

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT**

**OF**

**THE AUDITOR–GENERAL**

**ON THE**

**FINANCIAL OPERATIONS**

**OF**

**THE COUNTY GOVERNMENT OF**  
**UASIN GISHU AND ITS DEFUNCT**  
**LOCAL AUTHORITIES**

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

## Table of Contents

EXECUTIVE SUMMARY .....	1
1.0 Introduction .....	1
2.0 Audit Objectives .....	1
3.0 Key Audit Findings .....	2
Uasin Gishu County Executive .....	2
3.1 Failure to Take Over Former Local Authorities by the County Government .....	2
3.2 Cash and Bank Balances .....	2
3.3 Debtors' Records .....	2
3.4 Current Creditors .....	2
3.5 Motor Vehicles and Office Equipment .....	3
3.6 IPPD Payroll and Establishment .....	3
3.7 Procurement - Irregular Procurement of Goods and Services .....	3
3.8 Revenue Collection and Recording .....	4
3.9 ICT and G-Pay .....	4
UASIN GISHU COUNTY ASSEMBLY .....	6
3.10 Handing Over of Defunct Local Authority .....	6
3.11 Establishment and Payroll Records .....	7
3.12 Recurrent Expenditure – Funding .....	7
3.14 Procurement .....	7
3.14 Handing Over to County Government .....	8
3.15 Cash and Bank Balances .....	8
3.16 Debtors' Balances .....	9
3.17 Creditors Balances .....	9
3.18 Motor Vehicles and Office Equipment .....	9
3.19 Establishment and Personnel .....	10
3.20 Unbanked Revenue .....	10
COUNTY COUNCIL OF WARENG .....	10
3.21 Handing Over to County Government .....	10
3.22 Cash and Bank Balances .....	11
3.23 Establishment .....	11

3.24	Procurement and Procurement Procedures -Award of Non-Responsive Tenders.....	11
	TOWN COUNCIL OF BURNT FOREST .....	12
3.25	Handing Over to County Government.....	12
3.25.1	Cash and Bank Balances - Non-Closure of Bank Accounts .....	12
3.26	Debtors' Balance .....	12
3.27	Creditors' Balance .....	13
3.28	Establishment - Casual Employees .....	13
3.29	Procurement and Procedures - Local Authority Transfer Funds (LATF) Projects .....	13
3.30	Unbanked Revenue.....	13
	Conclusion .....	14
1.0	Audit Objectives .....	15
	UASIN GISHU COUNTY EXECUTIVE .....	16
2.0	Audit Findings .....	16
2.1	Handing Over and Taking-Over of Defunct Local Authorities by the .....	16
2.2	Cash and Bank Balances .....	16
2.3	Debtors and Creditors .....	17
2.4	Motor Vehicles and Office Equipment.....	17
2.5	IPPD Payroll and Establishment Records.....	18
2.6	Recurrent and Development Expenditure .....	18
2.7	ICT and G-Pay .....	20
2.8	Revenue Collection and Recording .....	21
	UASIN GISHU COUNTY ASSEMBLY .....	21
3.0	Handing Over of Defunct Local Authority.....	21
3.1	Establishment and Payroll Records.....	22
3.2	Recurrent Expenditure.....	22
3.3	Procurement and Procurement Procedures.....	23
3.4	ICT and G-Pay - Non Implementation of IFMIS .....	24
	DEFUNCT MUNICIPAL COUNCIL OF ELDORET .....	25
3.5	Handing over and Taking – Over of Defunct Local Authorities by the County Government.....	25
3.6	Cash and Bank Balances .....	25
3.7	Debtors and Creditors Balances.....	26

3.9	Motor Vehicles and Office Equipment.....	28
3.10	Establishment and Personnel Records.....	28
3.12	Unbanked Revenue.....	29
	DEFUNCT COUNTY COUNCIL OF WARENG .....	30
4.0	Handing Over and Taking Over of Defunct Local Authorities by the County Government .....	30
4.1	Cash and Bank Balances .....	30
4.1.1	Establishment - Casual Employees .....	31
4.2	Procurement and Procurement Procedure .....	32
	Defunct Town Council of Burnt Forest.....	33
4.3	Handing Over and Taking Over of the Defunct Council .....	33
4.4	Cash and Bank Balances .....	33
4.5	Debtors .....	34
4.7	Establishment.....	34
4.8	Procurement and Procurement Procedures.....	35
4.9	Unaccounted for Revenue.....	36
	Conclusion .....	37

# **REPORT OF THE AUDITOR-GENERAL ON THE OPERATIONS OF UASIN GISHU COUNTY GOVERNMENT AND ITS DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD 1 JANUARY 2013 TO 30 JUNE 2013**

## **EXECUTIVE SUMMARY**

### **1.0 Introduction**

**1.1** The Auditor-General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution and Public Audit Act, 2003. Further, the County Government Act, 2012 replaced the Local Government Act, Cap 265, 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 objective of the special audit exercise was to ensure existence of a seamless transition process and proper systems for accountability of public resources before, during and after transition to County Governments.

### **2.0 Audit Objectives**

The audit covered the Uasin Gishu County Executive, County Assembly, the defunct Municipal Council of Eldoret, County Council of Wareng and Town Council of Burnt Forest transactions for the period 1 January to 30 June, 2013 and took into account transactions before, during and after the transition period. The terms of reference set for the audit included verifications and confirmations of transactions in respect of but not limited to the following areas:

- Taking over of the former Local Authorities
- Cash and bank balances
- Debtors' and suppliers' balances
- Motor vehicles and office equipment
- IPPD Payroll and establishment
- Recurrent and development expenditure items
- Procurement and procurement procedures
- ICT and G-Pay System

**2.1** The audit teams faced several constraints during the 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.

### **3.0 Key Audit Findings**

#### **Uasin Gishu County Executive**

##### **3.1 Failure to Take Over Former Local Authorities by the County Government**

The County Government of Uasin Gishu had not officially taken over the assets and liabilities of the defunct Municipal Council of Eldoret, County Council of Wareng and Town Council of Burnt Forest as at the time of audit in August 2013, contrary to instructions issued by the former Ministry of Local Government vide Circular No. MLG/1333/TY/52 dated 18 February 2013.

The Transition Authority should make arrangement to have the chief officers of the defunct local authorities officially hand over the assets and liabilities of the former Councils.

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

The County Executive did not maintain proper and up to date Cash books for the five bank accounts that were opened, four with the Central Bank of Kenya and one with the Kenya Commercial Bank. In addition, no bank reconciliations were prepared. As at 30 June 2013, the total cash in these accounts totalled Kshs.122,217,650.75.

The management should ensure that proper cashbooks are maintained for all the bank accounts and bank reconciliation statements prepared monthly. In addition, all the bank accounts of the defunct councils should be closed and the balances paid into the county government revenue account.

##### **3.3 Debtors' Records**

The County Government did not maintain debtors' records such as debtors ledger or register. Further, there was no information regarding the debtors inherited from the defunct Municipal Council of Eldoret, County Council of Wareng and Town Council of Burnt Forest local authorities since the handing over had not been done.

##### **3.4 Current Creditors**

The County Government did not maintain proper creditors' records including the individual creditors' files to support the creditors' balance of Kshs.4,168,990.00 outstanding as at 30 June 2013. Further, there was no information relating to the creditors that were taken over from the defunct Local Authorities as the handing over was yet to be done.

The management should ensure proper recording of creditors, have them verified and updated on regular basis to ensure that only genuine creditors are recorded and paid.

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

There was no proper taking over of motor vehicles and office equipment from the defunct Local Authorities. The County Government did not maintain assets register to show the motor vehicles and office equipment taken over from the defunct local authorities and those acquired between March and 30 June 2013.

