

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT**

**OF**

**THE AUDITOR–GENERAL**

**ON THE**

**FINANCIAL OPERATIONS**

**OF**

**THE COUNTY GOVERNMENT OF**  
**MURANG’A AND ITS DEFUNCT**  
**LOCAL AUTHORITIES**

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

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# **SPECIAL AUDIT REPORT OF MURANG'A COUNTY GOVERNMENT AND ITS DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD 1JANUARY TO 30 JUNE 2013**

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## **EXECUTIVE SUMMARY**

### **1.0 Introduction**

The Auditor-General has the mandate under Article 229 of the Constitution of Kenya 2010 to audit and report on the accounts of the National and County Governments. The County Government Act, 2012 Section 134(1) repealed the Local Government Act, Cap 265 thus dissolving all the 175 Local Authorities and creating 47 County Governments.

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

### **2.0 Audit objectives**

Special audit exercise was conducted during the month of August and September 2013 in Murang'a County and covered the following; County Executive and County Assembly, the defunct County Council of Murang'a, County Council of Maragua, Municipal Council of Murang'a, Town Councils of Makuyu, Kandara, Maragua and Kangema.

The objective was first to confirm if there was a smooth and seamless transfer of cash and bank balances before, during and after transition to the County Government Secondly, provide recommendations on current transitional challenges, internal controls, accounting and regulatory developments.

Thirdly to confirm transactions related, but not limited to;

- The taking over of the former local authorities
- Cash and bank balances
- Current Debtors and Supplier balances
- Motor Vehicles and office equipment
- IPPD Payroll and establishment
- Recurrent and Development expenditure items
- Procurement procedures

Fourthly, to conduct an audit of the Information Systems Audit of the County Government with the following objectives;

- To verify the County Government's preparedness to receive and utilize devolved funds using the Integrated Financial Management Information System (IFMIS) and G-Pay and any other IT systems in place.
- To assess the adequacy of existing IT systems including software to support operations, control and financial reporting.
- To determine the adequacy of IT control environment to ensure that the information system objectives are aligned with the county's mandate.
- To confirm whether the county is sufficiently connected to IFMIS and G-pay.
- To determine the integrity of payroll data migrated from LAIFOMS to IPPD.

The audit teams faced a constraint during the audit of delay in getting various documents.

## **Key Audit Findings**

### **3. County Government of Murang'a**

#### **3.1 Taking over of the Defunct Local authorities**

The County Government of Murang'a had not formally taken over the assets and liabilities of the former Municipal Council of Murang'a, County Council of Murang'a, County Council of Maragua, Town Council of Makuyu, Town Council of Maragua, Town Council of Kandara and Town Council of Kangema as at the time of conclusion of the special audit on 27 September, 2013. This is contrary to Transition Authority circular dated 18 February, 2013.

Transition Authority is advised to ensure proper identification of both the assets and liabilities and handing over by the former Chief Officers is done to enable the County Government to ascertain opening balances for assets and liabilities for inclusion in the financial Statements.

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

The seven defunct Local Authorities in the jurisdiction of the County Government of Murang'a did not close their bank accounts and transfer the balances thereon to the County Government of Murang'a Revenue Account as was required by law. The accounts remained operational up to 30 June 2013. Failure to close bank accounts implied that transactions including expenditure continued to take place in these accounts contrary to the instruction of the Transition Authority.

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

### **3.3 Debtors' Balances.**

The County Government of Murang'a did not maintain a debtor's ledger to record the debtor's transferred from all the seven defunct local authorities. Therefore debtors balance of Kshs.366,719,145.00 from the seven defunct local authorities could not be verified.

Appropriate systems for recording debtors by the County Government should be developed to ensure accuracy of records. In addition, a debt collection policy should be put in place to facilitate collection of County debts as and when they fall due.

### **3.4 Land, Motor Vehicles and Office equipment.**

The County Government Integrated Fixed Assets Register opened by the County management for the assets inherited from the seven defunct local authorities and bought by the County Government were inaccurate and incomplete. Parcels of land, motor vehicles, computers and other equipment had not been identified, valued and incorporated in the County Government Fixed Assets Register. There is therefore real risk of loss, illegal transfers and misappropriation of County assets before and during the transition period.

The County Government should identify, take stock and tag all the assets taken over from the seven defunct local authorities and those being acquired by the County Government. All the assets should systematically be recorded in the Fixed Assets Register of the County Government. The register should be updated on regular basis. The assets should be valued to ascertain their fair values.

### **3.5 IPPD Payroll and establishment**

All the staff of the seven defunct local authorities were transferred to the County Government but have not been subjected to the County Public Service Board for confirmation and redeployment as employees of the County Government. The audit further revealed that there was no job evaluation done to determine the personnel/human resource requirements in the new County Government dispensation. The qualification, experience and optimal number of staff required to run the County Government effectively, efficiently and economically was therefore not determined.

An urgent staff head count is recommended. The County Government organization structure should be professionally drawn with clear roles and responsibilities of each key positions. Job evaluation should be done by a professional institution to assist the County Government with the job contents for each position, the salary structure and the requisite qualifications of personnel for each key position in the entire County Government structure. Further, staff rationalization and redeployment of under-utilized and redundant staff is also recommended.

### **3.6 Recurrent and development expenditure**

#### **i) LATF Fund Projects**

Local Authority Transfer Funds and General Rate Reserve Funds for the Defunct Local Authorities were used for the County Government operations instead of completing the Defunct Local Authorities budgeted and approved LASDAP/LATF projects. LASDAP/LATF project funds amounting to Kshs.6,772,847.00 for the defunct County Council of Murang'a and Kshs.22,784,763.00 meant for the defunct County Council of Maragua were used for the County Government operations.

All LATF funds applied for purposes other than capital development should be redirected for completing the on-going projects.

#### **ii) Use of Quotations instead of Tenders for County Assembly works**

The County Assembly spent an amount of Kshs.4,906,617.00 for the rehabilitation of the County Assembly Roof through quotations method of procurement instead of invitation for open tenders. Therefore, the County Government of Murang'a did not enjoy the benefit of competitive bidding.

All future procurement of goods and services should be done in accordance with the Public Procurement and Disposal, Act, 2005 and related 2006 regulations in order for the County to ensure competitiveness and realize value for money.

