **2.4 County Council of Mt. Elgon**

### **2.4.1 Cash and Bank Balances**

The Council did not close the Bank accounts by 28 February 2013 as directed by the Transition Authority except for Kazi Kwa Vijana (KKV) which was closed on 7 February, 2013. However, statements for KCB account no 1107265665 were not produced and therefore the dates of its closure could not be ascertained or verified.

#### **Recommendation**

The management should follow up on the status of KCB account number 1107265665.

### **2.4.2 Revenue**

The Revenue receipts during the transition period and previous year were analyzed as from 1 January, 2012 to 30 June, 2012 and from 1 January, 2013 to 30 June, 2013. It was also noted that Revenue receipts decreased by Kshs.294,317.00 during the transition period. The decrease was mainly in March, 2013.

#### **Recommendation**

The management should investigate the cause of the decline in revenue and find ways to ensure there is no further decline.

### **2.4.3 Debtors**

The debtors figure for single business permit was not captured in the Statement of Assets and Liabilities handed over to the County Government. It was noted that the Council had not prepared a list of single business permits defaulters. Hence the total figure outstanding may not be known by the Council.

#### **Recommendation**

A complete list of single business permit debtors should be compiled and the debtors should be required to pay up.

### **2.4.4 Creditors**

The figure of creditors handed over to County Government agreed with the records availed for audit verification and was confirmed correct.



#### **2.4.5 Imprests**

The Council did not maintain an imprest register. Further, payment vouchers were used to issue out imprests instead of using imprest warrants and recording the same in the Imprest Register.

Payments amounting to Kshs.1,361,900.00 was made in respect of imprest. However the payment vouchers were neither supported nor signed for approval and authority. Therefore implying that the imprests were not surrendered. In cases of safaris there was no evidence that the purported journeys were official.

#### **Recommendation**

The management should ensure that imprests that were issued are accounted for or recoveries made.

#### **2.4.6 Expenditure**

The Council received Kshs.58,150,375.00 from LATF. However, capital projects worth Kshs.16,535,824.00 were not implemented.

A scrutiny of the payment vouchers and cashbook revealed that funds were diverted toward payments of staff salaries and statutory creditors.

#### **Recommendation**

LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period.

#### **2.4.7 Double Payment**

A Consultant was paid Ksh.570,000.00 and Ksh.600,000 on 7 August, 2012 and 18 February, 2013 respectively using the same invoice No.4563 dated 1 August, 2012 for consultancy services.

#### **Recommendation**

The over payment should be recovered.

#### **2.4.8 Unsupported Payment**

Payments amounting to Ksh.200,960.00 for various activities were not supported with payment vouchers.

The County Government should ensure that payment vouchers have necessary supporting documents and availed for audit.

#### **2.4.9 Assets Register**

The Council did not maintain an asset register/inventory record. It was, therefore, not possible to confirm what assets the Council owned.

#### **Recommendation**

The County management should ensure that all assets owned by the defunct Council are recorded in a register.

#### **2.4.10 Procurement**

No tender documents was provided for award of Consultancy and Insurance Services worth Ksh.871,000.00 and Ksh.554,451.00 respectively. It was therefore not possible to confirm that proper procurement procedures were followed.

#### **Recommendation**

Tender documents should be availed to confirm the propriety of these payments.

#### **2.4.11 Payroll**

Before the County Government took over, County Council of Mt. Elgon prepared their own payroll using LAIFOMS. The examination of LAIFOM payroll for months between July, 2012 to May, 2013 and IPPD payroll for the month of June, 2013 to August, 2013 did not reveal any unsatisfactory matter.

### **2.5 Municipal Council of Kimilili**

#### **2.5.1 Debtors**

The figure for debtors agree with the records availed for audit verification and were confirmed correct.

#### **2.5.2 Creditors**

KENAO audit fees should be Kshs.2,696,000.00 and not Kshs.300,000.00 as shown in the statement of Assets and Liabilities forwarded to the County Government.

The ALGAK and ALGE subscriptions could not be ascertained as no documents in respect of these subscriptions were availed.

#### **Recommendation**

The Creditors figure for KENAO should be rectified records for ALGAK and ALGE subscriptions should be made available for audit verification.

