

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR–GENERAL

ON THE

FINANCIAL OPERATIONS

OF

THE COUNTY GOVERNMENT OF
BARINGO AND ITS
DEFUNCT LOCAL AUTHORITIES

FOR THE PERIOD
1 JANUARY TO 30 JUNE 2013

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SPECIAL AUDIT REPORT ON THE OPERATIONS OF BARINGO COUNTY GOVERNMENT AND FORMER COUNCILS FOR THE PERIOD 1 JANUARY 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 Baringo County Executive, County Assembly, the defunct County Council of Baringo, Municipal Council of Kabarnet, County Council of Koibatek and Town Council of Eldama Ravine transactions for the period 1 January to 30 June, 2013 and took into account transactions before, during and after the transition period. The terms of reference set for the audit included verifications and confirmations of transactions in respect to but not limited to the following areas:

- 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 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

Baringo County Executive

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

The County Government of Baringo had not officially taken over the assets and liabilities of the defunct Municipal Council of Kabarnet, County Council of Baringo, County Council of Koibatek and Town Council of Eldama Ravine as at the time of audit in September 2013. This was contrary to instructions issued by the former Ministry of Local Government vide Circular No. MLG/1333/TY/52 of 18 February 2013.

The Transition Authority should make arrangement for the defunct local authorities to officially hand over the assets and liabilities of the former councils.

3.2 Cash and Bank Balances

The County Government did not open revenue account immediately after its inauguration in March 2013 as required by the Transition to Devolved Government Act, 2012, neither did the defunct local authorities close the bank accounts on 28 February 2013 and transfer outstanding balances into the County Government Revenue account as envisaged in the law.

Further, proper and up to date cashbooks were not kept for the five of the six bank accounts that were opened by the county government.

The management should ensure that proper cashbooks are maintained and reconciliation statements prepared monthly. All the bank accounts of the defunct Local Councils closed and outstanding balances should be transferred into the County Government revenue account.

3.3 Debtors

The debtors' records were not maintained. Further, there was no information regarding the debtors transferred from the defunct local authorities since the handing over was not done. The County Government should develop appropriate systems for recording of debtors, including the debt collection policy to facilitate timely collection of debts as and when they fall due.

3.4 Creditors Balances

There were no records maintained by the County Government to show the creditors position as at 30 June 2013. No information relating to creditors that were to be taken over from the defunct local authorities as at the time of audit in September 2013. Hence it was not possible to confirm the county government creditors balances as at 30 June 2013.

The management should ensure proper recording of creditors, verified and updated on regular basis.

3.5 Motor Vehicles and Office Equipment

There was no proper handing over of Assets from the defunct local authorities. In addition, fixed assets register was not maintained for assets assumed from the defunct local authorities and those acquired by the County Government. Between March and June 2013, the County Government purchased motor vehicles worth Kshs.33,729,953.00, office equipment worth Kshs.1,901,595.00 and computers and computer accessories worth Kshs.2,619,500.00. However, these assets have not been marked with asset reference/identification numbers and recorded in the fixed assets register.

The county government should ensure that a consolidated fixed assets register is maintained, clearly showing the location of asset, cost and date acquired among other details.

3.6 IPPD Payroll and Establishment

3.6.1 IPPD Payroll and Staff from Defunct Councils

The county government did not implement IPPD payroll by 30 June 2013. The processing of the payroll for the four defunct councils were done separately by each council in excel spreadsheets and forwarded to County Government for consolidation and payment. Although IPPD was implemented in July 2013 and all the 244 permanent employees of the former local authorities introduced into the payroll, the head count had not been conducted.

Management should carry out staff head count to ensure that no ghost workers were inherited from the defunct local authorities, conduct critical job evaluation and assessment before deployment of key staff to relevant departments.

3.6.2 Overpayment to Chief of Staff/Private Secretary

The County Government hired chief of staff/private secretary effective 13 March 2013. It was however not possible to confirm how the officer was recruited due to lack of a well-documented recruitment procedure. Further, the chief of staff was paid monthly basic salary of Kshs.152,060.00, house allowance of Kshs.56,000.00 and other allowances of Kshs.20,000.00 which was against the Salaries & Remuneration Commission through circular Ref. No. SRC/TS/CGOVT/3/16 of 27 July 2013 which recommended a monthly salary of Kshs.120,270.00, house allowance of Kshs.60,000.00 and other allowances of Kshs.20,000.00, hence overpaying the officer by Kshs.100,401.00 between 13 March and 30 June 2013. The management should adhere to the existing regulations in the recruitment of new staff and setting of personal emoluments. The overpaid salary should be recovered from the officer.