### **3.7 ICT Audit Findings**

#### **i) Hardware**

The County had received nineteen (19) computers from The National Treasury (IFMIS Department) which will be solely used for IFMIS. However, none of the computers had an anti-virus software in place. The Interim ICT Manager has been able to carry out an assessment of the ICT Status and Infrastructure of the County where the ICT Assets and Connectivity of the Sub County offices are evaluated.

The County had in place two (2) operating servers at the Office of the Governor and at the Town Management Office. Further, adequate physical access and environmental controls in the server room need to be put in place.

#### **ii) Network connectivity**

There was no established Wide Area Network at the County to connect various Sub-County offices. However, there were Local Area Networks (LAN) in five (5) Sub-County offices; Office of the Governor, Town Management Office, Maragua, Kandara and Kangema. There was no network connectivity at the Gatanga, Kigumo and Mathioya Sub-County offices. Furthermore, there is no internet connection in four (4) Sub-Counties; Gatanga, Mathioya, Kandara and Kigumo. 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.

### **iii) Software**

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

##### **a) Active Module**

The county had only utilized one module i.e. Plan to Budget - the rest of the modules are yet to be utilized. As at the date of assessment, the County had managed to input the 2013/14 budget and could run reports on the same.

Seventeen (17) Orange Modems were received by the County for IFMIS, however the orange signal in Murang'a was poor hence the County stand the risk of inefficiency while executing its operations.

##### **b) Training of County Staff**

The first group of nine (9) County staff were trained on IFMIS at Kenya School of Government from 12 to 16 August 2013 and the second group of eight (8) was scheduled for training starting from 26 to 30 August 2013. From the nominated officers, none was from ICT Department yet this department may be required to provide support to the IFMIS.

##### **c) G-Pay**

The County had received two computers from The National Treasury which are dedicated for G-Pay. Training for G-Pay had been undertaken for five (5) officers.

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

LAIFOMS had been installed only in 2 Sub - Counties: Kiharu Sub – County (formerly County Council of Murang'a and at the Town Management Office (formerly Murang'a Municipal Council) and Maragua Sub- County (formerly County Council of Maragua). The Receipting Module was the only active module. The Expenditure Module was automatically disabled from 30 June, 2013 and therefore beginning 1 July 2013 the budget was prepared through IFMIS.

The County should ensure that all IT systems in place are fully utilized for its financial operations and all modules are in use. Further, the County should ensure that all its financial operations are automated.

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

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

- There were five (5) officers with Incorrect Tax Personal Identification Numbers.

- There were eight (8) officers whose details showed that they had been employed when they were below the statutory age of 18.
- The County should carry out a data clean-up of its human resource data to ensure the integrity of the payroll data.

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

The IT Section had seven (7) personnel but there were no defined roles and responsibilities on how to oversee the IT operations hence there was no clear segregation of duties. From the interviews, it was clear that the approved 2013/14 County budget did not obtain the input from ICT department. Although there is a specific allocation for Education and ICT Ministry, there was no money set aside for the IT Department. It was also observed that ICT expenditure was incorporated in each department's recurrent budget under internet connection and supplies and accessories for computers and printers amounting to Kshs.12,740,000. This may be inadequate because the money include the cost of the supplies and accessories of respective departments. Although the County has an Executive Member in charge of Education and ICT, it appears that there is no allocation of ICT Capital expenditure in the County budget which may impair implementation of the desired IT infrastructure. In addition, the server room did not have adequate physical access and environmental controls.

#### **v) Recommendations and Conclusions on ICT**

- In order to govern and manage the IT operations, the County should develop and implement some key ICT development guideline documents including; ICT policy and procedures, ICT Strategic Plan, Business Continuity Policy (BCP) and Disaster Recovery Plans (DRP). There was also no ICT Steering Committee in place.
- 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 should carry out a data clean-up of its human resource data to ensure the integrity of the payroll data.
- The County should ensure that all IT systems in place are fully utilized for its financial operations and all modules are in use.
- The County should ensure that all its financial operations are automated.
- Going forward the County should make adequate budgetary provision to ICT Department so as to ensure the achievement of the IT strategy and goals.
- 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.
- The County could also consider using an alternative connection from the Commissioner's office courtesy of Government Common Core Network.
- The ICT Department should ensure that all machines are installed with anti-virus software to prevent the risk of virus attacks.

- Adequate physical access and environmental controls in the server room need to be put in place.

## **Municipal Council of Murang'a**

### **3.8 Taking-over of Municipal Council of Murang'a**

There was no formal handing-over/taking over of the assets and liabilities of the defunct Municipal Council of Murang'a as required by the Transitional Authority circular of 18 February 2013. Consequently, the County Government could not have a basis of opening balances to be reflected in its books of account.

The Transition Authority should ensure that proper handing over by the former chief officers of the Municipal Council is done to enable the County Government have accurate records of assets and liabilities inherited from the former Council.

### **3.9 Creditors**

The defunct Municipal Council of Murang'a handed over to the County Government creditors balance of Kshs.73,649,169.00. However the amount could not be verified since the Council did not maintain a creditor's ledger. There is the risk of the County Government inheriting and paying for goods not delivered and services not rendered in addition to the risk of unjustified litigations.

Suppliers invoices should be promptly recorded in the creditors' ledger detailing particulars of each creditor and the same updated on a regular basis. The creditors' balances should be verified and confirmed independently before effecting any payments.

### **3.10 Land, Motor Vehicles and Office equipment.**

The Municipal Council of Murang'a did not produce its Fixed Assets Register for audit verifications. There was no proper handing over of the former Municipal Council of Murang'as' assets and liabilities to the Transition Authority as required. Consequently, the County Government could not have a basis of opening balances to be reflected in its books of account.

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

### **3.11 Staff Establishment**

The Municipal Council of Murang'a did not produce the approved budget estimates for the year ended 30 June 2013. Therefore, it was not possible to confirm the staff establishment of the local authority as at 30 June 2013 and thereafter.

The County Government should carry out audit of the staff requirements to ascertain the optimum number and skill gaps which needs to be filled for smooth and optimal operation of the County Government.

### **3.12 County Council of Murang'a**

#### **i) Taking over of Local authorities**

There was no proper handing over of the former County Council of Murang'a assets and liabilities to the Transition Authority as required by the Circular issued by Ministry of Local Government in February, 2013. Consequently, the County Government could not have a basis of opening balances to be reflected in its books of account.