The correct amount of the creditors should be confirmed before transferring to the County Government.

### **2.5.3 Revenue**

The Revenue receipts during the transition period and previous year were analyzed as from 1 January, 2013 to 30 June, 2013. Revenue receipts increased by Kshs.112,632.70 during the transition period. However, there was a decrease in collections during the months of April and May 2013.

No explanation was given for the decrease. Further, the following weaknesses were also noted:

- i) Records of Revenue Collection Books handed over to the County Government were not availed.
- ii) The Council store was poorly organized.
- iii) Counterfoil Receipt Book Register was poorly maintained.
- iv) Procurement Officer doubles up as the Store Clerk in –charge of Accountable documents.
- v) There was expenditure out of revenue contrary to the prevailing regulations.

#### **Recommendation**

Systems should be put in place and ensure that all collections are accounted for.

- i) Safe storage of accountable documents should be created.
- ii) Maintain the CRBR as required.
- iii) The duties of procurement and stores should be segregated.

### **2.5.4 Assets Register**

The Council did not maintain an asset register therefore Office equipment, Furniture, and Computers & Accessories could not be verified.

#### **Recommendation**

An assets register should be put in place as it allows the management to keep track of details of each fixed asset, ensuring control and preventing misappropriation of assets.

### **2.5.5 Payroll**

The Council employed two (2) officers without approval and authority from the Ministry of Local Government.

#### **Recommendation**

The recruitment procedures should be dully followed.

### **2.5.6 Imprests**

The Council did not maintain an imprest register. Further, payment vouchers were used to issue out Imprests instead of using imprest warrants and recording the same in the Imprest Register.

#### **Recommendation**

The management should maintain an imprest register and ensure that all imprests are properly recorded and tracked for surrender.

### **2.5.7 LATF Expenditure**

The Council received Kshs.40,126,216. However LATF capital projects worth Kshs.16,874,804.00 were not implemented. A scrutiny of the payment vouchers and cashbook revealed that funds were diverted toward payments of staff salaries and statutory creditors.

#### **Recommendation**

LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period

### **2.5.8 Unsupported Expenditure**

Some payment vouchers amounting to Kshs.3,078,832.00 were not supported with any records or relevant expenditure documents. In the absence of these documents, the propriety of these expenditures could not be ascertained.

#### **Recommendation**

Relevant supporting documents should be attached to the payment vouchers and be made available for audit scrutiny.

## **2.6 Municipal Council of Webuye**

### **2.6.1 Cash and Bank Balances**

- i) The Council did not close the Bank accounts by 28 February, 2013 as directed by the Transition Authority.
- ii) Bank Reconciliation was not done.
- iii) Main Cash Book was not maintained.
- iv) Details of actual Cash and Bank Balances handed over to the County Government were not disclosed.
- v) Bank Statements for Six (6) bank accounts were not availed for audit verification, while three (3) Bank Accounts, Cess, Renewal Fund and KRB Co-Operative Bank accounts Nos.011222130935101,0112013236102 and 01120050488300 were closed on 29 August, 2013.

## **Recommendation**

- i) Management should ensure that up to date Bank reconciliations are done.
- ii) The cash book should be brought up to date.

### **2.6.2 Revenue**

The Revenue receipts during the transition period and previous year were analyzed as from 1 January, 2012 to 30 June, 2012 and 1 January, 2013 to 30 June, 2013. Revenue receipts increased by Kshs.13,371,721.00 during the transition period. However, the following observations were also made:

- i) Records of all accountable documents (Revenue Collection Books) handed over to the County Government were not availed.
- ii) There was expenditure out of revenue contrary to the prevailing regulations.
- iii) Some Revenue Receipt books remained un- surrendered long after the County Government took over.

## **Recommendation**

- i) The County management should ensure that revenue is banked intact and promptly.
- ii) All receipt books used to collect revenue should be surrendered and accounted for.

### **2.6.3 Debtors and Creditors**

The figure for both debtors and creditors handed over to the county Government agreed with the records availed for audit verification and were confirmed correct.

### **2.6.4 Motor Vehicles and Office Equipment**

Ford Ranger KAX 779U a double cabin pickup was a project vehicle but the ownership has not changed after the completion of the project hence the logbook is still in the name of West build General Contractors.

