

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT**

**OF**

**THE AUDITOR–GENERAL**

**ON THE**

**FINANCIAL OPERATIONS**

**OF**

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

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

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

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## **EXECUTIVE SUMMARY**

### **1. General**

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 Further, the County Government Act, 2012 Section 134 (1) repealed the Local Government Act, Cap 265, and thus effectively dissolving all the 175 Local Authorities and creating 47 County Governments.

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

This report covers operations of the County Government of Narok comprising the County Government Executive, the County Assembly and the three (3) defunct Local Authorities which are County Council of three (3) Local Authorities:

- County Council of Narok,
- County Council of Trans Mara, and
- Town Council of Narok.

### **1.3 The Audit**

This report provides a summary of audit findings before, during and after the transition periods. Pursuant to the terms of reference (TOR) contained in the special audit planning memorandum, the audit covered the following areas:

- Cash and bank balances
- Current debtors balances
- Suppliers balances
- Motor vehicles and office equipment
- IPPD Payroll and establishment
- Procurement and procurement procedures
- Local Authority Transfer Funds (LATF)
- ICT, IT, IFMIS and G-pay systems audit

### **1.4 Challenges encountered**

The audit teams faced a lot of constraints during the audits which included delay in getting necessary documentation and non-availability of key staff of the former Local Authorities. These constraints resulted in delay in concluding the audits within the planned timelines.

## 1.5 Subsequent Event

Allegations were made regarding mismanagement of capital and human resources. However due to the timing of this first special transition audit, the matter will be investigated and reported on during the interim and final audit to 30 June, 2014.

## 2.0. KEY AUDIT FINDINGS:

### THE COUNTY GOVERNMENT OF NAROK

#### 2.1 Cash and bank Balances

The following were the bank balances on 28.02.2013 and 05.03.2013

<b>Account</b>	<b>Balances as at 28.02.2013(Kshs)</b>	<b>Balances as at 05.03.2013 (Kshs)</b>
GRF	13,227,552.20	4,531,849.40
LATF	6,982,171.40	4,106,849.40

The accounts were not closed until 16 July, 2013, which is in contravention of Transition Authority Circular no. TA/7/5/(20) dated 12 February, 2013. The Circular which averred that that all bodies created under the Local Government Act (Cap.265) stand dissolved as on 4 March, 2013 and therefore not in a position to transact as Bank reconciliations were on going. It was however confirmed that as of the above date, the account balances were transferred to Narok County Government Revenue Collection Account.

#### 2.2 Receivables/Debtors

The Accounts Receivable ledgers supporting the balance of Kshs.81,861,816.00 as at 30 June, 2013 were not updated and therefore unreliable. The balances were composed of rates at Kshs.81,359,216.00 and rent arrears at Kshs.502,600.00. The County Government is in the process of reconstructing the ledgers to reconcile these figures.

#### 2.3 Current Liabilities

The total current liabilities as at 30 June, 2013 were Kshs.23,173,620.00 as per the General Creditors' ledger provided for audit. It was, however, observed that the ledgers were not updated and consequently it was not possible to confirm that the County Government of Narok inherited duly payable liabilities from the defunct local authorities. The County Government is in the process of reconstructing the ledgers to reconcile these figures.

#### 2.4 Non-Current Assets

The management provided only a list of the noncurrent assets of the defunct Town Council of Narok but did not avail motor vehicle logbooks and land title deeds for audit

confirmation as to ownership. It was therefore not possible to confirm the ownership status of the two categories of assets.

## **2.5 Procurement**

Review of Procurement system and controls revealed that the County Government did not prepare a procurement plan for 2013/2014 as required by Section 26(3) of the Public Procurement and Disposal Act. Besides being in breach of the Law the County Government risked procuring goods and services which are not budgeted for.

## **2.6 ICT, IT, IFMIS and G-pay Systems audit**

The observations and findings are categorized into hardware, software and the ICT control environment as follows:

### **Hardware**

Narok County had received twenty (20) computers from the National Treasury for IFMIS purpose. Seventeen (17) of these computers had not been configured to enable users to utilize them. The county had also received one (1) machine from the Central Bank of Kenya to be used for G-Pay.

Twenty (20) Telkom Orange Modems were received by the County to facilitate connectivity to the IFMIS server although the Telkom Orange signals were reported to be relatively weak.

The County had in place three (3) operating servers and there was Local Area Network in the revenue collection office at the former County Council offices. However, there was no established Wide Area Network at the County to connect various Sub-County offices.

It was also noted that the Local Area Network at the County offices had been dismantled to allow for office alterations.

### **Software**

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

IFMIS installation and setup had been done at the Narok Governors offices. Plan-to-Budget module was being utilized while the Procure- to-Pay module was not in use and all payment processes were carried out manually.

According to the users, the main reason for not using IFMIS for payment processing was the issue of weak Telkom Orange signals. However, the service providers from IFMIS and G-PAY had been on site a week before our audit, fixed the problem, tested and found it to be working. The County was now using the system to process payments.

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

Thirty (30) County staff and one (1) ICT officer had been trained on IFMIS at the Kenya School of Government.

