REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR–GENERAL

ON THE

FINANCIAL OPERATIONS

OF

THE COUNTY GOVERNMENT OF KAJIADO AND ITS DEFUNCT LOCAL AUTHORITIES

FOR THE PERIOD I JANUARY TO 30 JUNE 2013

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RE: SPECIAL AUDIT REPORT OF THE COUNTY GOVERNMENT OF KAJIADO AND THE DEFUNCT TWO (2) LOCAL AUTHORITIES DURING THE TRANSITION PERIOD FROM 1 JANUARY TO 30 JUNE 2013

EXECUTIVE SUMMARY

1.0 Introduction

1.1 The New Constitution promulgated in August 2010 established a devolved structure of Government which came into effect on 4 March 2013. The Transition to Devolved Government Act, 2012 formally replaced the Local Government Act Cap 265 thus effectively dissolving all the 175 Local Authorities (LAs) and replaced them with 47 County Governments (CG).

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.

2.0 Audit Objectives

The Auditor-General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution of Kenya. In addition, the Public Audit Act, 2003 further mandates the Auditor-General to audit and issue a special report after the conclusion of the audit on matters that he feels should be brought to the attention of the County Assembly.

The audit covered the Kajiado County Executive, County Assembly and the former County Council of Olkejuado and former Town Council of Kajiado during the transition period from 1 January to 30 June, 2013. 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.

The terms of reference set for the audit included verifications and confirmations of transactions in respect to but not limited to the following areas:-

1) The taking- over of the former Local Authorities;
2) Cash and bank balances;
3) Current debtors and supplier's balances;
4) Motor vehicles and office equipment;
5) IPPD Payroll and establishment;
6) Recurrent and development expenditure items;
7) Procurement and procurement procedures;
8) ICT and G-Pay System;

2.1 The audit team 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

3.1 Failure to hand over the Assets and Liabilities of the defunct Local Authorities

Proper handing over was not done though there was a statement of assets and liabilities as at 28 February 2013. This was contrary to the Ministry of Local Government, circular Ref. No. MLG/1333/TY/ (52) of 18 February, 2013 which had directed the Clerks being the Chief Officers of the Local Authorities to ensure there was proper handing over to the incoming County Government and to ensure that they also prepared statements of Assets and Liabilities as at 20 February 2013. A handing over report should be prepared by the Transition Authority so that what was transferred from the defunct Local Authorities to the County Government can be determined and properly accounted for.

3.2 Bank Accounts

Closure and Transfer of Bank Accounts

The defunct Local Authorities did not close their bank accounts as at 28 February 2013 as had been directed by the Transition Authority guidelines given vide letter Ref. MOF/IFMIS/1/41 dated 7 March 2013. The defunct Local Authorities continued operating most accounts up to 26 August 2013 and 12 July 2013 respectively. Details on amounts transferred from the 5 (five) accounts held by the defunct Local Authorities to County Government Revenue Collection Account were not provided. Further, defunct Local authorities did not maintain cash books in the LAIFOM system while manual cash books maintained by the Councils were not balanced and no bank reconciliations were provided as at 28 February, 2013 contrary to the Financial Regulations Chapter 5.9.2 that requires that bank reconciliations be done once a month. In addition, the County did not provide bank statements for various accounts operated by defunct councils between February and June 30, 2013. The bank statements should be produced for audit review, cash books should be balanced daily, and the bank reconciliations should be done on monthly basis to enhance accountability and reporting on cash transactions.

3.3 Assets Status

(a) Debtors

The statement of assets and liabilities by the defunct Local Authorities as at 28 February, 2013 showed that debtors amounted to Kshs.439,825,724. However, no analysis was provided to show the composition of the above figure. It was therefore not possible to confirm the completeness and accuracy of the balances provided. In addition, the debtors balance of Kshs.439,825,724 transferred from the two (2) defunct Local Authorities was not consolidated in the County Head Office. The County Government should verify and consolidate the debtors balance taken over after confirming their correctness.

(b) Immovable Assets

Ownership documents for 184 parcels of land were not produced for audit review. Further, included in the list of assets and liabilities for the defunct Local Authorities were 7 parcels of land that were not valued. The County Government should enhance the process of securing all the parcels of land by acquiring title deeds and also do a valuation for the parcels of land under their jurisdiction in order to safeguard the County assets.