## **Recommendation**

The management should hasten the transfer of this vehicle to the County Government.

### **2.6.5 Payroll**

Webuye Municipal Council employed seventeen (17) staff in the position of Cleaner II, Salary Scale 19 during the month of November, 2012 after the suspension of regular employment by the Ministry of Local Government through Circular reference MLG 1308/XII (79) dated 27 September, 2012 and without authority or approval from the Ministry of Local Government.

It was also observed that some of these employees changed their duties/responsibilities as cleaners to Revenue Collectors in unclear circumstances.

### **Recommendation**

The management should investigate the recruitment and re-designation of the seventeen staff and take appropriate action.

## **2.6.6 Expenditure**

### **2.6.6.1 Missing Payment Vouchers Kshs.2,773,727.00**

Examination of cashbook and cheque counterfoil reveals that during the month of January and February various payments amounting to Kshs.2,773,727.00 were made. However no payment vouchers were availed in relation to these payments.

### **Recommendation**

The management should follow up on the missing payment vouchers and avail them for audit scrutiny.

## **2.6.7 LATF**

The Council received Kshs.42,386,517.00 from LATF. However capital projects worth Kshs.19,720,787.00 were not implemented. A scrutiny of the payment vouchers revealed that funds were diverted toward payments of staff salaries and other council creditors. It was also note that LATF cashbook was not maintained and LATF payments amounting Kshs.9,876,745.00 were not supported by payment vouchers.

### **Recommendation**

LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period.

## **2.6.8 Unsupported payments**

Some payments amounting to Kshs.137,000.00 were made using unsupported payment vouchers.

### **Recommendation**

Payment vouchers duly supported with relevant documents should be produced for audit scrutiny.

## **2.6.9 Procurement**

No procurement procedures were in place for the service and repair of motor vehicles.

No particular garage for repair of motor vehicles had been identified. Instead the drivers were allowed to service, fuel and repair the vehicles and issue/produce a cash receipt which is not supported with ETR from a garage of his/her choice.

### **Recommendation**

Ensure that Public Procurement and disposal Act 2005 and the corresponding regulations are adhered to. Only approved pre-qualified garages should be allowed to service/repair vehicles.

## **2.7 Town Council of Sirisia.**

### **2.7.1 Cash and Bank Balances**

The Council did not close the Bank accounts by 28 February 2013 as directed by the Transition Authority.

- Bank Reconciliation was not done.
- Main Cash Book was not maintained.
- Details of actual Cash and Bank Balances handed over to the County Government were not disclosed.
- Confirmation Certificates of Bank balances were not availed.
- Bank Statements for all the accounts were not availed for audit as shown in the table below.

### **Recommendation**

- i) Adherence to regulations and other directives should always be followed.
- ii) Cash Books and other records should always be maintained.
- iii) Bank Reconciliation should always be prepared.
- iv) Avail all Bank Statements and Confirmation Certificates of Bank balances.

### **2.7.2 Revenue**

The Revenue receipts during the transition period and previous year were analyzed as from 1 January 2012 to 30 June 2012 and 1 January 2013 to 30 June 2013 and the following observation made:

Revenue receipts decreased by Kshs.315,260.00 during the transition period.

Further, records of all accountable documents (Revenue Collection Books) handed over to the County Government were not availed.

There was expenditure out of revenue contrary to the prevailing regulations.

### **Recommendation**

Systems should be put in place to ensure that all collections are accounted for.

Accountable documents for revenue collection should be made available for audit scrutiny.

Revenue must be banked intact.

### **2.7.3 Debtors**

The figure for debtors handed to the county Government agreed with the records availed for audit verification and were confirmed correct.

### **2.7.4 Creditors**

A supplier is reflected in the 2012/13 financial statement as creditor yet the Council had settled Vimon enterprise debt of Kshs.230,000.00 fully.

#### **Recommendation**

The supplier's balance of Kshs.230,000.00 should be deleted from the council creditors list and all Creditors records should be scrutinized to ensure accuracy of records.

### **2.7.5 Imprests**

The Council did not maintain an imprest register. Further, payment vouchers were used to issue out imprests instead of using imprest warrants and recording the same in the Imprest Register.