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

LAIFOMS had only been installed in three (3) former Local Authorities: Narok Municipal Council, County Council of Narok and Maasai Mara.

At the Narok Municipal Council, the LAIFOMS system had been disconnected to facilitate renovations of the office building. We were also informed that the County was in the process of acquiring a new revenue collection system through competitive tendering which had been advertised in the print media.

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

The County had successfully completed the implementation of IPPD and it was being used for payroll and human resource data processing.

Interrogation of the system revealed that there was no segregation of duties to control the system users from having conflicting rights. The County Government has since addressed these issues.

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

The IT section had one (1) permanent employee and three (3) interns.

Although the County had been able to formulate a County ICT Framework which illustrates the intended future plans for the ICT Department, the County was yet to develop and implement some of the key ICT documents such as ICT policies and procedures, ICT Strategic Plan, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP).

An ICT Steering Committee was however being constituted to address these issues

## **Recommendations and Conclusion on ICT, IT, IFMIS and G-pay system audit**

- The County should ensure that all its Sub-County offices are inter-connected to the head office to ensure efficient monitoring of each Sub-County processes.
- The County executive should enhance ICT capacity so as to facilitate faster implementations of projects. ICT governance documents should be formulated and adopted by the management of the County.
- The County management has taken control of the management of LAIFOMS previously installed in the Local Authorities so as to ensure that revenue collection is accounted for.
- The County should carry out a data clean-up of its human resource data to ensure the integrity of the payroll data.
- Internal system controls in the IPPD system should be strengthened to ensure segregation of duties.



## **DEFUNCT COUNTY COUNCIL OF NAROK**

### **2.7 Cash and bank Balances**

The Council's three (3) bank accounts out of the total sixteen (16) were not closed on 28 February, 2013. The balances in the accounts were only transferred to Narok County Government Revenue Collection Account on 12 July, 2013. Two bank accounts at the National Bank of Kenya and one at Equity bank were however not closed because National Bank accounts had cheques that had not cleared while Equity Bank had an outstanding loan.

### **2.8 Recurrent Expenditure**

The Defunct County Council of Narok used LAIFOMS but the expenditure module under voucher listing did not capture cheque numbers and did not produce payment certificates.

### **2.9 Revenue**

#### **2.9.1 Maasai Mara Revenue Collection through KATO**

The defunct County Council of Narok contracted Equity Bank Ltd to collect park entry fees using an e-ticketing system by issuing smart-cards. A disagreement arose due to the bank's failure to issue the smart cards which the bank substituted for letters, resulting in termination of the contract. Subsequently, the County Government sold tickets to tour companies through its staff seconded to Kenya Association of Tours Organization (KATO) Nairobi office.

#### **2.9.2 Outstanding Landing Fees**

The fees and charge out rates for aircrafts single landing fees of between Kshs.300 for the smallest plane (a 3-seater plane) to Kshs.3,000.00 for a 21-seater plane and above approved by Narok County Government Finance bill reflected low rates when compared to those charged on vehicles which range between Ksh.400 for a saloon car and Ksh.5,000.00 for a 25-seater bus and above. The County Government intends to correct this in the 2014/15 Finance Bill.

### **2.10 Debtors/ Receivables**

The total receivables of Kshs.76,574,616.00 for the Defunct County Council of Narok as at 30 June 2012 could not be confirmed because the ledgers were not provided and no reconciliations were availed for audit. The County Government was however making an effort to reconstruct the ledgers to reconcile these figures.

### **2.11 Creditors**

The County Government of Narok formed a creditors' taskforce to authenticate pending payments of various suppliers amounting to Kshs.316,744,898.00 received from the defunct County Council and the Town Council of Narok.

## **2.12 Human Resource Audit**

The County Government conducted a headcount of staff from the defunct local authorities and a number of irregularities were noted including unqualified staff, unsigned appointment letters and a mismatch in qualifications and job placement.

The County Government intends to carry out a Human Resource audit to address these issues. The County Public Service has also been constituted and will be addressing these issues.

## **DEFUNCT COUNTY COUNCIL OF TRANSMARA**

### **2.13 Cash and bank Balances**

The Council's five (5) bank accounts were not closed on 28 February 2013 but continued operating till 10 July 2013 when the balances therein were transferred to Narok County Government Revenue Collection Account opened at the Co-operative Bank. However, the Equity bank accounts were not closed because the defunct council had a loan balance of Kshs.21,366,795.37 as at 30 June, 2013. The loan had been obtained for the purchase of a grader.

### **2.14 Recurrent expenditure**

#### **Unacknowledged Tuition fees**

The former council did not obtain acknowledgement from the payee institutions for the amounts disbursed nor did it obtain progress reports from the council employees. It was therefore not confirmed if indeed the tuition fee was received by the respective institutions or that value for money was received in this expenditure.

The County Government is setting up a Bursary Board and a Fund Account that will ensure proper accounting of these funds.