(c) Movable Assets

During the period under review, the County purchased five (5) vehicles for the Governor's office at a cost of Kshs.34,658,791. The approved budget showed that only Kshs.10,000,000 was provided for the purchase of motor vehicles. The difference of Kshs.24,658,791 is therefore an over-expenditure spent without approval contrary to the requirements of Section 131(1) of the Public Finance Management Act, 2012. Further, payment vouchers for purchase of the three (3) vehicles and three (3) log books were not availed for audit verification. The County Government should operate within the approved budget at all times and the payment vouchers relating to the purchase of the three vehicles and the three (3) log books should be availed for audit review.

3.4 Creditors/Suppliers and Other Liabilities

(a) Creditors and Suppliers

The statement of assets and liabilities of the defunct Local Authorities as at 28 February 2013 showed that creditors amounted to Kshs.252,031,736. However, the defunct Councils did not maintain creditor's ledgers. It was therefore not possible to ascertain the correctness of the creditors' balances as at 31 December 2012, and 28 February 2013. Proper and up to date individual creditors ledgers should be maintained together with control accounts so as to enable production of reliable creditors schedule and listing. Further, the County Government should verify and consolidate the creditors balances taken over.

(b) Other Liabilities

The loan balance as at 28 February 2013 amounted to Kshs.80,586,836. However, examination of records provided showed that the outstanding loan as at 12 July 2013 amounted to Kshs.85,230,155.90 a clear indication that the defunct Local Authority was not servicing the loan. No explanation was provided for failure to service the loan. The County Government should ensure that the loan facility is always serviced as per the terms and conditions of the facility.

3.5 Revenue

Revenue cashbooks and records on daily collections and banking were not properly maintained by the two defunct Councils. In addition, no reconciliations of daily collections and banking were maintained by the defunct Councils. Further, the County Government after taking over the revenue collection it continued to operate in the same manner. Reports on daily collections and banking should be maintained and a proper reconciliation done. In addition, proper cash books should also be maintained.

3.6 IPPD Payroll

The County IPPD payroll was implemented from April 2013 and incorporated all staffs of the two defunct Councils. No new appointments were noted; however records indicated changes in staff emoluments arising from implementation of a Collective Bargaining Agreement. The data migrated into IPPD from LAIFOMS had a few integrity issues such as: - incorrect personal numbers, incorrect dates of birth, PINs among others. Properly authenticated data should be captured on all the personnel of the County.

3.7 IFMIS and G-pay

The County had installed IFMIS and G-pay which is operational and able to produce reports. However, revenue was still processed in LAIFOMS previously used by defunct Councils. The County should continue using the IFMIS and G-pay to enhance accountability.

3.8 Expenditure

(a) Recurrent Expenditure

The County received Kshs.166,166,769 from national government. However, the appropriated funds were reallocated by reducing County Assembly Services and County Executive Services by Kshs.77,989,563 and Kshs.29,237,728 respectively while increasing Finance Management Services and County Services Board by Kshs.105,434,454 and Kshs.1,792,827 respectively without approval from the County Assembly. Further, the County's recurrent revenue amounted to

Kshs.249,733,407 comprising Kshs.166,166,769 from the National Government and Kshs.77,341,638 from local sources while the expenditure amounted to Kshs.249,510,697 comprising of Kshs.155,408,541 from National Government and Kshs.94,102,156 out of local revenue sources out of which only Kshs.166,166,769 was approved as required by the law. The difference of Kshs.83,343,928 was spent without the necessary approval. No explanation was provided for failure to adhere to the law. The County should take initiative to regularize the expenditure by requesting the County Assembly to approve the same retrospectively. In future the County Government should ensure that all expenditures are approved and appropriated by the County Assembly.

(b) Development Expenditure

The County received Kshs.61,592,200 for construction/refurbishment and of furnishing non- residential office premises and Hansard for the County Assembly. The County spent Kshs.35,813,526 on refurbishment of residences for the Governor and his Deputy without approval of the County Assembly to re-allocate the funds to the refurbishment of such residential buildings. No explanation was provided why the County funds were spent without approval.

In addition, evidence provided could not assist in confirming that the houses refurbished were the actual ones indicated in the letter for occupation (Ref.MH/ED/8/10/2/05 dated 2/4/2013). The County Government should adhere to Section 135(1) and (2) of the Public Finance Management Act, 2012 on utilisation of funds after the requisite approvals have been done. Further, conclusive evidence should be availed to assist in confirming that the houses refurbished were under occupation by the Governor and his Deputy.

(c) Deposit Accounts

During the period from March to June 2013, the County Government deducted and retained Kshs.2,186,568.93 from various contractors as retention money. However no deposit accounts had been opened and it was not clear how the retention money were accounted for. Further, no explanation was obtained as to why the County had not opened deposit accounts for the retention money. A deposit account for retention money should be opened and managed for proper accountability of retention money.