#### **Recommendation**

- i) All imprests should be recorded in an imprest register.
- ii) Management should ensure surrender of all outstanding imprest.

### **2.7.6 LATF Expenditure**

The Council received Kshs.10,593,608.00 from LATF. However capital projects worth Ksh.3,982,008.00 were not implemented A scrutiny of the payment vouchers and cashbook revealed that funds were diverted toward payments of staff salaries and councilors allowances.

It was also noted that a total of Kshs.560,000.00 was paid to various firms in respect of consultancy services during the 2012/2013 financial year for the services purportedly given during 2010/2011 financial year. A scrutiny of the records and the financial statement for 2011/2012 does reflect the firms as Council Creditors. Further, relevant supporting documents were not attached the payment vouchers and tender documents were not availed for audit verification.



## **Recommendation**

- i) LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period.
- ii) Kshs.560,000.00 paid to consultancy services creditors not appearing in Council records should be recovered from the officer responsible for such payment.

### **2.7.7 Movable Assets**

The Council did not own any motor vehicle or motor cycle. Seven computers out of which two were not functional and were all physically verified and records confirmed as correct.

### **2.7.8 Payroll**

Before the County Government took over, the Town Council of Sirisia prepared their payroll manually. Examination of the manual payrolls for the months between July 2012 to May 2013 and the IPPD payroll for the month of June 2013 did not reveal any unsatisfactory matter.

## **2.8 Town Council of Malakisi**

### **2.8.1 Cash and Bank Balances**

- The Council did not close the Bank accounts by 28 February 2013 as directed by the Transition Authority.
- Bank Reconciliation was not done.
- Main Cash Book was not maintained.
- Confirmation Certificates of Bank balances were not availed.
- Details of actual Cash and Bank Balances handed over to the County Government were not disclosed.

Bank Statements for four (4) Bank accounts were not availed for audit while LATF CO-Operative bank account No.01120409950501 and KKV Equity account No.0480296886852 were closed during the month of September 2013. GRF CO-Operative bank account No.01120409950500 statement for June 2013 not availed.

## **Recommendation**

Management should ensure that Bank reconciliations are prepared up to date and be made available for audit scrutiny.

Confirmation Certificates of Bank balances should be made available for audit verification.

## **2.8.2 Revenue**

The Revenue receipts during the transition period and previous year were analyzed as from 1 January 2012 to 30 June 2012 and 1 January 2013 to 30 June 2013. It was noted that Revenue receipts increased by Kshs.781,697.00 during the transition period. Further, it was noted that; there was expenditure out of revenue contrary to the prevailing regulations.

Records of all accountable documents (Revenue Collection Books) handed over to the County Government were not availed.

### **Recommendation**

The management should ensure that revenue is banked promptly and intact.

## **2.8.3 Debtors and creditors**

The figure for both debtors and creditors handed over to the County Government agreed with the records availed for audit verification and were confirmed correct.

## **2.8.4. Movable Assets**

The serial numbers and makes/ models for computers and accessories were not indicated on the list of assets.

### **Recommendation**

Management should ensure that the assets register contains all details of the computers and accessories handed over to the County Government.

## **2.8.5 Payroll**

The Council employed thirteen (13) officers without having approval or authority from Ministry of Local Government.

### **Recommendation**

The County management should investigate the recruitment and take appropriate action.

## **2.8.6 Imprests**

The Council did not maintain an imprests register. Further, payment vouchers were used to issue out imprests instead of using imprest warrants and recording the same in the Imprest Register.

## **Recommendation**

All imprests should be recorded in an imprest register and management should follow upon surrender or recovery of all outstanding imprest.

### **2.8.7 Expenditure**

The Council received Kshs.21,073,182.00 from LATF. However capital projects worth Kshs.8,480,000.00 were not implemented. A scrutiny of the payment vouchers and cashbook revealed that funds were diverted toward payments of staff salaries arrears and Councilors' allowances.

## **Recommendation**

LATF Funds should be used for the intended purposes as outlined in the budget estimates and within the specified period.

## **2.9 Information Systems Assessment**

### **2.9.1 Hardware**

The County received twenty two (22) computers from The National Treasury (IFMIS Department) which were solely being used for IFMIS and one from Central bank for the G-PAY. Only three out of the twenty two computers have been set up for IFMIS training and practice while all the others are still in store.