### **3.6 IPPD Payroll and Establishment**

The County Government had not implemented IPPD by 30 June 2013 although it had been installed and staff trained. Payrolls were prepared by the defunct Local Authorities using LAIFOMS and paid by the Executive. The County Government had also not carried out staff head count and officially taken over staff of the defunct Councils. Management should carry out a staff head count to ensure that ghost workers are not inherited from the defunct Local Authorities. Further, critical job evaluation and assessment should be undertaken to facilitate deployment of key staff to relevant departments.

#### **i) Recurrent and Development Expenditure – Funding**

The County Government did not utilise an amount of Kshs.31,427,121.00 or approximately 17% of the recurrent receipts of Kshs.185,518,698.00 received from the National Treasury for both County Executive and County Assembly. In addition an amount of Kshs.61,592,200.00 for development was not utilised. The management should ensure that the necessary committees are established to hasten decision making process so that funds are applied towards the purpose for which they were appropriated.

### **3.7 Procurement - Irregular Procurement of Goods and Services**

Payments totalling Kshs.37,958,378.00 were irregularly paid in advance in respect of supply of furniture, computer and hardware material that had not been delivered contrary to Government Financial Regulations and Procedures. An additional payment of Kshs.3,540,378.00 was made to a construction company in respect of fencing a public utility at Kapsoya in advance and without either Bills of Quantities (BQs) or contract. As at the time of audit in August, 2013, the fencing had not been done.

Management should adhere to government financial regulations and procedures and ensure that payments are only made in respect of goods and services that have been supplied and received. Further, evidence of subsequent delivery of the goods should be provided for audit confirmation, and should include pre-

delivery inspection report. All payments made during the transition period should be investigated and any ineligible expenditure recovered from the culpable officers.

### **3.8 Revenue Collection and Recording**

LAIFOMS was used in recording of revenue and same banked to revenue collection account. However, incidences of under banking were noted due to the fact that the cashiers were not posting the bank-in-slips after depositing the money in the bank.

Internal controls should be strengthened in future to avoid possible loss of revenue through pilferages. In addition, management should liaise with the IFMIS Directorate to fast-track the implementation of C-IFMIS to integrate the Revenue Module of LAIFOMS and IFMIS to ensure that all revenue collected by the County is reflected in IFMIS thereby promoting accountability of the funds.

### **3.9 ICT and G-Pay**

#### **i) Implementation of the IFMIS, G-pay and IPPD**

Uasin Gishu County Government had implemented IFMIS and G-Pay. However, only two modules of IFMIS were in use i.e. Plan to Budget and Procure to Pay. Payroll processing and revenue recording were still done through LAIFOMS which was in use by the defunct Municipal Council of Eldoret and County Council of Wareng. Although the County Government was connected to internet using modems, it was experiencing some significant down time due to inability to access the IFMIS and G-Pay servers which are located in Nairobi.

As at the time of audit in August 2013, IPPD had been installed but not operationalized as data migration and cleansing was still on. Despite the few challenges, the County had received the computers, software and had trained staff on IPPD, and is thus considered ready to use IPPD in full and should now run the payroll using IPPD.

#### **ii) Hardware**

In terms of hardware, Uasin Gishu County received fifteen (15) computers from The National Treasury for IFMIS purpose and one machine was dedicated for G-PAY. Three (3) Orange Modems were received by the County for IFMIS and the orange signal within Eldoret town was reliable. The County had in place two (2) operating servers and had Local Area Networks in two offices. However, there was no established Wide Area Network at the County to connect various Sub-County offices.

### **iii) Software**

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

In terms of applications in place, the County had started utilizing two modules of the Integrated Financial Management Information System (IFMIS); Plan to Budget and Procure to Pay. However, the County was experiencing significant downtime because the IFMIS and G-Pay servers in Nairobi at times were inaccessible.

### **iv) Training of County Staff**

Twelve (12) County staff were trained on IFMIS at the Kenya School of Government and there were two (2) officers nominated from ICT Department. Considering all the above issues, the County is considered ready to fully utilize IFMIS.

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

LAIFOMS had been installed in 2 former Local Authorities: Eldoret Municipal Council and Wareng' County Council but Burnt Forest Town Council had no system in place. The Receipting and the Personnel Management Modules were the only active modules since the Expenditure Module was automatically disabled from July 1, 2013.

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

The County had installed the IPPD system but at the time of assessment the County was yet to pay its employees using the system. Instead the County was using LAIFOMS payroll to process salaries to its staff though employees' bio data had been migrated to IPPD.

However, the data that was migrated into IPPD from LAIFOMS had the following integrity issues:

- Incorrect KRA Personal Identification Numbers.
- Employees whose details showed that they had been employed when they were below the statutory age of 18.
- Incorrect ages at employment.
- Some officers' ID Numbers in IPPD were different from what was migrated from LAIFOMS.

- Officers whose statuses in LAIFOMS were either, resigned, retired, terminated or deceased yet they were on the August IPPD payroll. However, these officers did not receive any salary.

Since the County had received the computers, software and had trained staff on IPPD, it is considered ready to use IPPD in full and should now run the payroll using IPPD.

#### **vii) IT Control Environment And ICT Governance**

- The IT section had five (5) personnel and there were defined roles and responsibilities on how to oversee the IT operations.
- From the approved 2013/14 County budget, the ICT department was allocated Kshs.90,126,214 with Kshs.80,000,000 being allocated to capital expenditure.
- The County had an Executive Member who would solely be in charge of Finance and ICT.
- Although the County had been able to come up with a County ICT Framework which illustrated the intended future plans for the ICT Department, the County was yet to develop and implement some of the key ICT documents including; ICT policies and procedures, ICT Strategic Plan, Business Continuity Policies (BCP) and Disaster Recovery Plans (DRP). There was also no ICT Steering Committee in place.
- The server room did not have adequate physical access and environmental controls.

### **UASIN GISHU COUNTY ASSEMBLY**

#### **3.10 Handing Over of Defunct Local Authority**

All Local Authorities ceased to exist effective 4 March 2013 after the general election. According to the Transition to the Devolved Government Act, 2012, Local Authorities were supposed to prepare a detailed listing of assets, liabilities and staff to facilitate handing over to the County Governments in their region of jurisdiction. Although the Uasin Gishu County Assembly took possession of the premises and some equipment of the defunct County Council of Wareng, no handing over was done by 28 February 2013 and even as at the time of audit in August 2013. Arrangements should be made by the Transition Authority to have

the assets and liabilities of the defunct local authorities officially handed over to the County Government.

### **3.11 Establishment and Payroll Records**

Personnel records were properly maintained. The payroll was prepared by the defunct County Council of Wareng in LAIFOMS and paid by the Executive. The monthly wage bill for the sixty three (63) employees of the defunct County Council of Wareng amounted to Kshs.4,346,135.00 while that of 30 MCAs and one speaker totalled to Kshs.2,601,000.00. However, the head count had not been carried out to determine the staffs that were to be taken over by the County Assembly.

### **3.12 Recurrent Expenditure – Funding**

The County Assembly received an amount of Kshs.102,416,654.00 from County Treasury for recurrent expenses and incurred expenditures amounting to Kshs.80,943,137.00 and bank charges of Kshs.10,900.00. The surplus of Kshs.21,462,017.00 was paid back to the Treasury on 5 July 2013.

### **3.13 Standing Imprest**

Petty cashbooks for imprest were not maintained and several imprests were issued to the same officers before accounting for previous imprests contrary to Government Financial Regulations and Procedures. The County Government should ensure that imprests issued are surrendered or accounted for before the closure of the financial year.