(d) Assumption of Governor's Office Expenditure

The County received Kshs.6,225,000 for assumption of Governor's office through the District commissioners office, Kajiado. Examination of payment vouchers indicated that a total expenditure of Kshs.5,058,829 was incurred and properly supported thus resulting to unaccounted and unexplained difference of Kshs.1,166,171. The difference of Kshs.1,166,171 should be explained and properly accounted for.

(e) Missing Payment Vouchers

Examination of payment vouchers revealed that between the month of January 2013 and June 2013 payment vouchers amounting to Kshs.1,318,250 were not availed for audit. Therefore it was not possible to determine whether the expenditure was a proper charge to public funds. The missing payment vouchers should be availed for audit review and proper accountability.

(f) Insurance Services

The County paid a total of Kshs.12,872,729 for insurance services between January and June 2013 out of which, the defunct Local Authorities paid Kshs.2,421,507 between January and February 2013, while the County Government paid Kshs.10,451,222 between March and June 2013. The amount of Kshs.10,451,222 paid by the County Government was not approved and appropriated by the County Assembly as required by the County Appropriation Act, 2013. No explanation was provided as to why the amount was paid without approval. The management of the County Government should take the initiative to regularize the expenditure incurred without approval by requesting the County Assembly to approve the same retrospectively.

CONCLUSION

The foregoing observations clearly indicate that the process of taking over of assets and liabilities, including staff of the former Council was not properly handled due to apparent lack of necessary arrangements 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, 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 and take remedial action of the issues reported in this report. Expenditure should be incurred in accordance with requirements of the Public Finance Management Act, 2012 and for the benefit of the tax payers. Further, the County Assembly being the watch dog should ensure proper operations within the County and also take necessary action where there are deviations.

Edward R. O. Ouko, CBS
<u>AUDITOR-GENERAL</u>

Nairobi
14 February 2014

MAIN REPORT

4.0 KAJIADO COUNTY EXECUTIVE AND ASSEMBLY

4.1 Revenue

Section 109 (2) of the Public Finance Management Act, 2012 states that the County Treasury for each County Government shall ensure that all money raised or received by or on behalf of the County Government be paid into the County Revenue Fund, except money excluded vide letter Reference No. MLG/1328/A/ (3) dated 7 March 2013 which instructed clerks to the Local Authorities to ensure that all revenue collected during the transition period is banked intact as required by the law. However, the management failed to comply with the above requirements in that:-

1) There was no computerized revenue collection system at the divisions or manual revenue cash books.

2) A report on daily collections and banking was not provided. Therefore reconciliation of daily collections and banking was not possible for all the divisions.

3) The County Government has continued operating without revenue cash books after taking over revenue collection.

4) The County should maintain computerized revenue cash books.

5) Records of all daily collections and the banking should be maintained. In addition reconciliation of total collections and banking should be done on a monthly basis.

4.2 IPPD Payroll

The Transition Authority Circular Ref. No. TA/7/5/ dated 5 March 2013 identified Ministry of State for Public Service to provide the necessary technical assistance in setting up integrated County Government Payroll Management System. The Ministry was to facilitate implementation of the IPPD system in all the 47 Counties in order to have the State Officers and Public Servants in the County Governments paid their correct salaries by 20 March 2013. The IPPD payroll was implemented in April 2013. All the staff of the two defunct Councils were incorporated and consolidated in IPPD payroll. No new appointments were noted, however, records indicated changes in staff emoluments arising from implementation of a Collective Bargaining Agreement.

Recommendation

The County should continue using the IPPD payroll system.

4.3 IFMIS and G-pay

Section 149 (2) (b) of the Public Finance Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. To fulfill this requirement, IFMIS/Ministry of Finance has connected Ministries and all the 47 County governments to the Integrated Financial Management Information System (IFMIS), in line with the new constitution (Article 226), and the act. The County had installed IFMIS and G-pay. LAIFOMS previously used by the defunct Councils is still used in processing revenue transactions.

Recommendation

The County Government should continue using IFMIS and G-pay systems as envisaged.

4.4 Expenditure

(a) Recurrent Expenditure

Section 149(1) of the Public Finance Management Act, 2012 requires that an accounting officer is accountable to the County Assembly for ensuring that the resources of the entity are used in a way that is lawful, authorized, effective, efficient, economical and transparent. The accounting officer is supposed to ensure that all expenditure made by the entity complies with subsection (1) Sec. 129 (1) requires that a County Executive Committee member for finance shall submit to the County Executive Committee for its approval the budget estimates and the draft Bills at county level required to implement the County Government budget, (2) Following approval by the County Executive Committee, the County Executive member for finance shall submit to the county assembly the budget estimates with a view to approving them, with or without amendments.