## **Recommendation**

Management should fully utilize the computers to improve operational efficiency.

### **2.9.2 Servers**

The County had in place five (5) operating servers one per sub-county that has LAIFOMs.

### **2.9.3 Network Connectivity**

There is no established Wide Area Network at the County to connect various Sub-County offices. However, there is Local Area Networks (LAN) in five (5) Sub-County offices;

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

IFMIS system was installed in the County, the staffs were trained but they were not using the Procure to Pay module for the County's expenditure operations as at the time of audit. All the payment operations are manual. The main reason given to us was the poor issue of connectivity and lack of support from IFMIS department.

The County Staff have been trained on IFMIS at the Kenya School of Government but they informed us that they required more training to enable them use the system. The ICT staff were also trained but as users as opposed to as system support team.

IFMIS department provided the County with some Orange Modems to facilitate connectivity to the central IFMIS server. However, signal for Orange (which is the internet provider) was weak in the County and this made to the IFMIS users to revert to use of the manual system. Neither the ICT manager nor the Head of Accounts were sure of the number of modems received.

The County staffs using IFMIS had access to the Helpdesk at the IFMIS center. However, from our interviews with the users, the last communication they had with the IFMIS department through helpdesk was that IFMIS had been closed due to “year-end operations”. The IFMIS users claimed that the helpdesk is not effective.

### **Recommendation**

- i) The management should work closely work with the IFMIS Directorate to ensure that there is full utilization of the system and that staff receive sufficient training support.
- ii) The County Government should ensure that there is adequate IT infrastructure and all sub-counties are interconnected to the head office to ensure efficient monitoring of each sub-county processes. The county should ensure that IFMIS is fully operational including all modules and is fully utilized for its financial operations.

The County management should take control of LAIFOMS to ensure that revenue collection is accounted for. The IT department should be enhanced with more personnel. Role and responsibilities should be defined to ensure segregation of duties. Further, ICT staff should be trained on all the applications in use to enable them offer support to system users.

In addition, the County should develop and implement ICT policies, IT strategic plans, Business continuity and Disaster recovery plans to ensure proper management of IT operations.

### **2.9.5 Local Authority Integrated Financial Operations Management System**

#### **(LAIFOMS)**

The County was using LAIFOMS in five (5) Sub- County units. The Receipting Module is the only active module. The Expenditure Module was automatically disabled from 30 June, 2013 and therefore beginning 1 July, 2013 the budget was prepared through IFMIS.

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

## **Recommendation**

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

### **2.9.6 G-PAY**

The County had received one computer from The National Treasury which is dedicated for G-Pay. Training for G-Pay had been given to three (3) officers. All payments in the County were manual hence G-PAY was not in use.

## **Recommendation**

Management should switch over to G-Pay for more efficient operations.

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

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

- There were twenty eight (28) officers with Incorrect Tax Personal Identification Numbers.
- Six (6) officers had wrong ID numbers.

## **Recommendation**

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

### **2.9.8 IT Control Environment - Staffing and Segregation of duties**

The IT section had six (6) personnel but they had no defined roles and responsibilities on how to oversee the IT operations hence there is no clear segregation of duties. The staffs had relevant knowledge and skills on IT field but they had not been trained on the applications in place i.e. LAIFOMS, IPPD and IFMIS for them to be able to offer adequate support to the system users.

## **Recommendation**

- i) The roles and responsibilities should be defined and documented to ensure segregation of duties and improve efficiency.
- ii) The ICT staffs should also be trained in all the system applications in place for them to offer adequate support.

## **3.0 Management of IT Operations**

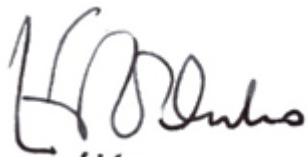
The County management had not yet developed and implemented key ICT governance documents including, ICT Strategic Plan, ICT policies and procedures, the ICT assets register, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP). There was also no ICT Steering Committee in place.

## **Recommendation**

- 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 and governance of IT operations.
- ii) The County should ensure that a properly constituted IT Steering Committee is in place.

## **4.0 Conclusion**

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



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

**Nairobi**  
**13 March 2014**