### **3.14 Procurement**

#### **i) Irregular payment for Un-delivered Vehicles**

An amount of Kshs.40,999,990.00 was paid to motor vehicle dealers on 28 June 2013 for supply of six motor vehicles before the vehicle were delivered. Three of the vehicles were delivered in July and the last three in October 2013. No reason was provided for making payment in advance before delivery of the vehicles. The County Government should ensure that future payments are effected in accordance with the Government Financial Regulations and Procedures.

#### **ii) Single Sourcing of Motor Vehicle Insurance**

The County Assembly procured Insurance covers for six (6) new motor vehicles for Kshs.2,093,073.00 without going through competitive bidding process. In addition, the payment was made to an Insurance company on 29 June 2013 while the vehicles were supplied in July and October, 2013. No reason was provided for paying for insurance for vehicles that had not been supplied.

It is recommended that 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.

### **iii) Stores Records**

Further, stores records were not maintained. Consequently, hardware materials and other building materials worth Kshs.607,800.00 and Kshs.1,141,000.00 respectively supplied in June 2013 were not recorded in stores ledgers. The County Government should ensure that systems are developed which will facilitate proper recording and management of stores and inventory to prevent loss or misappropriation of public property.

## **MUNICIPAL COUNCIL OF ELDORET**

### **3.14 Handing Over to County Government**

The defunct Municipal Council of Eldoret had not officially handed over the assets and liabilities to the County Government as at the time of audit in August 2013, contrary to instructions issued by the former Ministry of Local Government vide Circular No. MLG/1333/TY/52 dated 18 February 2013.

The Transition Authority should make arrangement to have the chief officers of the defunct Local Authority officially hand over the assets and liabilities of the former Council to the County Government.

### **3.15 Cash and Bank Balances**

The defunct Council neither maintained proper cashbooks nor balanced them on daily basis as required by the Government Financial Regulations and Procedures. Further no bank reconciliations were done and thus it was not possible to confirm the balances outstanding as at 28 February 2013 when these accounts were supposed to be closed.

Further a review of LAIFOMS system at the Eldoret Municipal Council revealed that there was an under banking of Kshs.91,037,673.00 for the period 1 January to 4 March 2013 and an under banking of Kshs.199,673,618.00 for the period 5 March to 2 September, 2013 as follows:

	<b>Under-bankings in LAIFOMS</b>		
	1 Jan-4 Mar. 2013 (Kshs)	5 Mar-2 Sept.2013 (Kshs)	Total (Kshs)
Eldoret Municipal Council	91,037,673.00	199,673,618.00	290,711,291.00

One cause of under banking was that most of the times the cashiers were not remitting the bank-in-slip after depositing the money in the bank accounts.

It is recommend that the accounting officer should ensure that all bank accounts for the former Local Authorities are closed and the balances transferred to the County Revenue Account. The County Government management should ensure that proper cashbooks are maintained and reconciled monthly. The accounts maintained by the former Local Authorities should also be reconciled to ascertain the closing balances. Revenue collections should be banked intact and promptly. The County Government should ensure that a receipts cashbook is maintained where revenue collected is promptly recorded and strong internal control system put in place to ensure proper accountability of revenue at every stage in the revenue collection cycle. The County Government should consider automating revue collection and recoding.

### **3.16 Debtors' Balances**

There were no proper and up to date debtors' records maintained. Debtors Balance of Kshs.1, 325,489,333.00 was outstanding as at 28 February 2013 all of which related to 2011/12 and earlier years and there was no evidence of efforts being made to have them collected. The management should ensure debtors' registers/ledgers are updated and proper listing of debtors done to ensure accuracy of the balances to be transferred to the County Government and recoverability.

### **3.17 Creditors Balances**

No proper creditors' records were maintained. However, information available showed that a law firm is owed a total of Kshs.132,518,933.90 for representing the defunct Council in various court cases. However, there was no information as to how the firm was contracted and the fee charged determined. The Management should ensure that the creditors' ledgers are up to date and individual accounts reconciled so that correct balances are handed over to the County Government.

### **3.18 Motor Vehicles and Office Equipment**

The Fixed Assets Register was not updated. Twelve (12) vehicles were not recorded in the Fixed Assets Register while five (5) vehicles donated by JICA on

un-specified dates had not been registered in the name of the former Council or the County Government. Consequently it was not possible to ascertain the value of the motor vehicles and office equipment that were to be handed over to the County Government.

The management should ensure that proper and up to date fixed assets register is maintained and all vehicles received from donors registered in the name of the County Government and recorded in the register.

### **3.19 Establishment and Personnel**

As at 30 June 2013 a staff head had not been carried out. The defunct Council had eight hundred and thirty nine (839) employees all of who were taken over by the county government. During the month of June 2013 seventy nine (79) employees earned less than a third of their gross basic salary contrary to the provisions of the Employment Act, 2007.

The management should carry out a staff head count in order to ensure that no ghost workers are transferred or inherited from the defunct Local Authorities. In addition, the Employment Act, 2007 should be adhered to. It is also important that job evaluation and assessment is undertaken to facilitate deployment of key staff to relevant departments and also guide in recruitment of staff with required skills and knowledge.

### **3.20 Unbanked Revenue**

Revenue amounting to Kshs.5,095,317.00 collected between January and February 2013 and Kshs.17,952,074.00 collected between March and June 2013 were not banked intact. No reason was provided for not adhering the Government Financial Regulations and Procedures which require that all revenue is banked intact. The management should ensure that all unbanked revenue is properly accounted for and that future revenue collected is banked intact.

## **COUNTY COUNCIL OF WARENG**

### **3.21 Handing Over to County Government**

All Local Authorities ceased to be effective 4 March 2013 after the general election. According to the Transition to the Devolved Government Act, 2012, Local Authorities were supposed to prepare a detailed listing of assets, liabilities and staff to facilitate handing over to the County Governments in their region of jurisdiction. No handing over was done by 28 February 2013, and even as at the time of audit in August 2013. Arrangements should be made by the Transition Authority to have the assets and liabilities of the defunct Local Authorities officially handed over to the County Government.

### 3.22 Cash and Bank Balances

The defunct Council operated four bank accounts which had total credit balance of Kshs.14,039,575.35 as at 28 February 2013. The accounts were not closed on 28 February as instructed by the Transition Authority.

Further a review of the County Council of Wareng' LAIFOMS revealed that there was an under banking of Kshs.2,665,927.00 for the period 5 March to 2 September, 2013 as follows:-

	<b>UNDERBANKINGS(OVER BANKING) IN LAIFOMS</b>		
	1 Jan-4 Mar. 2013 (Kshs)	5 Mar-2 Sept.2013 (Kshs)	Total (Kshs)
County Council of Wareng'	(22,444.00)	2,665,927.00	2,643,483.00

It is recommended that the accounting officer should ensure that all bank accounts for the former Local Authorities are closed and the balances transferred to the County Revenue Account. The County Government management should ensure that proper cashbooks are maintained and reconciled monthly. The accounts maintained by the defunct County Council of Wareng should also be reconciled to ascertain the closing balances. Revenue collections should be banked intact and promptly. The County Government should ensure that a receipts cashbook is maintained where revenue collected is promptly recorded and strong internal control system put in place to ensure proper accountability of revenue at every stage in the revenue collection cycle. The County Government should consider automating revue collection and recording.

### 3.23 Establishment

#### 3.23.1 Casual Employees

Nineteen (19) casual employees were engaged without evidence of contract or agreements contrary to Employment Act, 2007. The County Government should carry out an audit of the personnel inherited from the defunct Council to ascertain the optimum staff and skills requirements.