The County received Kshs.166,166,769 from National Government for the period March to June 2013 for personnel emoluments, operations and maintenance expenses. The County Government re-allocated appropriated Funds by reducing County Assembly Services and County Executive Services by Kshs.77,989,563 and Kshs.29,237,728 respectively while increasing Finance Management Services and County Services Board by Kshs.105,434,454 and Kshs.1,792,827 respectively without approval from the County Assembly as required by the County Appropriation Act, 2013.

During the period March to June 2013 the County's recurrent revenue amounted to Kshs.248,771,206 consisting of Kshs.166,166,769 from National Government and Kshs.82,604,437 from Local Sources as per LAIFOMS records while the expenditure amounted to Kshs.249,510,697 consisting of Kshs.155,408,541 from National Government funds and Kshs.94,102,156 out of local revenue sources.

Out of the total expenditure of Kshs.249,510,697 only Kshs.166,166,769 was approved. The difference of Kshs.83,343,928 was spent without approval as required by Section 129(1) of the Public Finance Management Act, 2012. No explanation was provided for failure to adhere to the law.

Recommendation

The management of the County Government should take initiative to regularize the expenditure of Kshs.83,343,928 by requesting the County Assembly to approve the same retrospectively. Further, the County Government should also ensure that all expenditure is approved and appropriated by the County Assembly and that it adheres to budgetary provisions in future.

(b) Development Expenditure

The Transition Authority vide letter Ref: TA/2/1 dated 23 April 2013 allocated the County funds to be used for the development of County Infrastructure and on actual construction/refurbishment and furnishing of non-residential office premises and Hansard for the County Assembly. The County received Kshs.61,592,200 to be used for development of County Infrastructure on actual construction/refurbishment and furnishing of non- residential office premises and Hansard for the County Assembly at an estimated cost of Kshs.6,622,740. The break down on how the balance of Kshs.54,969,460 was to be spent was not provided. Analysis of the payments made show that the County spent Kshs.35,813,526 on refurbishment of residence for the Governor and his deputy contrary to the requirement of Transition Authority Letter and without approval of the County Assembly to re-allocate the funds to the refurbishment of such residential buildings. No explanation was provided why the County funds were spent without approval.

Evidence provided could not conclusively identify the refurbished houses as the ones quoted in the letter. Further, minutes of the Governor’s meeting with heads of department that resolved for renovation of the houses was not provided for review.

Recommendation

The management of the County Government should take initiative to regularize the expenditure of Kshs.35,813,526 by requesting the County Assembly to approve the same retrospectively. The County Government should also ensure that all expenditure is approved and appropriated by the County Assembly and that it adheres to budgetary provisions in future.

Documentary evidence on how the residential houses were acquired and a breakdown of the balance of Kshs.54,969,460 should be produced for proper accountability.

(c) Deposit Accounts

Government financial regulations require that funds received or retained on behalf of other institutions be held in a deposits fund account. Further, Section 109 (2) (b) of the Public Finance Management Act, 2012 requires that receipts may be retained by the County Government entity which received it for the purposes of defraying its expenses. During the period between March and June 2013 the County Government deducted and retained Kshs.2,186,568.93 from various contractors as retention money. However, no deposit accounts had been opened and it was not clear how the retention money were accounted for. Further, no explanation was obtained as to why the County had not opened a deposit account for the retention money.

Recommendation

The County should open a Deposit account for retention money.

(d) Assumption of Governor's Office Expenditure

Section 149 (2) (b) of the Public Finance Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. The County received Kshs.6,225,000 for assumption of Governor's office through the District Commissioners office Kajiado. Examination of payment vouchers showed that total expenditure of Kshs.5,058,829 was incurred out of the amount received resulting to an unaccounted and unexplained difference of Kshs.1,166,171.00.

Recommendation

The difference of Kshs.1,166,171 should be explained and properly accounted for.

(e) Missing Payment Vouchers

Section 149 (2) of the Public Finance Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. and ensure that all financial and accounting records that the entity keeps in any form including in electronic form are adequately protected and backed up.

Examination of payment vouchers revealed that between the month of January 2013 and June 2013 payment vouchers amounting to Kshs.1,318,250 were not availed for audit verification.

Recommendation

Missing payment vouchers amounting to Kshs.1,318,250 should be availed for audit verification and proper accountability.

(f) Insurance Services

Section 149 (1) of the Public Finance Management Act, 2012 requires that an accounting officer is accountable to the County Assembly for ensuring that the resources of the entity are used in a way that is (a) lawful and authorized and (b) effective, efficient, economical and transparent.