The Transition Authority should ensure that proper handing over by the former chief officers of the County Council is done to enable the County have accurate records of assets and liabilities inherited from the former Council.

### **3.13 County Council of Maragua**

#### **i) Taking over of Local authorities**

Similarly there was no proper handing over of the former County Council of Maragua assets and liabilities to the Transition Authority as required by the Circular issued by Ministry of Local Government in February, 2013. Consequently, the County government could not have a basis of opening balances to be reflected in its books of account.

The Transition Authority should ensure that proper handing over by the former chief officers of the County Council is done to enable the County Government have accurate records of assets and liabilities inherited from the former Council.

#### **ii) Land, Motor Vehicles and Office equipment**

The Fixed Assets Register for the defunct County Council of Maragua was not produced for audit verification and therefore we could not establish whether all the Motor Vehicles and Office equipment owned by the Council were all transferred to the County Government of Murang'a. All assets of the County Government should be identified, valued and recorded in the County Government Fixed Assets Register.

### **iii) Revenue used at source**

Revenue collected amounting to Kshs.1,578,610.00 during the transition period did not have the corresponding banking slips implying that this revenue was used at source before banking. Further, the council did not produce the revenue cash books for the three months from December 2012 to February 2013 for audit verification.

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

### **3.14 Town Council of Makuyu**

#### **i) Taking over of Local authorities**

Similarly, there was no proper handing over of the former Town Council of Makuyu assets and liabilities to the County Government as required by the Circular issued by Ministry of Local Government in February, 2013. Consequently, Murang'a County Government could not have a basis of opening balances to be reflected in its books of account.

The Transition Authority should ensure that proper handing over by the former chief officers of the County Council is done to enable the County have accurate records of assets and liabilities inherited from the former Council.

#### **ii) Control of Expenditure - Irregular payment of accountancy non-practicing allowance**

Review of expenditure controls at the defunct council revealed that the two chief officers, the Town Clerk and the Treasurer, irregularly overpaid themselves non-practicing allowances by Kshs.100,000.00 between July 2012 and April 2013. This money should be recovered from the two officials.

### **3.15 Town Council of Maragua, Town Council of Kandara and Town Council of Kangema**

#### **i) Taking over of Local authorities**

As similarly observed, in the above cases there was no formal handing over of the assets and liabilities of the three defunct Town Councils as required by the Transitional Authority circular of 18 February 2013. Consequently, Murang'a County

Government could not have a basis of opening balances to be reflected in its books of account. The Transition Authority should ensure that proper handing over by the former chief officers of the County Councils is done to enable the County Government have accurate records of assets and liabilities inherited from the former Councils.

**ii) Doubtful Mileage Claims**

Review of expenditure controls in Kangema Town Council revealed mileage allowance amounting to Kshs.70,000.00 was paid to one officer while using his personal motor vehicle without authority.

**iii) Irregular Consultancy Services**

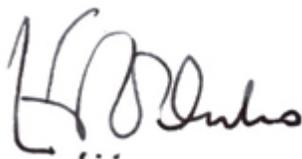
Further review also showed that the Town Council of Kangema engaged the services of a surveyor to survey some plots at a fee of Kshs.1,110,816.00 which was fully paid to him. However, the Council did not produce the contract agreement for audit verifications. Therefore, we could not establish whether the job was executed as agreed and how many plots were to be surveyed.

**3.16 Conclusion**

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

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

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



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

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

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

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## **1. Scope of the Audit**

The audit covered seven defunct local authorities in the County Government of Murang'a namely: County Council of Murang'a, County Council of Maragua, Municipal Council of Murang'a, Town Councils of Makuyu, Kandara, Maragua and Kangema. Included in the special audit were issues on the County Government of Murang'a. The audit mainly focused on cash and bank balances, current debtors and suppliers' balances, non-current assets, revenue and payroll and covered the period 1 January to 30 June 2013.

## **2. Objective of the Audit**

This special audit exercise was conducted during the month of August, 2013 in Murang'a County and covered the County Executive and Assembly and County Council of Murang'a, County Council of Maragua, Municipal Council of Murang'a, Town Councils of Makuyu, Kandara, Maragua and Kangema .

The objective of the special audit exercise was to ensure existence of seamless transition process and proper systems for accountability of public resources before, during and after transition to County Governments.

The audit covered the following key areas:

- The taking- over of the former Local Authorities
- Cash and bank balances - smooth and seamless transfer of cash and bank balances before, during and after transition to the County Government
- Provide recommendations on current transitional challenges
- Internal controls, accounting and regulatory framework developments.
- Current debtors' and suppliers balances
- Motor vehicles and office equipment
- IPPD Payroll and establishment
- Recurrent and development expenditure items
- Procurement and procurement procedures
- ICT and G-Pay System

The audit teams faced several constraints during the audits, including delay in getting various documents and non-availability of key staff of the former Local Authorities. These constraints resulted in delay in concluding the audits within the planned timelines.

## **Key Audit Findings**

### **3. THE COUNTY GOVERNMENT OF MURANG'A**

#### **3.1 Taking over from Local authorities**

The County Government of Murang'a had not formally taken over the assets and liabilities of the former Municipal Council of Murang'a, County Council of Murang'a, County Council of Maragua, Town Council of Makuyu, Town Council of Maragua, Town Council of Kandara and Town Council of Kangema as at the time of the conclusion of the special audit on 27 September, 2013. This is contrary to Transition Authority circular dated 18 February, 2013. As result, the County Government had no records of assets and liabilities owned by the former Local Authorities as well as other outstanding debts.

#### **Recommendations**

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

#### **3.2 Cash and Bank balances**

It was noted that the former seven defunct councils operated a total number of 38 bank accounts which remained operational up to 30 June 2013. This was contrary to the County Governments Public Finance Management Transition Act, 2013 which required that the former Council's bank accounts be closed and reconciliations done within three months after transition.

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

#### **3.3 Debtors**

The County Government of Murang'a took over all the debtors from the defunct local authorities amounting to Kshs.366,719,085.00 as at 30 March 2013. However, KPLC way leaves, insurance claims and sewerage lease fees worth Kshs.11,238,516.00, Kshs.4,000,000.00 and Kshs.836,747.00 respectively were not fully supported and therefore their accuracy and collectability could not be confirmed.