### 3.24 Procurement and Procurement Procedures -Award of Non-Responsive Tenders

The defunct County Council of Wareng on 15 February 2013 awarded three contracts amounting to Kshs.6,134,190 to three (3) construction firms to carry out various construction works within the Council. However the bids were non-

responsive and should have been re-advertised due to the following shortcomings :

- Three (3) construction contracts were awarded although the minimum number of at least 3 bids was not met.
- In one instance there was only one quotation while in the other two, there were two quotations for each.

It is recommended that all future procurement of goods and services should be done in accordance with the Public Procurement and Disposal Act, 2005 and related 2006 Regulations.

## **TOWN COUNCIL OF BURNT FOREST**

### **3.25 Handing Over to County Government**

All Local Authorities ceased to be on effective 4 March 2013 after the general election. According to the Transition to the Devolved Government Act, 2012, Local Authorities were supposed to prepare a detailed listing of assets, liabilities and staff to facilitate handing over to the County Governments in their region of jurisdiction.

No handing over was done by 28 February 2013 and even as at the time of audit in August 2013. Arrangements should be made by the Transition Authority to have the assets and liabilities of the defunct Local Authorities officially handed over to the County Government.

#### **3.25.1 Cash and Bank Balances - Non-Closure of Bank Accounts**

The defunct Council had three (3) bank accounts with a total credit balance of Kshs.16,838.15 as at 30 June 2013. The accounts continued to operate beyond 28 February 2013. However, this was done with the authority of the County Government to former Chief Officers to operate the bank accounts after 4 March 2013 while the County Government arranged to open new accounts. The accounts should be closed without further delay.

### **3.26 Debtors' Balance**

The debtors' balance of 45,800,275.00 was not analysed. Further, no proper debtor's records were maintained. Consequently, the debtors balance that was to be handed over to County Government could not be confirmed. Appropriate systems for recording debtors by the County Government should be developed in order to ensure accuracy of balances. Also, a debt collection policy should be put in place to facilitate collection of County debts as and when they fall due.

### **3.27 Creditors' Balance**

The creditors' balance of Kshs.924,000.00 was not supported by any record or documentation thus the validity could not be confirmed. The Management should ensure that the creditors' ledgers are up to date and individual accounts reconciled so that correct balances are handed over to the County Government.

### **3.28 Establishment - Casual Employees**

Three (3) casual employees were irregularly engaged in June 2013 by former Chief Officers of the defunct Council without the authority of the County Government. Copies of letters of appointment were also not provided for audit verifications. The County Government should carry out an audit of the personnel inherited from the defunct Council to ascertain the optimum staff and skills requirements.

### **3.29 Procurement and Procedures - Local Authority Transfer Funds (LATF) Projects**

Procurement of materials and labour for construction of classrooms at Koiwo Arusei Secondary School and Usalama Primary School at a cost of Kshs.565,438.00 and Kshs.560,320.00 respectively was done through single sourcing instead of competitive bidding process as required by the Public Procurement and Disposal Act, 2005 and 2006 Regulations.

The former Chief Officers withdrew cash and paid for materials and labour cost in cash contrary to Government Financial Regulations and Procedures. However, there was no record kept for materials procured worth Kshs.853,258.00 before taking them on site.

Further, the expenditure of Kshs.1,125,758.00 spent on the two schools exceeded the approved budget of Kshs.900,000.00 by Kshs.225,758.00.

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

### **3.30 Unbanked Revenue**

Revenue amounting to Kshs.430,209.95 collected between January and June 2013 was not banked promptly and intact contrary to the Government Financial Regulations and Procedures. No explanation was provided as to how the unbanked revenue was utilised. Revenue received or collected should be banked intact in accordance with government financial regulations and procedures.

## **Conclusion**

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

The detailed audit findings are contained in the main audit report herewith appended.



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

**Nairobi**

**26 February 2014**

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

## **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.

## **UASIN GISHU COUNTY EXECUTIVE**

### **2.0 Audit Findings**

#### **2.1 Handing Over and Taking-Over of Defunct Local Authorities by the County Government**

All local authorities ceased to be effective 4 March 2013 after the general election. According to the Transition to the Devolved Government Act, 2012, Local Authorities were supposed to prepare a detailed listing of assets, liabilities and staff to facilitate handing over to the County Governments in their region of jurisdiction. No handing over was done by 28 February 2013 and even as at the time of audit in August 2013.

#### **Recommendation**

- The Transition Authority should ensure that former Chief Officers of the defunct Local Authorities properly hand over the assets and liabilities.
- There should be full disclosure of the former Councils' outstanding debts to ensure that the County Government only inherits genuine debts.

#### **2.2 Cash and Bank Balances**

The County Government opened and operated five (5) bank accounts; four with the Central Bank of Kenya and one with the Kenya Commercial Bank. As at 30 June 2013, the bank accounts had the following balances:

<b>Bank and Account No.</b>	<b>Account Type</b>	<b>Balance (Kshs)</b>
1000171785-CBK	Revenue Fund	18,207,866.35
1000171316-CBK	Recurrent	30,589,529.25
1000171294-CBK	Development	61,592,200.00
1000174889-CBK	County Imprest A/C	2,000,000.00
1141856689-KCB	Revenue Collection A/C	9,828,055.15

However, proper and up to date cashbooks were not maintained and reconciled monthly as required by the provisions of the Government Financial Regulations and Procedures.

No additional information was available to show how the balances available as at 30 June 2013 were treated.

## **Recommendation**

- The management should ensure that proper and up to date cashbooks are maintained and reconciled monthly as required by the Government Financial Regulations and Procedures so as to take timely corrective measures.
- The County Government should ensure that cash board of survey is conducted at the closure of every financial year.

### **2.3 Debtors and Creditors**

#### **2.3.1 Debtors**

The County Government did not maintain debtors' ledgers during the period March to 30 June 2013. There was the risk of the County Government failing to collect debtors due if proper records were not maintained.

Further, it was not been possible to tell how much of the debtors were inherited from the defunct Local Authorities.

#### **2.3.2 Trade Creditors**

Records maintained by the County Government showed Trade Creditors as at 30 June 2013 amounting to Kshs.4,168,990.00 relate to the period March to 30 June 2013.

Proper creditors' records were however, not maintained including the individual creditors' files. In addition, the creditors ledger was not up to date.

Further, there was no information relating to the creditors that were taken over from the defunct Local Authorities as the handing over was yet to be done. In the absence of such details, it was not possible to confirm the correctness of the creditors balance.

## **Recommendation**

- Debtors' register and ledger should be maintained and updated in order to ensure accuracy and recoverability of the debts.
- The County Government should introduce a system for properly recording the details of each creditor which should be verified and updated on a regular basis. This will ensure that only genuine creditors are entered in the records and consequently paid by the County Government.

### **2.4 Motor Vehicles and Office Equipment**

The County Government did not maintain an assets register to show the motor vehicles and office equipment taken over from the defunct Local Authorities and

those acquired between March and 30 June 2013. Failure to maintain such a record may result in the County Government losing the assets.

### **Recommendation**

- The management should ensure that a proper and up to date Fixed Assets Register is maintained. All assets of the County Government should be marked and recorded in the register.

## **2.5 IPPD Payroll and Establishment Records**

The County Government had not implemented IPPD by 30 June 2013. Payrolls were prepared by defunct Local Authorities using LAIFOMS and paid by the Executive. The County Government had also not carried out a staff head count and officially taken over the staff of the defunct Councils.

The County Executive payroll had only the Governor and Deputy Governor and was also prepared in LAIFOMS.

### **Recommendation**

- The management should carry out a staff head count in order to ensure that no ghost workers are inherited from the defunct Local Authorities.
- Critical job evaluation and assessments should also be undertaken to facilitate deployment of key staff to relevant departments. This will also assist in identification of skill gaps and recruitment of staff with the required skills and qualifications.