#### **a) Unsupported Statutory Payments**

The council made statutory payments amounting to Kshs.2,331,426.00 but the payments were not supported by the relevant official receipts or any official correspondence by way of demand or acknowledgement of payment. The County Government has since sought official receipts to support the payments.

### **2.15 Current Liabilities/Suppliers**

The Defunct County Council of Transamara creditors/supplier balance of Kshs.44,394,966.00 was handed over to the Narok County Government but it was not supported by creditors ledger or control accounts.

The County Government was therefore asked to seek supporting documents from the defunct County Council of Transmara before any payments are done.

### **3.0 Conclusion**

From the foregoing audit findings, it is clear that the process of taking over of assets and liabilities of the defunct local authorities was properly planned and organized. According to Transition to Devolved Governments Act, 2012, it was the responsibility of the Transition Authority to oversee the takeover of the functions, assets, liabilities and staff of the former Local Authorities by the County Governments after the March 4, 2013 general elections which was well done through the seconded staff.

According to Section 194 of the PFMA, 2012, the Public Sector Accounting Standards Board is charged with the mandate of developing model accounting and reporting systems for the National Treasury which shall be adopted by the County Governments in order to ensure standards applicable across the County Governments. This is yet to be done. The County Governments should take control of county functions including revenue collection, recording and proper accounting for the same by automating revenue collection systems and fully implement IFMIS and G-Pay for payments.

In addition ICT and IT installations and applications at Narok County Government will need improvement. The County Government should ensure that all its Sub-County offices are inter-connected to the head office to ensure efficient monitoring of each Sub-County processes and revenues generated from all its sub-units. Further, the County executive should enhance ICT capacity so as to facilitate faster implementation of projects and enhance and safeguard revenue collections. Documentations of ICT governance and control environment should be formulated and adopted by the management of the County.

Detailed audit findings are contained in the main audit report herewith appended and I appeal to the County Governor to address all issues to in the report.



**Edward R.O. Ouko, CBS**  
**Auditor-General**

**Nairobi**

**19 November 2014**

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

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## **1.0 Audit Objectives**

The following were the main audit objectives:

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

## **2.0 COUNTY GOVERNMENT OF NAROK**

### **2.1 Cash and Bank Balances**

#### **Pre-Transition Period, during the Transition and Post Transition**

The defunct County Council of Narok operated the following sixteen (16) bank accounts during the period 28 February, 2013 to 5<sup>th</sup> March 2013. Below are the balances as at 30 June, 2013. Except for three (3) accounts, all other accounts were closed on 12 July, 2013

and the balances transferred to Narok County Government Revenue Collection Account number 01141338976600 held at the Co-operative bank.

	<b>Bank Account</b>	<b>Bank</b>	<b>Pre- Transition 28.2.2013</b>	<b>During Transition 5.3.2013</b>	<b>Transferred Balances 12.07.2013</b>	<b>Remarks</b>
1	01002041501100	National Bank	688,570.79	484,670.79	109,983.39	A/c closed
2	01002041501101	National Bank	Nil balances	Nil balances	Nil balances	"
3	01002041501102	National Bank	50,450.70	49,750.70	49,750.70	"
4	01002041501103	National Bank	(444,642.30 )	(77,642.30)	(77,642.30)	A/c not closed
5	01002041501104	National Bank	91,090.35	91,090.35	91,090.35	A/c closed
6	01002041501105	National Bank	(3,169,123.05)	(3,169,123.05)	(128,050.65)	"
7	01002041501106	National Bank	145,933.24	145,933.24	5,833.20	"
8	01002041501107	National Bank	2,756,354.93	55,854.93	426,712.33	"
9	01002041501108	National Bank	32,489.10	18,981.60	324,801.90	"
10	01002041501109	National Bank	106,775.45	106,775.45	104,775.45	"
11	01002041501110	National Bank	86,007.00	86,007.00	85,907.00	"
12	01002041501111	National Bank	183,422.85	(299,875.15 )	82,420.80	"
13	01002041501112	National Bank	124,982.70	24,982.70	165,942.45	"
14	02002041501100	National Bank	USD (7.45)	USD (7.45)	USD 76,866.36	A/c not closed
15	01231041501100	National Bank	4,734.25	4,734.25	3,739.20	A/c closed
16	0360297263193	Equity Bank	1,233,484.22	(1,694,145)	(1,694,145)	A/c not closed

The bank accounts with debit balances were also closed upon being off-set against accounts with credit balances as shown in the bank's letter ref. NCG/O/ORDER/CFA/VOL.1/6 dated 5 July 2013.

The bank accounts that were not closed as of 12 July 2013 are:

<b>BANK NAME</b>	<b>A/C NO</b>	<b>AMOUNT</b>	<b>REMARKS</b>
National Bank	01002041501103	KSH.19,500,000	Being Bursaries approved by the County Assembly.
National Bank	02002041501100	US\$.4,866.36	Being uncredited effects.
Equity Bank	0360297263193	KSH.(13,062,654.12)	Being Loan outstanding.