#### **Recommendations**

- i. Debtors' records should be reconstituted starting with the audited balances as at 30 June 2012 and transferred to debtors' ledger. Monthly debtors' reconciliation should be done and recovered.

- ii. The debtors' ledgers should be regularly updated so as to keep track of the debtors balances.
- iii. The defunct councils should provide debtors ledgers, schedules and breakdown of individual balances transferred to the County Government of Murang'a. The County Government of Murang'a should harmonize the debtor's balances between the handing over notes and the financial statements of the defunct local authorities so as to establish the accuracy of the opening balances. The County Government of Murang'a should then open and maintain a consolidated debtor's ledger.

### 3.4 Land, Motor vehicles, Plant and Machinery

The Assets' registers which were maintained by the Murang'a County Government for the defunct councils were incomplete as most of the information was not included. The information on parcels of land, motor vehicles, computers and accessories were missing in most cases.

For example, at the time of the audit it was established that assets listed in the handing over notes for the County Council of Maragua and Town Council of Makuyu valued at Kshs.24,063,056.00 were not recorded in the Murang'a County Government Fixed Assets Register as shown below;

#### County Council of Maragua

Asset	Reference	Amount (Kshs.)
Headquarter Land	LR/1	2,000,000
Headquarter building	LR/2	6,601,129
Ngruini Land	LR/3	1,000,000
Kiriangoro Land	LR/4	900,000
Disposal Land	LR/5	500,000
Maragwa Office	LR/6	1,006,927
Kandara office	LR/7	1,050,000
Kiriangoro polytechnic	LR/8	1,600,000
Nguruini polytechnic	LR	2,000,000
Kigumo land	LR/10	<u>800,000</u>
<b>Sub Total</b>		<b><u>17,458,056</u></b>

#### Town Council of Makuyu

Slaughter house	LR/1174	4,970,000
Town hall	LR/11674	<u>1,635,000</u>
<b>Sub Total</b>		<b><u>6,605,000</u></b>
<b>Total</b>		<b><u>24,063,056</u></b>

Land is vulnerable to misappropriation through grabbing, irregular demarcations and allocations and illegal sales.

## **Recommendation**

All land parcels belonging to the defunct local authorities within the jurisdiction of County Government of Murang'a should be identified, surveyed, valued and title deeds secured in the name of the County. Details of all the fixed assets should be properly entered in the integrated Fixed Assets Registers of the County.

### **3.5 IPPD payroll and establishment**

All the staff of the seven defunct local authorities were transferred to the County Government but had not been subjected to the County Public Service Board for confirmation and redeployment as employees of the County Government. The audit further revealed that there was no job evaluation done to determine the personnel/human resource requirements in the new County Government dispensation. The qualifications, experience and the optimal number of staff required to run the County Government effectively, efficiently and economically was therefore not determined.

## **Recommendations**

There is need to carry out an urgent staff head count. The County Government Organization Structure should be professionally drawn with clear roles and responsibilities of each key position. Job evaluation should be done by a professional institution to assist the County Government with the job contents for each position, the salary structures and the requisite qualifications of personnel for each key position in the entire County Government structure. It is further recommended that a staff rationalization and redeployment of under-utilized and redundant staff be undertaken.

### **3.6 LATF Projects**

Kshs.22,784,763.00 Local Authority Transfer Funds and General Rate Reserve Funds for the defunct local authorities was used for the County Government operations to pay salaries, allowances, statutory deductions and office standing imprests and thus affected the completion of the LATF budgeted projects that defunct authorities had initiated.

The Defunct County Council of Maragua had budgeted Kshs.55,341,000.00 for the financial year 2012/2013 for the LATF/LASDAP projects. However, the Council had spent an amount of Kshs.32,556,237.20 for the projects as at 30 June 2013 and having done 58.83 % completion of the projects. The difference of the projects funds totalling Kshs.22,784,763.00 was taken over by County Government but any commitment to complete these projects has since not been shown.

## **Recommendation**

The County Government should ensure that all the on-going LATF projects in the defunct local authorities are completed for improved service delivery to the public and that the money already spent does not go to waste.

### **3.7 Use of inappropriate procurement method**

Further, the County Assembly procured the works for the rehabilitation of the County Assembly Roof for Kshs.4,906,617.00 through quotations instead of invitation for tenders. According to the Public Procurement and Disposal Act, 2005 any procurement exceeding Kshs.2,000,000.00 should be sourced through invitation of tender. Therefore, the County Government of Murang'a and the public may not have enjoyed the benefit of competitive bidding.

## **Recommendation**

The County Government should always adhere to the Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal Regulations of 2006.

### **3.8 ICT audit findings**

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

#### **a) Hardware**

The following observations were made regarding the hardware components:

##### **i) Computers**

The County Government had received nineteen (19) computers from The National Treasury (IFMIS Department to be solely used for IFMIS.

The Interim ICT Manager had carried out an assessment of the ICT Status and Infrastructure of the County where the ICT Assets and Connectivity of the Sub County offices were evaluated.

##### **ii) Servers**

The County has in place two (2) operating servers at the Office of the Governor and at the Town Management Office.

##### **iii) Network connectivity**

There was established Wide Area Network at the County offices to connect various Sub-County offices. However, there were Local Area Networks (LAN) in Five (5) Sub-County offices; Office of the Governor, Town Management Office, Maragua, Kandara and Kangema. There was no network connectivity at the Gatanga, Kigumo and

Mathioya Sub-County offices. Furthermore, there was no internet connection in Four (4) Sub-Counties; Gatanga, Mathioya, Kandara and Kigumo.

Inadequate network connectivity may hinder the monitoring of the activities at the Sub-Counties and also hamper the automation of the County's processes.

### **Recommendations on Hardware**

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

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

### **b) Software**

#### **i) Active Modules**

The County Government had only utilized one module i.e. Plan to Budget with the rest of the modules not yet utilized. As at the time of the assessment, the County had managed to input the 2013/14 budget and could run reports on the same since it was the requirement of the National Treasury to have the budgets prepared through IFMIS.

The following modules were not in use as at the time of the inspection.

- i. Procure to Pay (P2P) - Automated procurement process.
- ii. Revenue to Cash (R2C) –Automated reconciliation of revenue and payments.
- iii. Record to Report (R2R) – Interface with CBK
- iv. ICT to Support (ICT2S) – Support function for hardware, software and infrastructure.

Currently the County does not utilize any automated system to monitor some internally collected revenue and the expenditure incurred.