## **2.6 Recurrent and Development Expenditure**

### **i) Funding**

The County Government of Uasin Gishu received a total of Kshs.257,110,898.00 from the National Treasury during the financial year 2012/2013. The funding was for both development and recurrent expenditure for both the County Executive and County Assembly and was received as follows:

<b>Nature of Expenditure</b>	<b>Date</b>	<b>Amount (Kshs)</b>
Recurrent	31.05.2013	78,207,480.00
Recurrent	10.06.2013	58,655,610.00
Recurrent	25.06.2013	58,655,608.00
Development	27.06.2013	<u>61,592,200.00</u>
<b>Total</b>		<b><u>257,110,898.00</u></b>

The recurrent disbursements totalling Kshs.195,518,698 were to finance the budget that was prepared by the Transitional Authority. An amount of Kshs.164,091,577.00 was spent by both the County Government and the County Assembly on recurrent expenses leaving a net surplus of Kshs.31,427,121.00 to be surrendered as exchequer over issue.

The funds meant for development were not utilised and as at 30 June 2013, the bank account reflected the same amount of Kshs.61,592,200.00.

### **Recommendation**

Proper systems and procedures on expenditures should be developed to guide management in approving payments in future.

#### **ii) Procurement and Procurement Procedures - Irregular Payment for Goods and Services not Delivered Kshs.34,418,000.00**

The County Government of Uasin Gishu made payments amounting to Kshs.34,418,000.00 to various firms as detailed below in respect of supply of goods. The payments were however made up front before the goods were supplied and received by the County Government contrary to Section 5.5.14(C) of the Government Financial Regulations and Procedures.

<b>Date</b>	<b>Payee</b>	<b>Reason for Payment</b>	<b>Amount (Kshs)</b>
29.6.2013	M/s Fraca Servcom	Supply of Furniture	9,695,000.00
28.6.2013	M/s Compusys Office Supplies	Supply of Computers	6,974,000.00
28.6.2013	M/s Eagle Hardware	Supply of Y16 metal Bars	6,669,000.00
30.6.2013	M/s Eagle Hardware	Supply of Furniture	<u>11,080,000.00</u>
<b>Total</b>			<b><u>34,418,000.00</u></b>

i) The reason given for making payments in advance was to avoid surrendering the money to the National Treasury. However, no measures appear to have been put in place to ensure that these firms will supply goods of the specified quality and quantity.

ii) All procurement was done using request for quotations irrespective of the values of some of the items which were in fact over the threshold for request for

quotations method contrary to the provisions of the Government procurement rules and regulations.

### **iii) Irregular Payment for Fencing of Plot at Kapsoya**

A payment of Kshs.3,540,378.00 was made to M/s Damco International Ltd on 28 June 2013 for fencing of a public utility plot at Kapsoya. However, as at the time of audit in August 2013, the contractor had not fenced the plot. Further, no Bills of Quantities were prepared for the works to be done. In addition no contract signed between the contractor and the County Government stipulating the obligation of each party was provided for audit review.

### **Recommendation**

- The Public Procurement and Disposal Act, 2005 and related 2006 and 2013 Regulations requirements should be followed on all procurements made by the County Government.
- Evidence of subsequent delivery of the goods should be provided for audit confirmation, and should include an Inspection and Acceptance Report.

## **2.7 ICT and G-Pay**

### **i) Integrated Financial Management Information Systems (IFMIS)**

Section 8 (2a) of the County Governments Public Finance Management Transition Act,2013 requires the Transition County Treasury to ensure that the financial management system developed by the National Treasury under Section 12 of the Public Finance Management Act, 2012 is effectively applied to facilitate standard financial management, including budgeting, accounting and reporting provided the operation of the financial management system promotes the distinctiveness of the national and county levels of government.

Uasin Gishu County Government had implemented IFMIS and G-Pay. Only two modules of IFMIS were in use i.e. Plan to Budget and Procure to Pay. Payroll processing and revenue recording were still done through LAIFOMS which was in use by the defunct Municipal Council of Eldoret and County Council of Wareng. Although the County Government was connected to internet using modems, it was experiencing some significant down time due to inability to access the IFMIS and G-Pay servers which are located in Nairobi.

As at the time of audit in August 2013, IPPD had been installed but not operationalized as data migration and cleansing was still ongoing.

Despite the few challenges, the County had received the computers, software and had trained staff on IPPD, and is thus considered ready to use IPPD in full and should now run the payroll using IPPD.

### **Recommendations**

- The management should ensure that IFMIS is fully implemented and all modules utilized and all its financial operations automated.
- The management should ensure that all its Sub-County offices are inter-connected to the head office to ensure efficient monitoring of cash and processes.
- The County should operationalize IPPD and carry out a data clean-up of its human resource data to ensure the integrity of the payroll data.
- 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 funds.

### **2.8 Revenue Collection and Recording**

Revenue collected is recorded using the LAIFOMS system and banked into the revenue collection account maintained at the Kenya Commercial Bank, Eldoret from which funds are transferred weekly to the County Revenue Fund Account at the Central Bank of Kenya.

### **Recommendations**

- All revenue collected should be receipted and banked intact in the County Revenue Fund.
- The management should put in place a strong internal control system to ensure existence of proper accountability at every stage in the revenue collection cycle.

## **UASIN GISHU COUNTY ASSEMBLY**

### **3.0 Handing Over of Defunct Local Authority**

All local authorities ceased effective 4 March 2013 after the general election. According to the Transition to the Devolved Government Act, 2012, Local Authorities were supposed to prepare a detailed listing of assets, liabilities and staff to facilitate handing over to the County Governments in their region of

jurisdiction. Although the Uasin Gishu County Assembly took possession of the premises and some equipment of the defunct County Council of Wareng, no handing over was done by 28 February 2013 and even as at the time of audit in August 2013.

### **Recommendation**

- The Transition Authority should ensure that former Chief Officers of the defunct Local Authorities properly hand over the assets and liabilities.
- There should be full disclosure of the former Councils' outstanding debts to ensure that the County Government only inherits genuine debts.

### **3.1 Establishment and Payroll Records**

Personnel records were properly maintained. The payroll was prepared by the defunct County Council of Wareng in LAIFOMS and paid by the Executive. The monthly wage bill for the sixty three (63) employees of the defunct County Council of Wareng amounted to Kshs.4,346,135.00 while that of 30 Members of County Assembly (MCAs) and one speaker totalled Kshs.2,601,000.00. However, a head count had not been carried out to determine the staff of the defunct Council that were to be taken over by the County Assembly.

### **Recommendation**

- The management should carry out staff head count in order to ensure that no ghost workers are inherited from the defunct Local Authorities.
- Critical job evaluation and assessments should also be undertaken to facilitate deployment of key staff to relevant departments. This will also assist in identification of skill gaps and recruitment of staff with the required skills and qualifications.

### **3.2 Recurrent Expenditure**

#### **3.2.1 Funding**

The County Assembly received a total of Kshs.102,416,654.00 from the County Treasury during the period between April and June 2013. It spent Kshs.80,943,137.00 on various expenditure heads and Kshs.10,900.00 as bank charges.

The surplus of Kshs.21,462,607.00 was paid back to the County Treasury on 5 July 2013.

### 3.2.2 Standing Imprest

Records maintained by the County Assembly indicated that standing imprest amounting to Kshs.500,000.00 was issued to the cashier and was supposed to be systematically reimbursed when exhausted.

It was however noted that Petty Cashbook was not maintained as required by Government Financial Regulations and Procedures Section 5.6.8. Further, no proper controls and procedures were put in place on how often the imprest was to be reimbursed. Consequently, the cashier recouped the imprest totalling Kshs.1,500,000.00 three (3) times on 28 June 2013.