3.6.3 Over payment to Members of County Assembly

During the months of March and April 2013, members of the county assembly were paid monthly salaries of Kshs.110,880.00 instead of the gazetted salaries of Kshs.79,200.00, while the Speaker of the County Assembly earned Kshs.320,000.00 instead of Kshs.230,000.00. This resulted in an overpayment of Kshs.1,660,813.00 for the two months. The management should adhere to the existing regulations in recruitment of new

staff and setting of personal emoluments. In addition, management should recover any irregularly overpaid salaries and allowances.

3.7 Recurrent Expenditure Items

3.7.1 Irregular payment of allowances

i) Irregular Payment of Per Diem and out of Pocket Allowance

Members of the County Assembly, Deputy Speaker and Clerk of County Assembly were paid per diem allowances at the quarter rate of Kshs.2,500.00 per day totalling to Kshs.416,000.00 on various occasions for attending swearing in of Governor, attending induction course at Soi Lodge and seminar at Naivasha.

In addition, fifteen members of staff who attended a deployment meeting at Kenya School of Government, Kabarnet for five days were paid out of pocket allowances totalling to Kshs.142,500.00 at the rate of between Kshs.1,000.00 and Kshs.2,500.00 per day.

However, there was no regulation to support the payment of the $\frac{1}{4}$ per diem allowances totalling to Kshs.558,500.00 paid to members of the county assembly and staff.

ii) Irregular Payment of Lunch Allowance to Visitors

The County Government paid lunch allowances to visitors at the rate of Kshs.500.00 for Pastors and between Kshs.1,000.00 and 1,500.00 to leaders of a women organization all totalling Kshs.32,500.00. This lunch allowance for visitors is not among the allowances recommended and approved by the Salaries and Remuneration Commission.

iii) Irregular Payment of Interview Allowance

Members of the interviewing panel were paid interview allowance at the rate of Kshs.25,000.00 for Chairman and Kshs.20,000.00 for members for two days all totalling Kshs.210,000.00 while members of the secretariat were paid the same allowance at the rate of between Kshs.5,000.00 and Kshs.10,000.00 per day all totalling Kshs.150,000.00 for the two days. However, there was no documentary regulation or authority to support the rates used and the payment.

iv) Irregular Payment of Overtime Allowance

The County Government paid overtime allowance to members of staff who were said to have worked extra hours in the Governor's office on various dates in the month of May 2013 at the rate of Kshs.1,000.00 per day all totalling Kshs.45,500.00. Payment of overtime allowance however was not supported by any regulation. In addition, there was no prior authority showing that the officers were required to work overtime and the nature of work they were to do. The payment thus amount to nugatory payment.

The management should ensure that allowances paid to staff and other personnel are only those supported by existing regulations and confirm that they form a proper charge to public funds. Further, the irregularly paid allowances should be recovered.

3.8 Information Communication Technology (ICT) and Control Environment

The county government received computers and training for staff in IFMIS, G-Pay, and IPPD from the National Treasury. The following was observed:

- Although IFMIS had been implemented, only one module, Plan to Budget had been activated and put to use. The rest including G-Pay had not been put to use due to lack of reliable internet connectivity and inability to access IFMIS and G-Pay servers which are based in Nairobi.
Consequently, payments were still done manually. Management should take action to address connectivity problems and fully implement IFMIS so as to improve on financial management of the county.
- LAIFOMS was used in receipting of revenue and was installed in two (2) sites i.e. at County Headquarters and defunct Koibatek County Council offices. However, Receipting module was the only active module and was not interfaced with IFMIS for easier monitoring of revenue collection. 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.
- The County implemented IPPD system and processed the payroll using the system beginning July 2013. However, there was only one (1) user who had been trained on the use of the system. Data that was migrated into IPPD had some integrity issues including incorrect marital status, variances in basic pay, shared accounts and incorrect PIN numbers. The County should carry out a data clean-up of its human resource data to ensure the integrity of the payroll data.
- The County was using Erudite E-Ticketing System in revenue collection at the Lake Bogoria National Game Reserve. A review of the system, however, revealed that it did not have the ability to save generated reports on external devices, banking of revenue collected was recorded in excel worksheets yet the system has banking module, revenue collection reports generated were inaccurate as revenue in dollars was not being converted into Kenya shillings. The e-ticketing system should be modified to enable the generation of reports in an appropriate format.
- The IT section had only four (4) personnel without defined roles and responsibilities, thus no clear segregation of duties. There is also no IT organisation chart in place to define responsibilities and Authority.
- 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 County Government should develop and approve key ICT documents and put in place IT steering committee to ensure proper management of IT operations. Connectivity between the county and the IFMIS and G-Pay servers should be improved.