#### **ii) Anti-virus software**

Nineteen (19) desk top computers have been received by the County Government from the National Treasury (IFMIS Department). However, none of the computers had an anti-virus software in place.

#### **iii) Training of County Staff**

The first group of nine (9) County staff were trained on IFMIS at Kenya School of Government from 12 to 16 August 2013 and the second group of eight (8) was scheduled for training starting from 26 to 30 August 2013. From the nominated

officers, none was nominated from ICT Department yet this department may be required to provide support to the IFMIS.

#### **iv) Connectivity**

Seventeen (17) Orange Modems were received by the County Government for IFMIS, however the orange signal in Murang'a is poor hence the County stand the risk of inefficiency while executing its operations.

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

LAIFOMS had been installed in 2 Sub - Counties: Kiharu (formerly County Council of Murang'a and at the Town Management Office - formerly Murang'a Municipal council) and Maragua (formerly County Council of Maragua). The Receipting Module is the only active module. The Expenditure Module was automatically disabled from 30 June 2013 and therefore from 1 July 2013 the budget was prepared through IFMIS. An analysis of the data extracted from the system of various Sub-Counties revealed that officers of the county were not fully utilizing the Receipting Module where all monies received should be banked and the corresponding banking slips posted in the system.

Inability to monitor LAIFOMS may result in the loss of revenue collected from the Sub-Counties. In addition lack of an automated system in the five (5) Sub-Counties may make it impossible for the County to effectively monitor its revenue collection.

#### **vi) G-PAY**

The County Government had received two computers from the National Treasury which are dedicated for G-Pay. Training for G-Pay had been undertaken for five (5) officers.

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

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

- There were five (5) officers with incorrect tax Personal Identification Numbers.
- There were eight (8) officers who had been employed below the statutory age of 18.

#### **Risks in Software Applications**

- Inability to monitor the internally generated revenue and its expenditure may lead to the mismanagement of County funds.

- Usage of manual procedures in the accounting of revenue lacks the appropriate controls to prevent and detect fraud in a timely manner.
- Lack of an anti-virus being installed in the computers may expose them to virus attacks.
- Lack of training of personnel from the IT department on IFMIS may lead to inadequate user support which is required during the implementation of IFMIS.
- Poor connectivity may lead to significant downtime during the operations thereby leading to the overall inefficiency of the system.

## **Recommendations on Software**

- The County Government should ensure that IFMIS is fully utilized for its financial operations and all modules are put into 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 County Government 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.
- The County Government could also consider using an alternative Orange connection from the Commissioner's office through the use of GCCN.
- The County Government management should take control of the management of LAIFOMS previously installed in the defunct local authorities so as to ensure that revenue collection is accounted for.
- The County Government 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.
- A head count of the County staff should be done.
- The County Government should carry out a data clean-up of its human resource data to ensure the integrity of the payroll data.
- IFMIS Directorate should train and give priority to the staff of the ICT Department when conducting its training.
- The ICT Department should ensure that all machines are installed with anti-virus software to prevent the risk of virus attacks.

### **c) IT Control Environment**

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

The IT section has seven (7) personnel but there are no defined roles and responsibilities on how to oversee the IT operations hence no clear segregation of duties.

## **Risk**

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.

## **Recommendation**

The IT County Department should be enhanced in terms of personnel to adequately manage the IT operations in an efficient and effective manner.

### **ii) IT Budget**

From inquiry made during the audit, it was clear that the approved 2013/14 County budget did not obtain the input from ICT department. Although there is a specific allocation for Education and ICT Ministry, there was no money set aside for the IT Department. From the inquiry it was observed that ICT expenditure was incorporated in each department's recurrent budget under Internet Connection, Supplies and Accessories for computers and printers amounting to Kshs.12,740,000. This may be inadequate because these money include the cost of the supplies and accessories of respective departments.

## **Risk**

Lack of an adequate IT budget may hinder the achievement of the ICT Department's objectives.

## **Recommendation**

The County should put in place an additional budgetary allocation for the IT Department so as to ensure the achievement of the IT strategy and goals.

### **iii) Management of IT Operations**

The County Government had set up a department to be in charge of Education and IT strategy with the following objectives:-

- To have an enabling ICT environment within the County Government.
- To set up a Wide Area Network for the County Government to enhance connectivity.
- To automate the operations of the County Government to make them efficient and effective.
- To create a robust Database of the County Government to enable the easy access of information.
- To enhance Capacity Building of the County Government in relation to ICT.

- To create a Telephone System across the County so as to reduce communication costs.
- To establish a Computer Laboratory for each cluster of schools in each Sub-County which will all be connected to a Central Laboratory at the County Headquarters thereby promoting e-Learning.
- To set up Digital Villages in the Youth Polytechnics.

However, it was observed that in order to effectively govern and manage the IT operations, the County Government is yet to develop and implement some of the key ICT documents including; ICT policies and procedures, ICT Strategic Plan, Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP). There was also no ICT Steering Committee in place.

### **Risks**

- The investment in IT Department may not be aligned to the Strategic Business Objectives of the County Government.
- Lack of an IT Steering Committee may lead to the County Government having a weak IT strategy, decision making and implementation process that does not ensure;
  - Effective management of ICT risks.
  - ICT Resource Management that attracts and retains suitably skilled and qualified ICT staff.
  - Delivery of ICT services that are cost efficient and provide value for money.
  - Responsible management of ICT budgets and resources.

### **Recommendations**

- The County Executive and Management should develop, approve, communicate and implement the respective ICT policies, IT Strategic Plan, Business Continuity Plan and Disaster Recovery Plan that ensure proper management of IT operations.
- The County Government should ensure that a properly constituted IT Steering Committee is in place.

#### **iv) Physical Controls**

The server room did not have adequate physical access controls. In addition, the server room had a photocopying machine which is accessed by most of the staff. This implies that there can be unauthorized access to sensitive data and equipment.

### **Recommendation**

- Physical access controls to the server room need to be reinforced.
- The server room should be secure and have reinforcements.

#### **v) Environmental Controls**

The County Government's server room is located on the ground floor of the County Headquarters and did not have the following environmental controls in place;

- Fire detection and suppression systems,
- Air conditioning systems,
- Humidity and temperature control systems. This implies that the servers and the equipment in the server room are at a risk of failure due to excess heat and inadequate environmental controls.