#### Recommendation

The management should ensure that Government Financial Regulations and Procedures governing issuance of imprest are adhered to at all times.

### 3.3 Procurement and Procurement Procedures

#### i) Payment for Motor Vehicles Before Delivery and Single Sourcing of Motor Vehicle Insurance Cover

The County Assembly used Ministry of Public Works Circular No. R04/2011-2012 dated 29 November 2011 on supply of motor vehicles to purchase motor vehicles from M/s Toyota Kenya and M/s CAD Motors Ltd. Payments amounting to Kshs.40,999,990.00 were made on 28 June 2013 for supply of six (6) motor vehicles.

However, three vehicles were received in July 2013 and another set of three in October 2013 almost three months after the payments had been made as detailed:

Motor Vehicle	Cost Price (Kshs)	Insurance Premium Amount (Kshs)	Date of Payment	Date of Delivery
1. Toyota Prado KBU731T	10,472,625.00		28/6/2013	July 2013
2. Toyota Rav4 KBU 735T	5,398,698.00	797,177.00	28/6/2013	July 2013
3. Toyota Hiace van KBU 929T	7,189,492.00		28/6/2013	July 2013
4. Toyota Landcruiser KBU 969T	5,979,725.00	1,295,896.00	28/6/2013	October 2013
5. Toyota Landcruiser 970T	5,979,725.00		28/6/2013	October 2013
6. Toyota Landcruiser KBU 968T	5,979,725.00		28/6/2013	October 2013
<b>Total</b>	<b><u>40,999,990.00</u></b>	<b><u>2,093,073.00</u></b>		

## **ii) Single Sourcing of Motor Vehicle Insurance**

The County Assembly procured Insurance covers for six (6) new motor vehicles for Kshs.2,093,073.00 without going through competitive bidding process. In addition, the payment was made to M/s AMACO Ltd on 29 June 2013 while the vehicles were supplied in July and October, 2013.

No reason was provided for paying for insurance for vehicles that had not been supplied.

## **iii) Stores Records**

The County Assembly on 28 June 2013 used pre-qualified suppliers of the defunct County Council of Wareng to procure building materials for refurbishment of the County Assembly building. Bids were received from three (3) firms and after evaluation M/s Rotalink Engineering Co. Ltd was awarded the contract to supply hardware materials worth Kshs.607,800.00 and ballast, sand and timber worth Kshs.1,141,000.00.

It was however, noted that stores records were not maintained and there was no evidence showing that the said goods were received, taken on charge and issued as required by section 18.1 of the Government Financial Regulations and Procedures.

In the circumstances, the propriety of the above expenditure could not be ascertained.

## **Recommendation**

- The provisions of the Public Procurement and Disposal Act, 2005 and the 2006 Regulations should strictly be adhered to when effecting any procurement transactions.
- The management should adhere to the provisions of the Government Financial Regulations and Procedures on management of stores.

## **3.4 ICT and G-Pay - Non Implementation of IFMIS**

The County Assembly did not implement IFMIS or any other efficient software for financial management. However, LAIFOMS is used in revenue recording, payroll processing and debtors management. IPPD had also not been implemented.

No reason has been provided for non-implementation of IFMIS, G-Pay and IPPD yet the County Assembly was supplied with the necessary hardware, software and also staff trained on the same.

## **Recommendation**

The Management should take necessary action to ensure full implementation of IFMIS or any other approved Financial Management System for efficient and effective management of financial operations at the County.

### **DEFUNCT MUNICIPAL COUNCIL OF ELDORET**

#### **3.5 Handing over and Taking – Over of Defunct Local Authorities by the County Government**

All former local authorities including the Municipal Council of Eldoret were required by the Transitional Authority to list all assets, staff and liabilities for onward handing over to the County Governments when they are inaugurated. However, the former Municipal Council of Eldoret had not prepared a list of assets, staff and liabilities and formally handed to the County Government of Uasin Gishu.

In addition, the defunct Municipal Council did not take stock of all the accountable documents taken over and currently in use by the County Government.

## **Recommendation**

The management should ensure that all the assets, staff and liabilities of the defunct council are verified and handed over to the County Government as required.

#### **3.6 Cash and Bank Balances**

The defunct Municipal Council of Eldoret operated thirteen (13) bank accounts, which, according to the Transitional Authority were supposed to be closed on 28 February 2013. It was however noted that these accounts were not closed and continued to operate even as at the time of audit in August 2013. No reason was given for this noncompliance with the instructions.

Further, cash books were not written and balanced on a daily basis as required by the Government Financial Regulations and Procedures. Bank reconciliations were also not done on monthly basis to identify any irregular transactions as required by Section 5.9.2 of the Government Financial Regulations and Procedures. According to the bank statements, these accounts had the following balances:

	<b>Bank Account</b>	<b>Balance 28 Feb 2013 (Kshs)</b>	<b>Balance 30 June 2013 (Kshs)</b>
1	KCB-1102431915- GRF	865,972.00	438,820.00
2	KCB-1102430293-SALARIES	16,223,101.00	7,406,725.00
3	KCB-1102432881-HOUSING	1,413,832.00	1,481,009.00
4	KCB-1125279605-LATF	121,372,854.00	6,622,862.00
5	KCB-1118702662-RENEWAL FUND	1,117,887.00	1,117,887.00
6	KCB-1102471674-ROADS BOARD FUND	664,461.00	14,747.00
7	NBK-01231027665500-KIPKAREN SEWERAGE PROJECT	98,591.00	98,695.00
8	NBK-01242027977700-MAYORS XMAS TREE FUND	No statement	99,945.00
9	STD C. BK-0102017688400-LATF	1,661,108.00	17,305,512.00
10	STD C. BK-0102017688401-COURTS	759,472.00	921,809.00
11	STD C. BK-0152517688400-LATF SAFARI SAVINGS	5,114,903.35	5,161,897.05
12	EQUITY-0300290263429-DRUGS	323,174.10	323,174.10
13	FAMILY-0850004274-FAMILY COURT	No statement	-

In the absence of up to date cashbooks and bank reconciliation statements, the correct position of cash and bank balances could not be confirmed. Further, it was not clear why the former Local Authority was allowed to continue to operate these bank accounts when they were supposed to have been closed by 28 February 2013.

### **Recommendation**

The management should ensure that proper cash books are kept and bank reconciliations prepared on a timely basis as required by the Government Financial Regulations and Procedures.

### **3.7 Debtors and Creditors Balances**

Records maintained by the defunct Municipal Council of Eldoret showed debtors amounting to Kshs.1,325,489,333.00 as at 28 February 2013 which related to 2011/12 and earlier years as below:

<b>Category</b>	<b>Amount Outstanding as at 28 February 2013</b>
Rates outstanding	1,240,788,626.00
Houses/Stalls rent	59,795,267.00
Waived Debtors(pending approval)	22,378,013.00
Imprests Outstanding	2,304,975.00
Salary Advances	<u>222,452.00</u>
<b>TOTAL</b>	<b><u>1,325,489,333.00</u></b>

There was however no evidence of the efforts being made by the management of the former Council to have these debts recovered. Further, there were no records to support these debtors.