Upon closure of the accounts, the Narok County Government withdrawals from the new bank accounts listed below were authorized by the Transition Authority officers:

<b>Account</b>	<b>Number</b>	<b>Bank</b>
Collection – Kshs.	01141338976600	Co-operative Bank
Collection – Kshs.	1140090933	Kenya Commercial Bank
Collection USD	1143225325	Kenya Commercial Bank
Imprest– Kshs.	1140091263	Kenya Commercial Bank

It was noted that a/c no. 1140090933 and a/c no. 1143225325 both of Kenya Commercial Bank were opened specifically for banking of revenue from Maasai Mara Game Reserve. The revenue was later transferred to Co-operative Bank Revenue Collection account and subsequently to Central Bank of Kenya as directed by the Controller of Budget.

The three (3) bank accounts were therefore not closed on 28 February 2013 as per the Transitional Authority guidelines for reasons given above.

## **Recommendations**

The County Government should always comply with lawful authority guidelines for a smooth transition.

### **2.2 Accounts Receivable**

The Defunct County Council of Narok had, as at 30 June, 2012, total receivables of Kshs.76,574,616 as follows:

	<b>Pre-Transition period</b>
<b>Debtors/receivables</b>	<b>Outstanding Amount (Kshs)</b>
Plot Rent/Land Rent	70,619,985.00
Rental Housing	10,290.00
Salary Advance	381,424.00
Imprest	8,815,362.00

Drug & Vaccines	777,798.00
Provision for bad debts(5% of Kshs.82,030,477)	(4,030,243.00)
<b>Total</b>	<b>76,574,616.00</b>

However, the movement of receivables during financial year 2012/2013 was not provided as the ledgers were not availed for audit confirmation.

It was not possible to establish if all accounts receivable accruing from the defunct County Council of Narok were recorded for adoption by the County Government since the ledgers were not availed.

### **Recommendation**

Appropriate records such as ledger, registers control accounts and reconciliation should be maintained and updated regularly.

### **2.3 Accounts Payable**

A creditors listing of Kshs.316,744,898.00 for the Defunct Council was presented for audit. The County Government of Narok constituted a creditors' taskforce which was to authenticate the pending payments to various suppliers of goods and services as was received from the Defunct County Council and the Town Council of Narok. County Council of Transmara had however not responded at the time these report was done. The report of the committee recommended the following:

<b>Summary</b>	<b>Amount (Kshs)</b>
Recommended for payment	256,300,313
Recommended for payment subject to further verification	44,077,264
Not recommended for payment	17,716,940
<b>Total</b>	<b>318,094,517</b>
<b>Total submission in the report</b>	<b>316,744,898</b>
Difference	(1,349,618.63)

### **Recommendation**

Appropriate records such as ledger, registers, control accounts and reconciliations should be maintained and updated regularly.

### **2.4 Equity Bank loan - Post Transition Period**

Included under the account payables, is a loan balance of Kshs.24,000,000.00 due to Equity Bank Ltd. The loan was approved by the Minister for Local Government on 22 December, 2011 vide letter Ref: MLG/399-139/(TY) for the purchase of a Motor grader. According to the agreement, the council was to pay sixty (60) monthly installments of Kshs.660,000.00 towards principal and interest components. Loan account number 1230599748262 indicated outstanding balance of Kshs.21,366,795.37 as at 30 June, 2013 while the County Government books reflected Kshs.24,000,000.00. The amounts in ledger had however captured deferred interest.

## Recommendations

- i) The County Government should ensure that the account ledger and control accounts are maintained and updated.
- ii) The County Government should authenticate the outstanding balances at the closure of the take-over period using primary records.
- iii) The outstanding debts that have been authenticated should be settled to avoid accumulation.
- iv) Books of accounts should be reconciled regularly.

## 2.5 Maasai-Mara Revenue Collection through KATO

The defunct Council contracted Equity Bank Ltd to collect park entry fees. The Bank used an e-ticketing system to collect the revenue by issuing smart-cards. A disagreement arose due to the bank's failure to continue issuing the smart cards which were instead substituted for letters resulting in termination of the contract. The County Government sold tickets to tour companies through County staff seconded to Kenya Association of Tours Organization (KATO) offices in Nairobi.

In addition, it was noted that cash collected at the Park remained unbanked for a week due to movement logistics. It was however stored in the armory and transported by armed Rangers for banking on a weekly basis.

### Recommendation

The County Government should expedite the process of appointing a collecting agent which, as we noted, is still on-going.

## 2.6 Outstanding Landing Fees

According to the fees and charge out rates approved by the Narok County Government Finance bill, aircrafts single landing fees ranges from Kshs.300 for the smallest plane (a 3 seater plane) to Kshs.3,000 for a 21 seater plane and above. It was noted that these charges of Kshs.300 to Kshs.3,000 are relatively low compared to those charged on vehicles. As at June, 2013, the County Government was owed a total of Kshs.1,241,500 by various aircraft companies as follows:

No	Company	Amount (Kshs)
1	Air Kenya	432,000.00
2	Mombasa Air	195,500.00
3	Safari Line	367,500.00
4	Blue sky	69,000.00
5	Fly 540	66,500.00
6	Governors	67,000.00
7	Bokovic	44,000.00
	<b>Total</b>	<b>1,241,500.00</b>



The low charge out rates and the outstanding levies deny the County Government funds which is much needed for county set-up.