#### **Recommendation**

The server room should be sufficiently air conditioned in order to maintain the temperature levels of the servers.

### **4. MUNICIPAL COUNCIL OF MURANG'A**

#### **4.1 Taking over of local authorities**

The Defunct Municipal Council of Murang'a had not officially handed over the assets and liabilities to the County Government of Murang'a as at 30 June 2013. The value of the assets and liabilities were not indicated and no proper documentation of the breakdown of the balances as at the close of this period was made available.

#### **Recommendation**

The County Government should ensure all assets and liabilities of the defunct council are identified, recorded and handed over.

#### **4.2 Cash and Bank balances**

The Council operated six (6) bank accounts whose balances and closure status is as shown below;

Bank accounts Operated by the defunct Municipal Council of Murang'a and their closure status

	Bank name	Branch	Account title	Account number	Balance as at March4,2013	Balance as at 30 June, 2013	Still operating	Changes of signatories
					Kshs.	Kshs.		
1	Equity Bank	Murang'a	Mayors tree Fund	0220200086795	1,435.70	385.70	Yes	No
2	Equity Bank	Murang'a	Housing/A/C	0220200086797	5,403.95	5,353.95	Yes	No
3	Equity Bank	Murang'a	General Rate Fund	0220200086798	14,858.61	1,128,011.86	Yes	No
4	Equity Bank	Murang'a	L.A.T.FA/C	0220200086799	2,759,516.78	66,354.68	Yes	No
5	Cooperative Bank	Murang'a	Road Maint.A/C	01120055739901	21,364.80	-	Dormant	No
6	Equity Bank	Murang'a	Kazi kwa Vijana	006000013999	5,295.00	-	Dormant	No

All the six bank accounts remained operational up to 30 June 2013 contrary to instruction issued by the Transition Authority.

Failure to close bank accounts implied that transactions continued to be carried in the accounts contrary to the law.

### Recommendation

The banks accounts should be closed and balances transferred to the County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed as proper charge to public funds. Cashbook records should be updated and monthly bank reconciliations done to support the accuracy of the balances

### 4.3 Creditors.

As at 28 February 2013 and 30 March 2013 the Municipal Council of Murang'a had creditors balance of Kshs.73,649,169.00 which was handed over to Murang'a County Government made up as follows;

<b><u>Description</u></b>	<b><u>Kshs.</u></b>
L.G.L.A	5,111,000.00
USAID	11,500,000.00
County Council of Murang'a	683,000.00
Various Creditors	<u>56,355,169.00</u>
<b>Total</b>	<b><u>73,649,169.00</u></b>

However, it was observed that the Municipal Council of Murang'a did not submit a complete creditor's ledger for its suppliers. Further, schedules provided to support the outstanding liabilities handed over to the County Government could not tally with the final creditors balance. It was therefore not possible to authenticate the accuracy of Kshs.73,649,169.00 shown as the creditors balance that was handed over to the County Government of Murang'a.

### **Recommendations**

The current balance of creditors should be validated, authenticated and properly recorded in the County Government ledgers. The creditor's ledger should detail particulars of each creditor and be updated on a regular basis. The creditors balances should be confirmed before effecting any payments.

#### **4.4 IPPD Payroll and establishment**

Municipal Council of Murang'a transferred one hundred and twelve (112) staff with monthly salary expenditure of Kshs.6,018,941.00 to the County Government. However, the management did not produce the approved estimates for 2012/2013 which would have indicated the total staff establishment for the period under review. Therefore it was not possible to establish whether any new employees were employed during and after the transition period. Although the personal details of the employees were verified as correctly stated, there was no staff and job evaluation done to determine the suitability of each member of staff under the new County Government dispensation.

### **Recommendations**

An urgent staff head count is recommended. The County Government organization structure should be professionally drawn with clear roles and responsibilities of each key position. Job evaluation should be done by a professional institution to assist the County Government with the job contents for each position, the salary structures and the requisite qualifications of personnel for each key position in the entire County Government structure. We further recommend staff rationalization and redeployment of under-utilized and redundant staff.

## 5. County Council of Murang'a

### 5.1 Taking over of Local authorities

There was no formal handing over of the assets and liabilities as required by the Transitional Authority circular dated 18 February 2013. As a result, the County Government had no records of assets and liabilities owned by the former County Council as well as other outstanding debts.

### Recommendation

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

### 5.2 Bank and Cash balances

The Council operated ten (10) bank accounts whose balances and closure status at various closure dates are as indicated in the table below:

Bank Accounts operated by County Council of Murang'a and their closure position

No	Bank Name	Branch	Account Title	Account Number	Balance as at March, 2013	Balance as at 30 <sup>th</sup> June, 2013	Still operating	Changes of signatories
1	Consolidated Bank	Murang'a	General Rate fund	12002017330	404,730.70	12,376.50	YES	NONE
2	Equity Bank	Murang'a	L.T.T.F A/C	0770298106455	913,725.00		YES	NONE
3	Equity Bank	Murang'a	L.A.T.F	0030101551154	1,196,195.79	124,704.65	YES	NONE
4	Equity Bank	Murang'a	L.A.T.F (Salaries)	0030290419295	1,764,189.95	936.95	YES	NONE
5	Family Bank	Murang'a	Project A/C	006000015983	15,381,021.43	117.95	YES	NONE
6	Family Bank	Murang'a	Renewal Fund	006000013684	260,618.92	242,818.92	YES	NONE
7	Cooperative Bank	Murang'a	K.K.V. A/C	01141055479300	90,136.00	90,136.00	YES	NONE
8	Cooperative Bank	Murang'a	Cess A/C	01120055454100	668,285.60	150,318.25	YES	NONE
9	K.C.B	Murang'a	Poverty	1107258170	5,554.95	3,604.95	No details provided	
10	K.C.B	Murang'a	Poverty	00400272971139				NONE
11	Cooperative Bank	Murang'a	L.A.T.F. A/C	0114105532100	-1,867.35	7,908.70	YES	NONE

However it was noted that all the ten bank accounts remained operational up to 30 June 2013 contrary to the law.

### **Recommendation**

The banks accounts should be closed and balances transferred to County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed proper charge to public funds. Cashbook records should be updated and monthly bank reconciliations done to support the accuracy of the balances.