The County paid a total of Kshs.12,872,729 for insurance services between January and June 2013 out of which the defunct Local Authorities paid Kshs.2,421,507 between January and February 2013, while the County Government paid Kshs.10,451,222 between March and June 2013.

An amount of Kshs.10,451,222 paid for insurance by the County Government was not appropriated by the County Assembly as required by the County Appropriation Act, 2013. No explanation was provided as to why the amount was paid without approval.

Recommendation

The management of the County Government should take initiative to regularize the expenditure of Kshs.10,451,222 by requesting the County Assembly to approve the same retrospectively. The County Government should also ensure that all expenditures are approved and appropriated by the County Assembly and that it adheres to budgetary provisions in future.

4.5 Current Assets and Liabilities

(a) Cash and Bank Balances

Section 149(2) (b) of the Public Finance Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. However, the County did not provide bank statements for various accounts operated by the two defunct councils between February and June 30,2013. Further, the County Government did not maintain a cashbook or provide bank reconciliation for its Revenue Collection Fund Account to confirm the amounts received from the defunct Councils.

Recommendation

The Cashbook should be maintained, bank reconciliations should be done on monthly basis and missing bank statements should be provided for audit review.

(b) Debtors

Section 149 (2) (b) of the Public Finance Management Act 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. The County Government has not consolidated debtors taken over from the defunct Councils. Therefore it is not possible to determine the debtors balance even from the financial statements as at 30 June 2013 prepared on a cash basis.

Recommendation

The County Government should verify the debtors taken over and consolidate the same after confirming their correctness.

(c) Creditors/ Suppliers and Other Liabilities

Section 149 (2) (b) of the Public Finance Management Act 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. The County Government has not consolidated the creditors taken over. Further, no schedule or analysis was provided to show the list of unpaid creditors as at 30 June 2013. Therefore it is not possible to determine the creditors balance even from the financial statements as at 30 June 2013 prepared on a cash basis.

Recommendation

The County Government should maintain a creditors ledger and consolidate all creditors taken over after proper verification, schedules/analysis should be provided for audit review and confirmation of their correctness.

(d) Long Term Loans

The Statement of Assets and Liabilities show that long term loan balance amounted to Kshs.80,586,836 as at 28 February 2013. However examination of records showed that the outstanding loan amounted to Kshs.85, 230,156 as at 12 July, 2013. It appears that the county is not servicing the loan.

Recommendation

Long Term Loans should be settled as and when they fall due to avoid penalties for late or non- payment.

(e) Purchase of Motor Vehicles

Section 149(2) (b) of the Public Finance Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. .

1) Examination of tender committee minute number 06/2013 of 23 May 2013 showed that members deliberated and resolved to purchase five (5) vehicles for the Governor's office at a cost of Kshs.34,658,791. However the approved budget showed that only Kshs.10,000,000 was provided for the purchase of motor vehicles. The difference of Kshs.24, 658,791 was spent without approval contrary to Section 131(1) of the Public Finance Management Act, 2012.

2) Payment vouchers for three (3) vehicles and three (3) log books were not availed for audit verification. In the absence of the logbooks, it was not possible to confirm details such as model and chassis number, year of manufacture, previous owners etc.

Recommendations

1) The management of the County Government should take initiative to regularize the expenditure of Kshs.24,658,791 by requesting the County Assembly to approve the same retrospectively.

2) The County Government should also adhere to the requirements of the County Appropriation Act, 2013 and ensure that all expenditure is appropriated and approved.

3) Payment vouchers for the purchase of three vehicles and three (3) log books should be provided for audit review, in order to safeguard the County assets.

5.0 COUNTY COUNCIL OF OLKEJUADO

5.1 Failure to hand over by the County Council to the Kajiado County Government

Ministry of Local Government circular Ref. No. MLG/1333/TY/ (52) of 18 February 2013 directed the Clerks as the Chief Executive Officers of the Local Authorities to ensure there is proper handing over to the incoming County Government . As part of the handing over, Clerks were expected to ensure that statements of Assets and Liabilities were prepared by 28 February 2013. However, handing over of resources to the new County Government by the former County Council of Olkejuado was to be done with the coordination of the Transition Authority. No reason was provided why the handing over was not done contrary to the above circular. Therefore it is not possible to determine the amount of assets and liabilities taken over by the County Government of Kajiado.

Recommendation

A handing over report should be prepared by the Transition Authority so that what was transferred from the defunct Local Authority to the County Government can be determined and properly accounted for.