3.9 Revenue Collection, Banking and Maintenance of Records

Revenue totalling Kshs.2,355,366.00 collected between April and June 2013 was not banked intact but was instead spent at source. Internal controls should be strengthened in future to avoid possible loss of revenue through pilferages.

3.10 Internal Control Environment

Assessment of how the County has put in place internal controls to assist in carrying out its operations revealed the following weaknesses:

- i) Policies and procedures have not been developed as required by the relevant financial management regulations.
- ii) The Internal Audit Department is understaffed and has only one officer seconded by the Transition Authority.
- iii) The County Executive is yet to establish an Audit Committee.
- iv) The County Government did not maintain proper books of accounts including vote book, fixed assets register, imprest register, debtors and creditors ledgers.

The County Government should establish procedures and manuals necessary to guide the County on its operations. Further, audit committee should be established and internal audit department adequately staffed.

Defunct Municipal Council of Kabarnet

3.11 Failure to Handover Assets and Liabilities of Former Local Authority to County Government

The defunct Municipal Council of Kabarnet had not officially handed over the assets and liabilities to the county government as at the time of audit in September 2013, contrary to instructions issued by the former Ministry of Local Government vide Circular No. MLG/1333/TY/52 of 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.

3.12 Cash and Bank Balances

The defunct council operated 10 bank accounts and did not close them by 28 February 2013 as instructed. Three (3) were closed on 19 January 2013 while seven (7) remained operational up to 30 May 2013 when they were closed. However no proper cashbooks were kept and no bank reconciliations were done. Further, there was no information regarding the account in which the outstanding balances totalling Kshs.253,076.30 were transferred to. The management should ensure that proper cashbooks are maintained and reconciled

monthly and the outstanding balances as at the time of closure properly paid into the county government revenue account.

3.13 Debtors Balances

No proper and up to date debtors' records were maintained. Also no listing of debtors was done as required by the Transition Authority. The only debtor's record provided by the defunct council was rates register and Contributions In Lieu of Rates (CILOR) which were however not up to date. The rates stood at Kshs.10,737,171.00 while the CILOR at Kshs.7,132,480.00 as at 31 December 2012.

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.

3.14 Creditors Balances

No creditors' ledgers or listing was provided for audit review. However, according to the financial statements as at 30 June 2012 and 28 February 2013, the creditors are shown as Kshs.4,812,564.00 and 2,850,000.00 respectively. In addition, long term loan of Kshs.45,078,692.00 from LGLA has remained dormant and no reason was provided for non-servicing of the loan.

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.

3.15 Motor Vehicles and Office Equipment

Fixed Assets Register was not updated. Further six (6) motor vehicles were grounded but there were no reports for them being grounded. There was also no valuation for a fire engine received as a donation. 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 Assets register. Further, mechanical condition of grounded vehicles should be assessed and appropriate action taken.

3.16 Establishment

All the fifty three (53) permanent employees of the defunct council were transferred to the county government although the Council did not carry out a headcount to confirm the exact number of staff transferable to the County Government. In addition, the council implemented the CBA in April 2013 and recorded salary arrears amounting to Kshs.6,550,380.00 which was however not part of liabilities of the defunct council. The management should carry out staff head count in order to ensure that no ghost workers are transferred to county government. Also, the salary arrears arising from implementation of the CBA should be verified before being taken over by the county government.

3.17 Capital Expenditure - LATF Funds

An amount of Kshs.11,200,000.00 was spent on LATF projects. However, the propriety of the expenditure could not be confirmed due to lack of documentation to support the goods that were procured and the projects that were implemented and how the implementation was done. LATF funds should be applied in accordance with the budget and management should adhere to the provisions of the Public Procurement and Disposal Act, 2005 and 2006 regulations.

3.18 Revenue Collection and Banking

Revenue amounting Kshs.1,361,805.00 collected between January and March 2013 was not banked intact, instead spent at source. However, no authority or documents to support the usage were provided for audit review. The management should ensure that all unbanked revenue is properly accounted for and that future revenue collected is banked intact.