### **5.3 Debtors**

The County Council of Murang'a handed over all the debtors balances it had as at 30 March 2013 to the County Government of Murang'a. Details of various balances and the outstanding debts are as tabulated below;

<b>Description</b>	<b>As at 28/2/13 Kshs.</b>	<b>As at 30/3/13 Kshs.</b>	<b>Remarks</b>
Single B. Permits	20,376,500	18,249,500	Handed over
Plot rents	63,416,939	64,403,513	Handed over
Cilor	27,183,524	37,427,759	Handed over
Office rent	781,518	694,912	Handed over
KPLC Way leaves	11,238,516	Not Disclosed	Handed over
Advances	-	127,668	Handed over
<b>Total</b>	<b>122,996,997</b>	<b>120,903,352</b>	

Although the handing over of debtors was properly done, debtors balances were not however fully supported. The completeness, accuracy and recoverability of these debts could not therefore be ascertained.

### **Recommendation**

Proper analysis of debts owed to the constituent defunct Local Authorities should be done. Debtors' records should be reconstituted starting with the audited balances as at 30 June 2012 and transferred to debtors' ledger. Monthly debtors' reconciliation should be done.

### **5.4 Recurrent and Development expenditure items - Unsupported Payments**

The Council made payments amounting to Kshs.1,482,072.00. However, the payment vouchers used for the payments were not supported by the relevant supporting documents as detailed below;

<b>P.V. No</b>	<b>Cheque No</b>	<b>Amount Kshs.</b>
1302-0219	112571	400,000.00
1302-0220	112592	500,000.00
1303-0015	02091	400,000.00
1212-0207	02298	136,472.00
1301-0501	02228	<u>45,600.00</u>
		<b><u>1,482,072.00</u></b>

## Recommendations

The County Council of Murang'a should produce the relevant accountable documents for audit verifications.

## 6. County Council of Maragua

### 6.1 Taking over of Local authorities

There was no formal handing over of the assets and liabilities as required by the Transitional Authority circular dated February 2013. As result, the County Government had no records of assets and liabilities owned by the former County Council as well as other outstanding debts.

### Recommendation

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

### 6.2 Bank and cash balances

The Council operated five (5) bank accounts whose balances and status as at various dates are as tabulated below;

<b>County Council of Maragua Bank Accounts status various transactional dates</b>									
<b>No.</b>	<b>Bank Name</b>	<b>Branch</b>	<b>Account status</b>	<b>Account number</b>	<b>Balance as at 28 February 2013</b>	<b>Balance as at 4 March 2013</b>	<b>Balance as at 30 June, 2013</b>	<b>Still operating</b>	<b>Changes of signatories</b>
1	Co-op	Murang'a	Cess	1120055460800	56,024.00	-	-	Yes	No
2	KCB	Makuyu	Salaries	1107304229	98,828.80	8,666,428.80	174,194.80	Yes	No
3	KCB	Makuyu	General A/C	1108585175	1,644,696.56	1,746,666.56	578,167.79	Yes	No
4	KCB	Makuyu	GRF/	1116235269	162,275.00	161,275.00	158,075.00	Yes	No
5	KCB	Makuyu	LATF	1108585434	60,065,856.93	42,903,696.93	44,680.93	Yes	No

However it was noted that all the ten bank accounts remained operational up to 30 June 2013 contrary to the law.

### **Recommendation**

The banks accounts should be closed and balances transferred to the County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed as proper charge to public funds. Cashbook records should be updated and monthly bank reconciliations done to support the accuracy of the balances.

### **6.3 Creditors**

The County Council of Maragua creditors balance that was handed over to the County government as at 28 February 2013 totalled Kshs.2,410,161.00. However, it was observed that the County Council of Maragua did not submit a complete creditor's ledger for its suppliers. It was therefore not possible to authenticate the accuracy of Kshs.2,410, 161.00 shown as the creditors balance that was handed over to the County Government of Murang'a.

### **Recommendation**

The Council should avail the necessary documents for audit verification. In addition the current balance of creditors should be validated, authenticated and properly recorded in the County Government ledgers. The creditors ledger should detail particulars of each creditor and be updated on a regular basis. The creditors balances should be confirmed before effecting any payments.

### **6.4 Land, Motor Vehicles, Plant and Machinery**

#### **i) Fixed Assets Register**

The Fixed Assets Register was not availed by the Council for audit verification.

#### **ii) Motor Vehicles.**

The County Council of Maragua owned nine (9) vehicles which were all handed over to the County Government of Murang'a comprising of four (4) pickups, one (1) saloon car, one(1) tipper lorry, one (1) grader, one (1) motor bike and two (2) other vehicles.

However, it was observed that the nine motor vehicles had not been recorded in the New Fixed Assets Registers of the County Government of Murang'a. In addition the Log books for the nine motor vehicles were not produced for audit verifications;

### **Recommendations**

The Fixed Assets Register should be produced for audit verifications. All the assets from the Defunct Local Authority should be professionally identified, valued and recorded in the County Government of Murang'a's Fixed Assets Register.

## **6.5 Recurrent and Development expenditure - Doubtful Claims on Legal Services**

An amount Kshs.6,759,467.00 was paid for legal services fees on behalf of the defunct Municipal Council of Murang'a and defunct County Council of Maragua to two legal firms. One law firm was paid Kshs.2,067,467.00 through payment voucher No.4/5 of 9 May,2013 and cheque No.004470 in respect of County Council of Maragua while Kshs.4,692,000.00 was paid to another law firm through payment voucher No.5/5 of 9 May,2013 and cheque No.004471.

However, audit verification revealed that these liabilities had not been provided for as outstanding liabilities that were taken over by the County Government of Murang'a. Further, the cases which were presided over by the law firms dates back to the financial year 2011/2012 and earlier years. The authenticity of these charges could not therefore be confirmed.

### **Recommendations**

- The Council should confirm that the above creditors had not been paid for in those years that they had rendered their services to the defunct councils.
- Further, the total expenditure of Kshs.6,759,467.00 should be accounted for by providing the court proceedings of the cases which should be certified true copies by the law courts where the cases were heard.

## **7. Town Council of Makuyu**

### **7.1 Taking over of Local authorities**

There was no formal handing over of the assets and liabilities as required by the Transitional Authority circular dated of 18 February 2013. As result, the County Government had no records of assets and liabilities owned by the former County Council as well as other outstanding debts.