### **3.8 Creditors**

The former Municipal Council of Eldoret did not maintain proper creditors' records. As a result, the creditors balance as at 28 February 2013 could not be confirmed. Further, the following unsatisfactory matters were observed:

- i) Information available indicated that a law firm, M/s Gicheru and Company Advocates is owed an amount of Kshs.89,727,880.00 in terms of legal fees. This amount is indicated as being the balance of the fee of Kshs.109,727,880.00 after a payment on account of Kshs.20,000,000.00 which had been made to the firm according to a letter dated 24 May 2013.
- ii) Further, according to Minute No C.9/2012 of the Meeting of the Full Council held on 31 January, 2012, the issue of the legal representation by the firm in this case was deferred pending further consultation on way forward as the issue spans over 30 years back. No further information was available to show how the decision to pay Kshs.20,000,000.00 to the firm was arrived at or when this money was actually paid and when the balance of Kshs.89,727,880 will be paid.
- iii) In another fee demand note dated 24 May 2013, the firm invoiced the County Government of Uasin Gishu an amount of Kshs.42,791,053.90 for representing the former Municipal Council of Eldoret in thirty two (32) cases. However, no details were provided about these cases or how the firm was engaged.
- iv) The Council did not provide information to show how the law firm was engaged to provide the legal services billed at Kshs.152,518,933.90 out of which Kshs.132,518,933.90 was outstanding as at 24 May 2013.

Consequently, the County Government may pay for services that were not actually provided. Further due to improper creditors' records maintained, the risk of double payment is high.

### **Recommendation**

- The management should investigate all the court cases taken over from the defunct Council and renegotiate the legal fee.
- The management should ensure that debtors' registers/ledgers are updated in order to ensure accuracy of the balance to be transferred to the County Government and recoverability.
- The Management should ensure that the creditors' ledgers are up to date and individual accounts reconciled to ensure that correct balances are handed over to the County Government.

### **3.9 Motor Vehicles and Office Equipment**

A review of the fixed assets register showed that the register was not up to date and the following unsatisfactory matters were noted:

- i) Twelve (12) vehicles and trailers had not been entered in the register and thus they may not be properly accounted for or safeguarded against loss:
- ii) Five (5) motor vehicles which were received from JICA on unspecified date were not registered in the name of the Council and were yet to be registered in the name of the County Government and entered in the fixed assets register.

In the absence of an up to date assets register, the assets may be lost without trace.

### **Recommendation**

The management should ensure that proper and up to date Fixed Assets Register is maintained up to date and all vehicles received from donors registered in the name of the County Government and recorded in the Fixed Assets Register.

### **3.10 Establishment and Personnel Records**

The former Municipal Council of Eldoret had eight hundred and thirty nine (839) permanent employees who remained on its payroll up to June 2013. As at the



No reason was given for the under banking of revenue and no documentary evidence was provided to show how the unbanked revenue was utilised. Further, no reason has been given as to why revenue continued to be banked in the Council account after 4 March instead of the County Government account.

### **Recommendation**

The management should ensure that all unbanked revenue is properly accounted for and that future revenue collected is banked intact.

## **DEFUNCT COUNTY COUNCIL OF WARENG**

### **4.0 Handing Over and Taking Over of Defunct Local Authorities by the County Government**

All former local authorities including the County Council of Wareng were required by the Transitional Authority to list all assets, staff and liabilities for onward handing over to the County Governments when they are inaugurated.

However, as at the time of audit in August 2013, the former County Council of Wareng had not prepared a list of assets, staff and liabilities and formally handed to the County Government of Uasin Gishu.

### **Recommendation**

The management should ensure that all the assets, staff and liabilities of the defunct council are verified and handed over to the County Government and County Assembly as required.

### **4.1 Cash and Bank Balances**

According to the circular Ref. MLG/1333/TY/52 dated 18 February 2013 from Transition Authority the Councils were required to close and transfer bank balances to the County Government Revenue accounts by 28 February 2013. It was however established that four (4) bank accounts with a total credit balance of Kshs.14,039,575.35 maintained at National Bank of Kenya (Eldoret Branch) as detailed below were not closed as at 18 July 2013.

<b>Type</b>	<b>Account No.</b>	<b>Bank Statement Balances on 28 February 2013(Kshs.)</b>	<b>Bank statement balances on 18 July 2013(Kshs)</b>
Current Account NBK	1002028282200	2,335,782.60	11,671,022.60
Current Account	1002028282201	1,254,715.75	1,263,315.75

NBK			
Current Account	1002028282202	2,195,897.70	836,547.00
NBK			
Current Account	1002028282204	108,974,608.40	268,690.00
NBK			
	<b>Total</b>	<b><u>114,761,004.50</u></b>	<b><u>14,039,575.35</u></b>

The Council therefore continued to breach the directive, and no proper explanation was provided for the disregard of the circular.

### **Recommendation**

- The management should ensure that proper cash books are kept and bank reconciliations prepared on a timely basis as required by the Government Financial Regulations and Procedures.
- The accounts should be closed as per the directive and all the outstanding balances transferred to the county fund account.

#### **4.1.1 Establishment - Casual Employees**

The defunct County Council of Wareng engaged seventy three (73) casual employees during the year. Nineteen (19) of them worked continuously in the year at the Council headquarters while others worked as cleaners and watchmen at various market centres.

However no formal contract or agreement was signed between the client and the casual employees contrary to section 3 of the Employment Act, 2007.

### **Recommendation**

- i) The County Government should carry out a staff head count in order to ensure that no ghost workers are inherited from the defunct Council and to align its payroll with the head count.
- ii) Critical job evaluation and assessments should be undertaken to facilitate deployment of key staff to relevant departments. This will also assist in identification of skill gaps and recruitment of staff with the required skills and qualifications.
- iii) The management should adhere to the provisions of the Employment Act, 2007.

## 4.2 Procurement and Procurement Procedure

### 4.2.1 Award of Non-Responsive Tenders

The defunct County Council of Wareng on 26 June 2012 placed an advertisement in the Standard Newspaper inviting tenders for various goods and services including Tender No. CCW/T/017/2012/2013 for prequalification of general building and civil engineering works. Subsequently, several firms were prequalified and quotations issued to the prequalified firms in February 2013 for various civil works.

Examination of tender documents and minutes of the tender evaluation and award committee meeting held on 15 February 2013 showed that the following tenders were awarded despite the fact that none of them attracted a minimum of three(3) bids as required by Section 89(3) of the Public Procurement and Disposal Act, 2005.

	<b>Tender No.</b>	<b>Bidders</b>	<b>Amount Quoted(Kshs.)</b>	<b>Resolution</b>
A	Tender No. CCW/T/029/2012/2013 Installation of street light at Turbo market	1. Rotalink Engineering Ltd. 2. Starfirm Ltd.	2,679,000.00 2,622,400.00	Awarded to Rotalink Engineering based on experience
B	Tender No. CCW/T/022/2012/2013 Construction of Uhuru Bridge	1. Techno specialized Ltd. 2. Belion Hardware and Building Ltd.	916,750.00 888,500.00	Awarded to Belion Hardware
C	Tender No. CCW/T/026/2012/2013 Construction of stalls and office block at Cheptiret.	1. Westmint Construction Ltd.	2,566,690.00	Awarded to Westmint Ltd at Kshs.2,202,060.00

The tenders should have been considered non-responsive and therefore, re-advertised.

However, no explanation was provided for non-compliance with procurement regulations.

### Recommendation

The provisions of the Public Procurement and Disposal Act, 2005 and the 2006 Regulations should strictly be adhered to when effecting any procurement transactions.

## Defunct Town Council of Burnt Forest

### 4.3 Handing Over and Taking Over of the Defunct Council

All former Local Authorities including the Town Council of Burnt Forest were required by the Transitional Authority to list all assets, staff and liabilities for onward handing over to the County Governments when they are inaugurated. However, as at the time of audit in August 2013, no such report had been prepared by the defunct Council.

#### Recommendations

- The Transition Authority should ensure that former Chief Officers of the defunct Local Authority properly hand over the assets, staff and liabilities.
- There should be full disclosure of the former Council's outstanding debts to ensure that the County Government only inherits genuine debts.