5.2 Bank Accounts

(a) Closure of Bank Accounts

The Transition Authority issued letters reference no. TA/7/5/ (20) dated 12 February 2013 and MOF/IFMIS/41 dated 7 March 2013 which instructed all local authorities to freeze all their bank accounts except for the receiving bank account. However, the defunct County Council of Olkejuado did not close its bank accounts by 28 February 2013 but continued operating them up to 26 August 2013. The date of accounts closure and amounts transferred from three (3) accounts held by defunct local authority to County Revenue Collection Account was not provided.

Recommendation

Explanation on failure to adhere to requirements of the directive by Transitional Authority and details on closure and transfer of money on three (3) accounts should be provided.

(b) Failure to maintain proper records

The defunct County Council of Olkejuado did not maintain cash books in LAIFOM system and the manual cash books maintained by the Council were not balanced. In addition, no bank reconciliation statements for the defunct County Council of Olkejuado were provided as at 28 February, 2013 and no board of survey was carried out to determine cash at hand as at 28 February 2013.

Recommendation

The County Executive should ensure a cash book in LAIFOM System is maintained and bank reconciliations done on monthly basis. A board of survey should be constituted to confirm cash at hand and bank for proper cash management and accountability.

5.3 Debtors

Section 149 (2) (b) of the Public Finance Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. The statement of assets and liabilities by the defunct County Council of Olkejuado showed that debtors amounted to Kshs.319,886,135.00. However, no analysis/ schedule was provided to show the composition of the above figure and also the age of the debtors.

Recommendation

The County Government should provide a proper debtor analysis/schedule to indicate the composition of the debtors.

5.4 Creditors/Suppliers and Other Liabilities Balances

Section 149 (2) (b) of the Public Finance Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. The statement of assets and liabilities by the defunct County Council of Olkejuado showed that creditors amounted to Kshs.238,254,956. However, the Council did not maintain creditors ledgers. Therefore it was not possible to ascertain the creditors' balances as at 31 December 2012, and 28 February 2013.

Recommendation

The County Government should ensure that proper creditors' ledgers are maintained to enable production of reliable creditors schedule and balances.

5.5. Motor Vehicles, Office Equipment and Other Assets

Section 149(2) (b) of the Public Financial Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that Comply with the Act. The respective County Government entity should have adequate systems and processes in place including an asset register that is current and accurate. Ownership documents for 169 parcels of land out of 171 belonging to the defunct County Council of Olkejuado were not made available for audit verification. Further, ownership documents to authenticate that the assets listed existed and were properly owned by the Council were not provided.

Recommendation

The County Government should initiate the process of obtaining title deeds to secure the properties within its jurisdiction in order to safeguard the County assets.

6.0 TOWN COUNCIL OF KAJIADO

6.1 Failure to hand over by the Town Council to the County Government

The Ministry of Local Government vide circular Ref. No. MLG/1333/TY/ (52) of 18 February 2013 directed the Clerks as the Chief Executive Officers of the Local

Authorities to ensure there is proper handing over to the incoming County Government . As part of the handing over, Clerks were expected to ensure that statements of Assets and Liabilities were prepared by 28 February 2013. However, handing over of resources to the new County Government by the former Town Council of Kajiado was not coordinated by the Transition Authority. No reason was provided why the transfer was not done contrary to circular Ref. No. MLG/1333/TY/ (52) of 18 February 2013. Therefore it is not possible to determine the amount of Assets and Liabilities that were taken over by the County Government of Kajiado.

Recommendation

A handing over report should be prepared by the Transition Authority so that what was transferred from the defunct Council to the County Government can be determined and properly accounted for.

6.2 Bank Accounts

a) Closure of bank accounts

The Transition Authority issued letters reference no. TA/7/5/ (20) dated 12 February 2013 and MOF/IFMIS/41 dated 7 March 2013 which instructed all local authorities to freeze all their bank accounts except for the receiving bank account. However, the County Government did not close accounts operated by the defunct Town Council of Kajiado by 28 February 2013 but continued operating them up to 12 July 2013. Further, the dates of accounts closure and amounts transferred from two (2) accounts out of six (6) held by the defunct local authority to County Revenue Collection Account were not provided.

Recommendation

The date the accounts were closed and amount transferred from the two (2) accounts held by the defunct Local Authority should be provided for proper accountability.

b) Failure to maintain proper records

The Defunct Town Council of Kajiado did not maintain cash books in LAIFOMS system. In addition, the manual cash books maintained by the Council were not balanced. Bank reconciliations for the defunct Town Council of Kajiado were not provided as at 28 February, 2013. No board of survey was carried out to determine cash at hand as at 28 February 2013 for Town Council of Kajiado.