Defunct County Council of Baringo

3.19 Failure to Hand Over Defunct Local Authority to the County Government

The defunct County Council of Baringo had not officially handed over the assets and liabilities to the county government as at the time of audit in September 2013, contrary to instructions issued by the former Ministry of Local Government vide Circular No. MLG/1333/TY/52 of 18 February 2013. The Transition Authority should make arrangements 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.

3.20 Cash and bank balances

The defunct council operated 3 bank accounts. However, no proper cashbooks were kept and no proper bank reconciliations were done. The accounts were still not closed by 28 February 2013 contrary to Transition Authority instructions. The three accounts had total credit balances of Kshs.64,614,715.00 as at 28 February 2013 and Kshs.20,055,539.84 as at 26 June 2013. The management should ensure that proper cashbooks are maintained and reconciled monthly and the outstanding balances as at the time of closure properly paid into the County Government Revenue account.

3.21 Debtors Balances

Proper and up to date records were not maintained and no listing of debtors was prepared as required by the Transition Authority. The debtors' balances that were to be handed over to the county government cannot be confirmed. 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.

3.22 Creditors Records

Creditors' records were not maintained by the council and no listing was prepared for Creditors as at 28 February 2013 when the same were to be handed over to the county government. 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.

3.23 Motor Vehicles and Office Equipment

No statements of assets and liabilities as at 28 February 2013 were prepared by the former Local Authority as directed by the Ministry of Local Government in circular of 18 February, 2013. Fixed Assets Register was not maintained. In addition, four (4) vehicles were grounded but there was no report on their mechanical condition. A vehicle donated by UNDP was not registered in the name of the council. 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 Fixed Assets Register. Further, mechanical condition of grounded vehicles should be assessed and appropriate action taken.

3.24 Establishment

All the eighty one (81) permanent employees of the defunct council were transferred to the county government although the Council did not carry out a headcount to confirm the exact number of staff transferable to the County Government. The management should carry out staff head count in order to ensure that no ghost workers are transferred to county government.

3.25 Capital Expenditure

3.25.1 Irregular use of LATF Funds

The defunct council did not adhere to the LATF budget. LATF Project expenditures amounting to Kshs.11,538,175.00 were not supported. Further, the council did not adhere to the provisions of the Public Procurement and Disposal Act, 2005 and 2006 regulations in the acquisition of goods and services. Management should ensure that LATF funds are applied in accordance with the budget and that the provisions of the Public Procurement and Disposal Act, 2005 and 2006 Regulations are adhered to.

Defunct County Council of Koibatek

3.26 Handing Over and Taking-Over of Defunct Local Authorities by the County Government

The defunct County Council of Koibatek had not officially handed over the assets and liabilities to the county government as at the time of audit in September 2013, contrary to instructions issued by the former Ministry of Local Government vide Circular No.

MLG/1333/TY/52 of 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.

3.27 Cash and Bank Balances

The council operated 3 bank accounts. However, no proper cashbooks were kept and no proper bank reconciliations were done. The accounts were still not closed by 28 February 2013 as per Transition Authority instructions. They were closed on 26 June 2013 and outstanding balances totalling Kshs.125,418.77 paid into the county Government revenue account. The management should ensure that proper cash books are kept and bank reconciliations prepared on a timely basis for all bank accounts.

3.28 Debtors Balance

According to list provided by the defunct council, the debtors balance as at February 2013 stood at Kshs.142,960,834.45. However, comparison of the manual and LAIFOMS register showed that the manual had a balance of Kshs.9,875,337.00, the LAIFOMS Kshs.14,777,331.00 while the list provided a balance of Kshs.9,244,798.00. The resultant difference of Kshs.4,901,994.00 and Kshs.5,532,533.00 between the three sets of record has neither been explained nor reconciled. Further aging analysis was not provided and it was therefore not possible to tell for how long these debtors have been outstanding.

The management should ensure that debtors' registers/ledgers are updated in order to ensure accuracy of the balances to be transferred to the county government and recoverability. They should also be analysed and recovered promptly.

3.29 Creditors Balance

According to the list provided by the defunct council, the outstanding creditors as at 28 February 2013 amounted to Kshs.11,229,262.00 which however, differed with that of the extract from the ledger of Kshs.8,849,232.00. Further, supporting documents such as invoices, suppliers' statements and deduction schedules in respect of statutory deductions were not provided. Management should ensure that creditors' ledgers are up to date and individual accounts reconciled so that correct balances are handed over to the County Government.