## **Recommendations**

The County Government intends to harmonize this in the 2014/15 Finance Bill.

## **2.7 Payroll**

### **Pre-Transition Period**

Analysis of payrolls for the three (3) defunct local authorities did not reflect any changes in July 2012, December 2012, February 2013 and April 2013 payrolls.

### **During Transition Period**

In addition to staff in the defunct local authorities who transited to the County Government, the following ten (10) Transition Authority officials joined the County Government of Narok:

<b>Rank</b>	<b>Name</b>
County Secretary	Stella Langat
Procurement Officer	David Omwonga
Head of Treasury& Accounting	Wachira Thuita
Chief Finance officer	Charles Gitau
Head of Human Resource	Karaei Freshia
Head of Audit	Nyabwari
Payroll Manager	Racheal Tikani
Head of IT	Penina Sarsar
County Assembly Coordinator	Simotwo
Coordinator	Olotua John

### **Post-Transition period**

Other officials who later joined the County Government of Narok were:

- i) Nine (9) executive committee members
- ii) Seven (7) public service county board members
- iii) Two (2) advisory members.

## **2.8 Human Resource Audit**

Pursuant to Section 7(2) (i) and M of the Transition to Devolved Governments Act, 2012 and in line with the Transition Authority Circular Ref: TA/7/3/Vol/1 (67) on the human resource audits, the County Government conducted a headcount of staff from the defunct local authorities. The human resource audit findings had the following salient features:

- i) 174 staff members did not possess any qualification i.e. academic /professional;

- ii) Appointment letters for 87 officers were not signed; and
- iii) There is mismatch between the qualifications and the jobs being performed by a number of officers.

Low productivity as a result of wrong job placement is inevitable. Further, the validity of staff employed with unsigned appointment letters could not be established. It is apparent from the audit that substantial public resources may have been utilized in remunerating staff who were not properly engaged.

### **Recommendation**

- i) The County Service Board should interrogate the current job placement with a view of streamlining deployments;
- ii) An ideal staff establishment should be developed;
- iii) Officers should be encouraged to undertake relevant training; and
- iv) The board should deliberate on cases of unsigned appointment letters and take appropriate action.

## **2.9 Detailed Report on the Audit of ICT, IT, IFMIS and G-pay Systems**

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

### **2.9.1 Hardware**

The County received twenty (20) computers from The National Treasury (IFMIS Department) which was to be used solely for IFMIS, one (1) computer from Central Bank of Kenya for G-Pay and twenty (20) modems from Treasury to facilitate IFMIS connectivity.

#### **Servers**

The County had three servers in place: two (2) for LAIFOMS and one (1) for IPPD.

#### **Network Connectivity**

The county had LAN in the revenue collection office but no wide area network to interlink all sub county offices together. The LAN at the office of the Governor had been dismantled due to office expansion exercise that was ongoing.

#### **Risks**

Inadequate network connectivity may hinder the monitoring of the activities at the Sub-Counties.

Lack of an established network may hamper the automation of the County's processes.

### **Recommendations**

All Sub-County Offices should have adequate infrastructure and LAN to facilitate automation of the County operations.

The County should ensure that all its Sub-County offices are inter-connected to the head office to ensure efficient monitoring of each Sub-County processes.

### **2.9.2 Software**

The applications in place at the County were as follows:

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

IFMIS installation and setup had been done at the Narok Governor's offices. Plan- to-Budget module was being utilized while the Procure-to-Pay module was not in use and all payment processes were carried out manually. The main reason for not using IFMIS for payment processing according to the users was the issue of connectivity.

The service providers from IFMIS and G-Pay had been on site a week before our audit, fixed the problem, tested it and found it to be working. The County Government has started using the system to process payments.

### **Risks**

Usage of manual procedures in the accounting of revenue lacks the appropriate controls to prevent and detect fraud in a timely manner.

### **Recommendations**

The change management policy at the IFMIS should be reviewed to incorporate the ICT officers in the IFMIS implementation.

The County should ensure that IFMIS is fully utilized for its financial operations and all modules are in use.

The IFMIS Directorate should fast track the implementation of C-IFMIS which will be used to integrate the Revenue Module of LAIFOMS and IFMIS. This will ensure that all revenue collected by the County is reflected in IFMIS thereby promoting accountability of these funds. The IFMIS system should be integrated with G-Pay system

The County should ensure that all its financial operations are automated.

There is need to liaise with IFMIS Department to install a communication enhancer to boost the signal transmission so as to ensure continuous delivery of service.

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

LAIFOMS was installed in 3 Councils: the Narok Municipal Council and the former County Councils of Narok and Maasai Mara. Information available indicates that the County is in the process of acquiring revenue collection software.

### **Risks**

- i) Lack of automated systems in the three other Sub-Counties may make it impossible for the County to effectively monitor its revenue collection.
- ii) Lack of system integration between the Revenue Processing system and Plan- to-Budget module in the IFMIS system or proper policy/procedure to ensure the upload of the revenue collected locally may lead the county not being able to account for the collected revenue.