Recommendation

Cash books should be maintained in LAIFOM and balanced on a daily basis. In addition, bank reconciliation should be done on monthly basis and a board of survey should be constituted to ensure cash at hand is properly accounted for.

6.3 Debtors

Section149 (2) (b) of the Public Finance Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. The statement of assets and liabilities by the defunct Town Council of Kajiado showed that debtors amounted to Kshs.119, 939,589. However, no analysis was provided to show the composition of the above figure. Further, the defunct Town Council of Kajiado did not maintain monthly reports on debtors. Therefore it was not possible to ascertain the debtors' position as at 31 December 2012, and 28 February 2013.

Recommendation

The County Government should ensure that proper debtors analysis/schedule is maintained to determine the correct debtors position and further verification done to determine the correctness of the balances taken over from the defunct Council. In addition, monthly reports should be produced after consolidation of the balances in the County Head Office.

6.4 Creditors/Suppliers and Other Liabilities Balance

Section 149 (2) (b) of the Public Finance Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act. The statement of assets and liabilities by the defunct Town Council of Kajiado showed that creditors amounted to Kshs.13,776,780. However, the defunct Town Council of Kajiado did not maintain creditor's ledgers. Therefore it was not possible to ascertain the completeness of the creditors' balances as at 31 December 2012, and 28 February 2013.

Recommendation

The County Government should ensure that a proper creditors' ledger is maintained to enable production of reliable creditors listing and balances and a proper verification needs to be done by the County Government to determine the correctness of the balances taken over from the defunct Local Council.

6.5 Motor Vehicles, Office Equipment and Other Assets

Section 149(2) (b) of the Public Financial Management Act, 2012 requires that an accounting officer shall, in respect of the entity concerned ensure that the entity keeps financial and accounting records that comply with the Act and the respective County Government entity has adequate systems and processes in place including an asset register that is current and accurate. The management did not comply with the above requirements in that:-

1) The Council did not provide an assets register but a list of assets belonging to the defunct Town Council of Kajiado was made available for audit verification.

2) The list of Assets and Liabilities for the defunct Town Council of Kajiado contained seven (7) parcels of land that were not valued.

3) Ownership documents to authenticate that the assets existed and were properly owned by the Council were not provided.

Recommendations

1) The office should open and maintain a fixed assets register in order to safeguard the County assets.

2) The County should enhance the process of valuing its parcels of land for proper accountability and reporting on the County's assets

3) The County should enhance the process of acquiring title deeds for all the land under its jurisdiction in order to secure them.

7.0 ICT Assessment County Report

7.1 Background

Kajiado County Headquaters is in Kajiado Town. The County is divided into seven administrative divisions namely; Ngong, Rongai, Kiserian, Kitengela, Oloitoktok, Namanga and Sultan Hamud. The County offices are located at the former Olkejuado County and Kajiado Town Council and the Office of the Governor where the County Headquaters is located.

7.2 ICT Assessment Methodology

Our assessment of ICT infrastructure at Kajiado County was done at the Olkejuado County Council, County Treasury at the District Commissioner's office, Kajiado Town Council offices and the Governor's offices. The methodology applied included physical inspection, Findings, interviews, review of documentations, Data extraction and Analysis.

7.3 Findings

The findings are categorized into hardware, software and IT control environment in place.

7.3.1 Hardware

The hardware components are as follows:-

7.3.1.1 Computers

The County received twenty (20) computers from the National Treasury (IFMIS Department) to be used for IFMIS. An assessment of the ICT Status and Infrastructure of the County was carried out where the ICT Assets and Connectivity of the Sub County offices were evaluated.

7.3.1.2 Servers

The County has in place four operating servers.

7.3.1.3 Network connectivity

There is no established Wide Area Network at the County to connect the various Sub-County offices. However, the Ngong, Rongai, Kiserian and Kitengela Sub County offices are connected to the County Headquarters via Wireless Connection whose network signal is unstable. There is no Network Connectivity at the Oloitoktok, Namanga and Sultan Hamud Sub-County offices. There is a Local Area Network at the former Kajiado Town Council and Olkejuado County Council offices.

7.4.1 Software

The applications in place at the County are as follows:

7.4.1.1 IFMIS

IFMIS has been installed in the County and is operational. The computers use Orange CDMA Modems to connect to IFMIS through the Treasury's Virtual Private Network (VPN). However, the County plans to use the Telkom Mast at the County Treasury to establish a more reliable connection. The Orange connectivity in this region is very low. The use of Orange Modems may not be sustainable in the long run due to the inherent poor signals. The National Treasury should offer Counties alternative Internet Service Providers so as to ensure enhanced connectivity in cases where the Orange network signal is poor.