### 4.4 Cash and Bank Balances

#### 4.4.1 Closure of Council Bank Accounts

According to the circular Ref. MLG/133/TY/52 dated 18 February 2013 from Transition Authority the Councils were required to close and transfer bank balances to the County Government Revenue accounts by 28 February 2013. It was however, established that three(3) bank accounts with a total credit balance of Kshs.16,838.25 maintained at Equity and National Bank detailed were not closed as at 30 June 2013.

<b>Bank Details</b>	<b>Account No.</b>	<b>Bank statement balance on 28 February 2013</b>	<b>Bank statement balance on 30 June 2013 (Kshs)</b>
1 LATF – Equity Bank	1090296342661	5,891,295.40	415.60
2 Salaries AC – Equity Bank	0300296346795	13,208.00	1,000.00
3 GRF – NBK	01002028314200	<u>15,422.65</u>	<u>15,422.65</u>
	<b>Total</b>	<b><u>5,919,926.05</u></b>	<b><u>16,838.25</u></b>

Although the bank accounts were operated by the former Chief Officers of the Council with the authority from the County Government, no proper explanation was provided for the disregard of the circular to close the bank accounts.

#### **4.5 Debtors**

The defunct Town Council of Burnt Forest did not maintain proper and up to date debtors' ledgers. Additionally, information available showed that as at 28 February 2013 debtors stood at Kshs.45,800,275.00 comprising of CILOR of Kshs.35,547,324.00, Land Rates of Kshs.9,390,889.00 and Kiosk rent of Kshs.862,062.00.

The above debtors were however not analysed. Consequently the correctness could not be confirmed.

#### **Recommendation**

Debtors' register and ledger should be maintained and updated in order to ensure accuracy and recoverability of the debts.

#### **4.6 Creditors**

The former council did not maintain creditors' ledgers. According to the list of creditors provided for audit, the creditors balance stood at Kshs.924, 000.00 as at 28 February 2013, an amount due to Kenya National Audit Office (KENAO).

The defunct council did not provide any documentation such as invoices and creditors' statements to support the balance. However, according to records maintained by KENAO, the outstanding fee balance as at 28 February 2013 was Kshs.1,098,000.00 resulting in to a difference of Kshs.174,000.00 was not been reconciled or explained.

Consequently, the Creditors balance as 28 February 2013 could not be confirmed.

#### **Recommendation**

The Management should ensure that the creditors' ledgers are up to date and individual accounts reconciled to ensure that correct balances are handed over to the County Government.

#### **4.7 Establishment**

##### **4.7.1 Casual Employees**

The defunct Town Council of Burnt Forest had nine (9) casual employees three of who were engaged between June and July 2013. However, no records on terms of contracts and appointment letters were made available for audit verification.

## Recommendation

The County Government should conduct an audit of the personnel and ascertain the optimum staff requirements for efficient operation in future.

### 4.8 Procurement and Procurement Procedures

#### i) Local Authorities Transfer Fund (LATF) Projects

Information available indicated that the defunct Council funded the construction of two classrooms in Koiwo Arusei Secondary School and Usalama Primary School. According to approved budget, each of the classrooms was to cost Kshs.450,000.00. Building materials for the two schools were purchased by former chief officers on cash basis from three (3) different suppliers for Kshs.429,188.00 and Kshs.424,070.00 for Koiwo Arusei Secondary School and Usalama Primary School respectively.

Further, labour cost amounting to Kshs.136,250.00 for each of the classroom was paid to two (2) individuals. At the time of audit, expenditure on the construction of classroom in Koiwo Arusei Secondary School and Usalama Primary School amounted to Kshs.565,438.00 and Kshs.560,320.00 respectively against a budget of Kshs.450,000.00 each, resulting in an over-expenditure of Kshs.225,758.00. The payments were made as follows:

##### a) Koiwo Arusei Secondary School

	Date	Cheque No.	Payee	Purpose	Amount (Kshs)
1.	16/4/2013	00294	Peter Gachage	Materials	223,438.00
2.	16/4/2013	00294	Avicom Enterprises	Materials	88,750.00
3.	16/4/2013	00294	Sigem Agencies	Materials	117,000.00
4.	16/4/2013	00294	S. Kones	Labour Cost	26,250.00
5.	24/4/2013	00294	Nicholas Chelule	Labour Cost	30,000.00
6.	29/4/2013	000313	S. Kones	Labour Cost	<u>80,000.00</u>
			<b>Total</b>		<b><u>565,438.00</u></b>

##### b) Usalama Primary School

	Date	Cheque No.	Payee	Purpose	Amount (Kshs)
1.	16/4/2013	00294	Peter	Materials	241,920.00

2.	16/4/2013	00294	Gachage Avicom Enterprises	Materials	104,400.00
3.	16/4/2013	00294	Sigem Agencies	Materials	77,750.00
4.	16/4/2013	00294	S. Kones	Labour Cost	26,250.00
5.	24/4/2013	00294	Nicholas Chelule	Labour Cost	30,000.00
6.	29/5/2013	000313	S. Kones	Labour Cost	<u>80,000.00</u>
<b>Total</b>					<b><u>560,320.00</u></b>

In addition no record of materials delivered on site for construction was kept and it could not be confirmed if the schools got value for money.

### Recommendation

- The provisions of the Public Procurement and Disposal Act, 2005 and the 2006 Regulations should strictly be adhered to when effecting any procurement transactions.
- Irregular cash payments should be investigated with a view to taking appropriate action.

### 4.9 Unaccounted for Revenue

Examination of revenue records showed that revenue collected in the months of January to 30 June 2013 by the defunct Council from various approved fees charges and single business permit totalled Kshs.3,658,181.00.

Total revenue banked during the same period amounted to Kshs.3,227,971.05 to leave Kshs.430,209.95 unbanked as detailed:

Month	Amount Collected (Kshs)	Amount Banked (Kshs)	Difference (Kshs)
January 2013	718,000.00	611,818.00	106,182.00
February 2013	359,831.00	228,601.05	131,229.95
March 2013	590,931.00	357,718.00	233,213.00
April 2013	314,983.00	368,857.00	(53,874.00)
May 2013	1,511,213.00	1,497,754.00	13,459.00
June 2013	<u>163,223.00</u>	<u>163,223.00</u>	<u>0</u>
<b>Total</b>	<b><u>3,658,181.00</u></b>	<b><u>3,227,971.05</u></b>	<b><u>430,209.95</u></b>

However, there was no information on how the unbanked revenue was utilised or accounted for.

Consequently, the Council was in breach of Section 6.8.3 of the Government Financial Regulations and Procedures which require that revenue collected should be promptly recorded and banked intact.

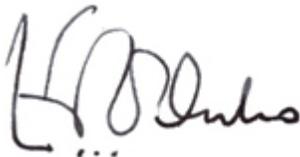
### **Recommendation**

- The management should ensure that revenue collected and banked is captured in the LAIFOMS or any other efficient operationalized computer system to facilitate timely reconciliations.
- An investigation should be carried out to identify the cause of revenue differences between what was collected and what was banked.

### **Conclusion**

The foregoing observations indicate that proper accounting and recording systems and controls both manual and computerized need to be put in place as this is a requirement of the Public Finance Management Act, 2012. Secondly budgetary controls should be improved to avoid overlooking development projects. Thirdly procurement procedures as required by the Public Procurement and Disposal Act, 2005 should be followed.

I wish to thank the management of Uasin Gishu County for their cooperation and assistance extended to my staff during the period of this important audit assignment and hope that the same co-operation will continue in future audit assignments.



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

**Nairobi**

**26 February 2014**