### **Recommendations**

- i) The County management should take control of the management 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.
- iii) The county should ensure that all revenue collected is banked intact.

## **c) G-Pay**

The County had received one (1) computer from the CBK to facilitate execution of payments transactions.

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

The County had successfully completed the implementation of IPPD and it was being used for payroll and human resource data processing.

The County Government intends to do a staff re-shuffle and re-train staff handling the IPPD system.

### **2.9.3 IT Control Environment**

#### **a) Staffing and Segregation of duties**

The county had one ICT staff to provide support to the applications in place.

## b) Management of IT Operations

The County had not developed the key ICT documents which include: ICT strategies, ICT policy and procedures and Business Continuity Plan/Disaster Recovery Plan. The County Government intends to set-up an ICT steering committee to address these issues.

### Recommendation

The County Executive and Management should develop, approve, and communicate and, IT Strategic Plan, Business Continuity Plan and Disaster Recovery Plan that ensure proper management of IT operations.

## DEFUNCT COUNTY COUNCIL OF TRANSMARA

### 2.10 Cash and bank balances

The Defunct County Council of Transamara had five (5) bank accounts which operated up to 10 July, 2013 when the balances therein were transferred to Narok County Government Revenue Collection Account at the Co-operative Bank, Narok branch account number 01141338976600. However, the Equity bank accounts were not closed since the defunct council had a loan balance of Kshs.21,366,795.37 as at 30 June, 2013. The loan had been obtained for the purchase of a grader. Details of the account balances during pre-transition, upon transition and post-transition are as follows:

A/C Name	Account Number	Bank Name	28.02.13 (Kshs)	05.03.13 (Kshs)	30.06.13 (Kshs)	10.07.13 (Kshs.)
GRF	1230298935685	Equity	3,282,346.53	656,746.53	60.00	Nil balance
LATF	01120016629302	Co-op.	19,075,760.45	16,167,089.45	7,169.76	6,800
Salaries	01120016629304	Co-op.	5,899,552.63	4,345,757.63	16,153.07	15,783
Renewal	0110016629300	Co-op.	Nil balance	Nil balance	Nil balance	Nil balance
CRF	01120016629301	Co-op.	1,660,037.07	519,134.07	61,103.42	59,733
Loan	123059974262	Equity			21,366,795.37	

Upon closure of the accounts, withdrawals were done at the following Narok County Government bank accounts after authorization by the Transition Authority officers:

Account	Number	Bank
Collection	01141338976600	Co-operative
Collection KSHS	1140090933	Kenya Commercial Bank

Collection USD	1143225325	Kenya Commercial Bank
Imprest	1140091263	Kenya Commercial Bank

The bank accounts were therefore not closed on 28 February, 2013 as per the Transitional Authority guidelines.

### Recommendation

The County Government should always comply with lawful authority guidelines for a smooth transition.

#### 2.11 Accounts receivable

The Accounts Receivable balance in the ledgers was Kshs.11,933,817 as at 30 June, 2013 (post-transition) which relates to ground and plot rents. This balance was well supported with schedules and was transferred to Narok County Government.

#### 2.12 Accounts Payable

The books of account of the Defunct County Council reflected a suppliers' balance of Kshs.44,394,966. The following was a listing of balances taken over by the County Government.

Name of organization (Payee)	Outstanding bill (Kshs)
Kenya Revenue Authority	8,580,220.00
CMC Motors (vehicle Repairs)	199,679.00
Kerosi Ondieki advocates	1,950,000.00
Equity Bank(Motor Grader)	24,000,000.00
Staff salaries(Arrears 2005)	1,236,839.00
Co-operative bank loan(loop recoveries)	62,040.00
LAPROFUND Deduction	479,622.00
National Bank of Kenya Narok Branch(loop recoveries)	62,469.00
National Bank of Kenya Kisii Branch(loop recoveries)	153,888.00
Strategic training and logistic consultants.	3,420,000.00
Kemboi and co. advocates	2,178,400.00
Ogeto,Otachi & co. advocates	473,393.00
KENAO(Kenya National Audit Office	314,000.00
FMD East Africa	24,821.00
Compulsory Office supplies	136,000.00
Bhogals Auto World	13,195.00
Rahim Auto Technologies	1,110,400.00
<b>Total</b>	<b>44,394,966.00</b>

### Recommendation

The County Government should subject these to further verification before payments are made.

## 2.13 Non-current Assets

### Pre-Transition Period

The officers at the Transmara Sub County availed a list of noncurrent assets which were transferred to Narok County Government. The listed assets were physically verified except for Land Rover KBJ 732 that was said to be in Nairobi.

### Ownership

The officers availed motor vehicle logbooks which were in the name of the defunct County Council of Transmara.

### Conclusion

Noncurrent assets for the defunct County Council of Transmara transited to County Government of Narok though official hand over had not been conducted as at the time of the special audit.

### Recommendation

The County Government should ensure that the process of registering the motor vehicle logbooks in the County Government name begins.