7.4.1.2 G-PAY

The County had received one computer from The National Treasury which is dedicated for G-Pay. Training for G-Pay had been undertaken for Five (5) officers, Two (2) each for Data Entry and Verifying and One Officer as an Approver.

7.4.1.3 IPPD

The County has fully installed the IPPD system and the payroll from May 2013 was processed using the system. However, the data that was migrated into IPPD from LAIFOMS had the following integrity issues:-

1) There were two (2) officers with incorrect personal file numbers.

2) There were seven (7) officers with incorrect dates of birth.

3) There were fifteen (15) officers whose dates of birth in LAIFOMS and IPPD differed.

4) There were forty nine (49) officers with incorrect KRA Personal Identification Numbers (PINs).

5) There were five (5) officers with incorrect identity card numbers.

Details of the above findings are in the attached Schedules. The County should carry out a data cleanup of its Human Resource data to ensure the integrity of the payroll data.

7.4.1.4 LAIFOMS

LAIFOMS had only been installed at the Olkejuado County Council and at Kajiado Town Council and it is still in operation. The Expenditure Module after 30 June 2013 was automatically disabled because of the absence of the Budget Module. From 1 July 2013 the Budget was prepared through IFMIS deactivating the Expenditure Module. A review of the system at Kajiado Town council revealed the following:-

1) There was an under banking of Kshs.5,038,794 for the period 5 March to 18 July 2013 and an under banking of Kshs.3,722,476 for the period 1 January to 4 March 2013.

2) Payments amounting to Kshs.9,843,854 were made between 5 March and 2 April 2013.

The review at Olkejuado County Council, revealed:-

1) Payments made between 5 March and 3 June 2013 amounted to Kshs.101,365,843.

2) There was an under banking of Kshs.454,673 for the period 5 March to 18 July 2013.

Inability to monitor LAIFOMS may result in the loss of revenue collected from the previous local authorities. The County executive should take control of the management of LAIFOMS previously installed in the Local Authorities so as to ensure that revenue collection is accounted for.

7.4.1.5 Anti-virus software

The County has in place a server based anti-virus software but its license had since expired as at the time of the audit and had not been renewed. Lack of an updated antivirus may result in computers being exposed to virus attacks among other threats. The County should ensure that the anti-virus is renewed to ensure the protection of its IT Assets.

7.5 IT Control environment

7.5.1 Staff Training on IFMIS

Twenty (20) officers of the County have been formally trained on IFMIS at the Kenya School of Government (KSG) while two (2) Officers in the ICT Department have undergone the same training.

7.5.1.1 Staffing and Segregation of duties

The IT section has three (3) members of staff but there are no defined roles and responsibilities on how to oversee the IT operations hence there is no clear segregation of duties. Inadequate staffing of the IT Department may lead to inadequate user support that is initially required and critical during the implementation of IT systems at the County. The IT County Department should be enhanced in terms of personnel to adequately manage the IT operations in an efficient and effective manner.

7.5.1.2 IT Budget

A review of the 2013/2014 County budget showed that it did not have a specific allocation to the IT Department. From the interview conducted it was observed that ICT Expenditure was incorporated in each department’s recurrent budget under Printing, Advertising and Information Supplies and Services amounting to Kshs.92,100,000. This may be inadequate because the money includes the printing and advertising cost of the respective departments. There is also no allocation of ICT in the Capital expenditure of the County thereby making it difficult to implement the desired infrastructural requirements. Lack of an adequate IT Budget may hinder the achievement of the ICT Department’s objectives. The County should put in place an allocation for the IT Department so as to ensure the achievement of the IT strategy and goals.

7.5.1.3 Management of IT Operations

In order to govern and manage the IT operations, the County is yet to develop and implement some of the key ICT documents including; ICT policies and procedures, Business Continuity Policies (BCP) and plans Disaster Recovery Plans (DRP). The investment in IT Department may not be aligned to the Strategic Business Objectives of the County. The County Executive and Management should develop, approve, communicate and implement the respective ICT policies that ensure proper management of IT operations.

8.0. CONCLUSION

From the foregoing observations, it is clear that the process of handing over and taking over of the assets and liabilities from the defunct Local Authorities and the Councils was not done as instructed due to an apparent leadership problem in the Transition Authority who were meant to have guided the process of seamless transfer. The County Government should however assume full control of functions already devolved as per the Devolved Governments Act, 2012. Finally, the County Assembly being the watch dog should monitor all the activities and take necessary corrective measures where required.

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AUDITOR-GENERAL

Nairobi

14 February 2014