### **Recommendation**

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

### **7.2 Cash and Bank balances**

The Council operated three (3) bank accounts as tabulated below;

No	Bank name	Branch	Account title	Account number	Balance as at March 4, 2013	Balance as at 30 June, 2013	Still operating	Changes of signatories
					Kshs.	Kshs.		
1	Family			005000027457	3,140,430.15	141,883.15	unclear	No
2	Family			0340290357985	190,491.04	760,818.84	unclear	No
3	Family		Salary	005000031362	535,950.10	24,293.19	Unclear	No

However it was observed that all the three bank accounts remained operational up to 30 June 2013 contrary to the law.

### **Recommendation**

The banks accounts should be closed and balances transferred to the County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed proper charge to public funds. Cashbook records should be updated and monthly bank reconciliations done to support the accuracy of the balances.

### **7.3 Creditors**

The outstanding creditors' balance of the Town Council of Makuyu which was handed over to the County Government on 28 February 2013 totalling Kshs.20,189,495.00 remained unpaid until 30 March 2013. Despite the seamless handing over, all the balances were not fully supported.

The current balance of creditors should be validated, authenticated and properly recorded in the County Government ledgers. The creditors ledger should detail particulars of each creditor and be updated on a regular basis. The creditors' balances should be confirmed before effecting any payments.

### **7.4 Recurrent and Development expenditure - Unsupported accountancy non-practicing allowance**

Audit review of the Town Council expenditure revealed that accountancy non-practicing allowance was over paid to 2 officers from Town Council of Makuyu amounting to Kshs.100,000.00 between December 2012 and April 2013. No explanation was given for the irregularity.

### **Recommendation**

The amounts should be recovered from the officers.

## 8. Town Council of Maragua

### 8.1 Taking over of Local authorities

Similarly, as reported in other cases, there was no formal handing over of its assets and liabilities as required by the Transitional Authority circular dated 18 February 2013. As a result, the County Government had no records of assets and liabilities owned by the former County Council as well as other outstanding debts.

#### Recommendation

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

### 8.2 Cash and Bank balances

The Council operated four (4) bank accounts whose status and the balances are tabulated below;

No	Bank Name	Account Title	Account Number	Balance as at 4 March 2013 Kshs.	Balance as at 30 June, 2013 Kshs.	Changes of Signatories
1	Equity	LATF	0220200086803	584,536.00	25,058.26	No
2	Equity	GRF	0220200086804	1,452,261.88	176,852.88	No
3	Family	R/Fund	006000015147	9,900.00	20,000.00	No
4	Equity	KKV	0220296870066	748.00	748.00	No

However it was observed that all the four bank accounts remained operational up to 30 June 2013 contrary to the law.

#### Recommendation

The banks accounts should be closed and balances transferred to the County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed as proper charge to public funds. Cashbook records should be updated and monthly bank reconciliations done to support the accuracy of the balances.

## **9. Town Council of Kandara**

### **9.1 Taking over of Local authorities**

As was the case with all other defunct local authorities there was no formal handing over to the County Government of its assets and liabilities as required by the Transitional Authority circular dated 18 February 2013. As a result, the County Government had no records of the assets and liabilities owned by the former County Council as well as other outstanding debts.

#### **Recommendation**

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

### **9.2 Cash and Bank balances**

The Council operated four (4) bank accounts which however remained operational up to 30 June 2013 contrary to the law.

#### **Recommendation**

The banks accounts should be closed and balances transferred to the County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed as proper charge to public funds. Cashbook records should be updated and monthly bank reconciliations done to support the accuracy of the balances.

### **9.3 Creditors**

The outstanding creditors balance of the Town council of Kandara which was handed over to the County Government on 28 February 2013 totalling Kshs.7,999,502.00 remained unpaid as at 30 March 2013. Despite the seamless handing over of these debts, all the balances were not fully supported.

#### **Recommendation**

The current balance of creditors should be validated, authenticated and properly recorded in the County Government ledgers. The creditors ledger should detail particulars of each creditor and be updated on a regular basis. The creditors balances should be confirmed independently before effecting any payments.

## **10. Town Council of Kangema**

### **10.1 Taking over of Local authorities**

As was the case with all the defunct Local Authorities, there was no formal handing over of the assets and liabilities of the Town Council of Kangema as required by the Transitional Authority circular dated 18 February 2013.

#### **Recommendation**

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

### **10.2 Cash and Bank balances**

The Council operated four (4) bank accounts which however remained operational up to 30 June 2013 contrary to the law.

#### **Recommendation**

The banks accounts should be closed and balances transferred to County Revenue Account. Expenditure incurred during the period should also be investigated and confirmed proper charge to public funds. Cashbook records should be updated and monthly bank reconciliations done to support the accuracy of the balances.

### **10.3 Creditors**

The outstanding creditors balance of the Town Council of Kangema which was handed over to the County Government on 28 February 2013 totalling Kshs.11,566,794.00 remained unpaid as at 30 March 2013. Despite the seamless handing over of these debts, all the balances were not fully supported.

#### **Recommendation**

The current balance of creditors should be validated, authenticated and properly recorded in the County Government ledgers. The creditors ledger should detail particulars of each creditor and be updated on a regular basis. The creditors balances should be confirmed before effecting any payments.

### **10.4 Recurrent and Development expenditure**

#### **i) Unsupported Payment on Consultancy Services**

During the transition period payment amounting to Kshs.1,110,816.00 was made to a firm of surveyors as survey fees. The contractual agreement was however not availed

to confirm the number of plots meant to be surveyed. Further, no document was availed to confirm that the exercise was performed and completed as agreed between the Council and the surveyor.

### **Recommendation**

The Council should provide the contractual agreement with the surveyor for audit verification or the amount be recovered from the firm.

### **iii) Doubtful Mileage Claims**

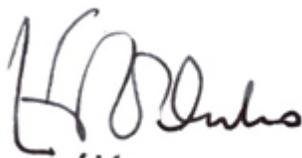
Mileage allowance amounting to Kshs.70,000.00 was paid to one officer while travelling from Kangema to Nairobi on diverse dates between 20 December 2012 and 6 February 2013. However there was no authority or minutes were attached to the payment vouchers to authenticate the use of a personal car for official duties.

### **Recommendations**

The Council should provide the authorising document for use of the private car for official duties or the amount be recovered from the officer concerned.

### **Conclusion**

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



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

**Nairobi**

**13 March 2014**