## 2.14 Recurrent expenditure

### a) Unacknowledged Tuition fees

During the transition period in March 2013, the defunct Council made payments amounting Kshs.2,200,720 in respect of tuition fees to benefit council employees undertaking courses in various learning institutions. However the Council did not obtain acknowledgement from the payee institutions nor did it obtain progress reports from the concerned employees. The payments were as follows:

Voucher No.	Date	Payee	Amount (Kshs)
1303-0039	01-Mar-2013	Jomo Kenyatta University of Agriculture and Technology	31,737.00
1303-0040	01-Mar-2013	"	31,737.00
1303-0084	08-Mar-2013	"	62,493.00
1303-0090	08-Mar-2013	"	58,151.00
1303-0095	08-Mar-2013	"	58,151.00
1303-0096	08-Mar-2013	"	58,151.00
1303-0085	08-Mar-2013	Narok University College	34,650.00

1303-0088	08-Mar-2013	Kenya Forest College -	640,000.00
1303-0091	08-Mar-2013	Narok University College	105,250.00
1303-0092	08-Mar-2013	Bondo University College	116,000.00
1303-0093	08-Mar-2013	Moi University	126,650.00
1303-0094	08-Mar-2013	Bondo University College	116,000.00
1303-0097	08-Mar-2013	Moi University	275,000.00
1303-0098	08-Mar-2013	Moi University	275,000.00
1303-0099	08-Mar-2013	KEMU C/o Christopher	106,500.00
1303-0066	02-Mar-2013	Narok University College	105,250.00
<b>Total</b>			<b>2,200,720.00</b>

### Conclusion

County Government should ensure purpose intended is achieved.

### Recommendations

The County Government should obtain official acknowledgment from the listed institutions and seek to monitor the training progress of the beneficiaries through regular receipt of academic reports.

The County Government should also set up a Board to manage legislation of the fund.

### b) Unsupported Statutory Payments

The Council made statutory payments to the Kenya Revenue Authority for PAYE of Kshs.753,889.00 and Local Authorities Provident for pension contribution of Kshs.1,577,537.00. However, the payments were not supported by the relevant official receipts or any official correspondences by way of demand or acknowledgement of payment.

Details of the payments are as follows:

V. No	Date	Payee	Description	Amount (Kshs)
1304-0072	07.04.13	The Paymaster General	Payroll deductions (PAYE) - March 2013	753,889.00
1304-0075	07.04.13	Local Authorities Provident Fund	Payroll deductions (LAPROFUND) -	1,577,537.00

### Conclusion

The County Government has since sought all the supporting documents for these payments.

### Recommendation

The payments should be supported with relevant and valid documents.



**c) Legal fees (During Transition Period)**

During the transition period in March-April, 2013, the County Government incurred expenditure in respect to legal fees amounting to Kshs.6,686,735.00 However, the progress on cases handled by two law firms was not ascertained despite the fact that such a huge amount had been dispensed within a short period. The payments were made as follows:

<b>Voucher No</b>	<b>Date</b>	<b>Payee</b>	<b>Amount (Kshs)</b>
1303-0079	08-Mar-2013	Kerosi Ondieki & Co Advocates	983,535
1303-0080	08-Mar-2013	Kerosi Ondieki & Co Advocates	900,000
1303-0081	08-Mar-2013	Kerosi Ondieki & Co Advocates	200,000
1303-0082	08-Mar-2013	Kerosi Ondieki & Co Advocates	900,000
1303-0083	08-Mar-2013	Kerosi Ondieki & Co Advocates	900,000
1304-0045	04-Apr-2013	Kerosi Ondieki & Co Advocates	1,000,000
1304-0104	11-Apr-2013	Kerosi Ondieki & Co Advocates	500,000
1304-0106	11-Apr-2013	Letangule and Co. Advocates	1,000,000
1303-0028	01-Mar-2013	Muriithi & Ndonye Advocates	303,200
<b>Total</b>			<b>6,686,735</b>

**Risks/Conclusion**

There is a potent risk of making payments for services not rendered.

**Recommendation**

The County Government should request for a status update on these cases.

**THE DEFUNCT TOWN COUNCIL OF NAROK**

**2.15 Cash at Bank balances**

The defunct Town Council of Narok operated the following three (3) bank accounts;

<b>Account Name</b>	<b>Account Number</b>	<b>Bank Name</b>	<b>Bal. as at 28.02.2013 (Kshs)</b>	<b>Bal. as at 05.03.2013 (Kshs)</b>	<b>Balances as at 30 June 2013 (Kshs)</b>	<b>Transferred Balances as at 16.07.13</b>
GRF	1135242038	KCB	13,227,552.00	7,092,392.20	86,985.00	86,985.00
LATF-Current	1102023557	KCB	6,982,171.40	4,106,849.40	135,135.00	135,135.00
LATF-Savings	1102023574	KCB	6,980,071.40	3,174,897.40	77,974.95	58,675.00

## **Post Transition Period**

Operational accounts were closed on 16 July 2013, (refer to KCB Narok branch letter Ref: KCB/NRK/767 of 16/7/2013) and the balances therein transferred to Narok County Government Revenue Collection Account number 01141338976600 held at the Co-operative bank Narok branch.

## **Conclusion**

Accounts were not closed on 28<sup>th</sup> February 2013 as per TA guidelines as Bank reconciliations were on going.

## **Recommendations**

Lawful directives should always be adhered to.

### **2.16 Accounts Receivable**

According to the accounts receivable ledger availed for audit verification, the balance of Kshs.98,686,701.00 reflected in the statement of financial position dated 30 June, 2012 for the defunct Town Council of Narok reduced by Kshs.16,824,885.00 to Kshs.81,861,816.00. The balances were composed of rates at Kshs.81,359,216.00 and rent arrears at Kshs.502,600.00. Although the Council maintained accounts receivable ledger, the ledger was not updated.

## **Conclusion**

The County Government should ensure that account receivables are reconciled.

## **Recommendation**

The necessary supporting records should be updated.

### **2.17 Accounts Payable**

The total current liabilities of Kshs.5,874,731.00 reflected in the Financial Statements of 30 June, 2012 increased by Kshs.17,298,889.00 to Kshs.23,173,620.00 as at 30 June, 2013 as indicated in the general creditors' ledger provided for audit. It was however observed that the ledgers were not updated.

The un-updated ledger balances were as follows:

	<b>Pre-Transition</b>	<b>Post-Transition</b>
<b>Current Liabilities</b>	<b>30 June 2012</b>	<b>30 June 2013</b>

HELB	12,922.00	65,644.00
Staff welfare contribution	273,000.00	564,300.00
Staff welfare loan	57,000.00	197,000.00
KLQWU H/Q	94,720.00	197,260.00
KLQWU Branch	10,650.00	26,190.00
COTU	11,306.00	24,426.00
Puan Sacco	-	3,147,297.00
LAPRO FUND	377,407.00	4,313,034.00
SUPERANNUATION	-	4,958,458.00
NSSF	-	855,600.00
Family bank-net salaries	-	1,029,344.00
National bank-net salaries	-	1,131,573.00
Narok water and sewerage co.	159,600.00	159,600.00
Kenao	1,420,000.00	1,420,000.00
Hari narok enterprises	56,730.00	56,730.00
Samec co.	569,980.00	569,980.00
The star publication	208,800.00	208,800.00
Chabenda & co. Advocates	1,516,000.00	1,516,000.00
Gatome & associates	856,616.00	856,616.00
Sangida construction	250,000.00	250,000.00
Osinoni construction co. Ltd		1,625,768.00
<b>Total</b>	<b>5,874,731.00</b>	<b>23,173,620.00</b>

## Conclusion

It was not clear why the statutory creditors balances went up.

## Recommendation

The necessary books of account and records should be updated in order to authenticate the balances as presented.

### 2.18 Non-Current Assets

The Non-current assets register of the council was availed and audited. The register was properly up-date and a breakdown of each category of assets provided.

#### a) Motor Vehicles

From the physical verification carried out on motor vehicles, it was established that Narok Town Council had eleven (11) motor vehicles and trailers handed over to the County Government. These are as follows:

<b>Motor Vehicle</b>	<b>Registration Number</b>
Mitsubishi Pajero	KAW 212Z
Mitsubishi-Isuzu D/cabin Pick up	KAJ 911Z
Renault tractor	KAV 301E
M/Ferguson M/240 tractor	KWE 131
Renault Lorry-Fire engine	KAB 363Q
Isuzu Lorry-exhauster machine	KAB 001Q
Land rover-fire engine	KAB 365Q
Yamaha Motor cycle	KAW 256Z
Trailer	ZB 1611
Self tipping Trailer	ZB 9404
Toyota Hilux D/cabin	KBG 284C

However, only five (5) motor vehicles were serviceable and the rest were grounded. Below is a list of operational motor vehicles:

- i) Mitsubishi Pajero (KAW 212Z)
- ii) Mitsubishi-Isuzu D/cabin Pick up(KAJ 911Z)
- iii) Renault Lorry-Fire Engine(KAB 363Q)
- iv) Isuzu Lorry-exhauster Machine(KAB 001Q)
- v) Land Rover-Fire Engine(KAB 365Q)

Further, the defunct Town Council did not have logbooks for all the listed vehicles. In addition, though these assets transited to the County Government, no official handover was done.

### **Conclusion:**

The ownership of motor vehicles could not be confirmed and the motor vehicles are at risk of loss, misuse or irregular transfer. Grounded vehicles are of no economic benefit to the County Government and should be assessed for repair or disposal according to regulations.

### **b) Equipment, Furniture and Fittings**

The defunct Town Council had many pieces of furniture and equipment that range from chairs, desks and computers. A physical verification of these items was carried out and the assets were found to be in order in the manner they transited to County Government of Narok.

## **Conclusion**

I wish to thank the management of Narok County for their cooperation and assistance extended to my staff during the audit. I do hope that the co-operation shall continue into other future audit assignments.

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

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

**Nairobi**

**19 November 2014**