3.30 Motor Vehicles

Fixed Assets Register was not maintained. Further, the defunct council did not prepare a list of assets as at 28 February 2013 for onward handing over to the county government. In addition, two motor cycles donated by IUCN and Tractor GK 809U donated by KWS were not registered in the name of the council. Management should maintain a proper assets register, have all assets valued, registered in the name of the county government and recorded in the assets register.

3.31 Establishments

All the seventy seven (77) permanent employees of the council were taken over by the county government before the head count had been done as at the time of audit in September, 2013 and no proper hand over to County Government was done. The management should carry out staff head count to ensure that no ghost workers are transferred to county government.

3.32 Procurement and Irregular Expenditure on LATF Funds

Documents were not provided to show how LATF capital projects costing Kshs.12,672,544.56 were implemented. The LATF project expenditure was Kshs.25,860,000.00 while documentation verified amounted to Kshs.13,187,455.44 leaving expenditure of Kshs.12,672,544.56 unverified. LATF funds should be applied in accordance with the budget and the provisions of the Public Procurement and Disposal Act, 2005 and 2006 regulations.

3.33 Revenue Collection and Banking

Revenue amounting to Kshs.1,012,312.00 for the period January to March 2013 was not banked intact and there were no documents to show how it was utilised. The unbanked revenue should be accounted for and ensure that proper systems are in place so that revenue collections are banked intact.

Defunct Town Council of Eldama Ravine

3.34 Handing over of Defunct Local Authority to the County Government

The defunct Town Council of Eldama Ravine had not officially handed over the assets and liabilities to the county government as at the time of audit in September 2013, contrary to instructions issued by the former Ministry of Local Government vide Circular No. MLG/1333/TY/52 of 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.

3.35 Cash and Bank Balances

The council operated four (4) bank accounts and no proper cashbooks were kept. Further no proper bank reconciliations were done. The accounts were not closed by 28 February 2013 as per Transition Authority instructions. Instead they were closed on 31 May 2013 when they had total credit balances of Kshs.109,195.00 that was paid into the county revenue account. 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 and the cash balances paid in to the county government revenue account.

3.36 Debtors Balance of Kshs.70,710,375.00

The above balance includes councillors' advances of Kshs.33,000.00 and Imprest balance of Kshs.270,122.00 which were not analysed. Management should ensure that all the debtors are analysed, verified and transferred to the county government.

3.37 Creditors Balances of Kshs.8,385,253.00

No supporting documents such as suppliers' statements and schedules for statutory deductions were provided for audit review to support the creditors' balance of Kshs.8,385,253.00. Further no aging analysis was prepared to show how long they have been outstanding as at 28 February 2013 and confirm their existence and validity. 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.

3.38 Office Equipment and Furniture

Fixed Assets Register was not maintained. Assets were revalued in December 2012 by a private value, but there were no council minutes to ratify the valuation. Further there were no schedules to support furniture and equipment valued at Kshs.826,000.00. The management should ensure that a proper system for recording fixed assets is in place to safeguard the assets.

3.39 Capital Expenditure

3.39.1 LATF Expenditure

The council did not adhere to the LATF budget. Further, expenditures totalling Kshs.4,275,320.00 were not supported by payment vouchers, invoices, LPOs/LSOs and certificates to confirm receipt of goods/service. Management should ensure that LATF funds are applied in accordance with the budget and the provisions of the Public Procurement and Disposal Act, 2005 and 2006 Regulations. In addition, management should ensure that all payments are adequately supported.

3.40 Establishment

All the thirty two (32) permanent employees of the council were taken over by the county government before the head count had been done as at the time of audit in September, 2013 and no proper hand over to County Government was done. Seven of them were employed in January 2013 but no documents were provided to show how they were hired or whether they were actually required. The management should carry out staff head count to ensure that no ghost workers are transferred to county government.

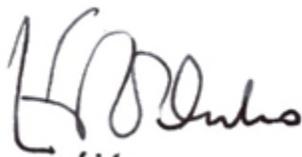
3.41 Revenue Collection and Banking

Revenue amounting to Kshs.306,911.00 relating to the period January to March 2013 was not banked intact. However, there were no documents to show how the same was utilized. Proper systems should be put in place to ensure that all revenue collections are banked intact.

Conclusion

The audit revealed poor book keeping in the defunct local authorities in the County Government. Financial controls are also weak as no financial policies have been formulated by the County Treasury that would help to strengthen the existing laws and regulations in ensuring full accountability of public resources. In addition the use of technology is very low and the county government has not put in place mechanisms to improve the situation. It is also evident that the process of taking over of assets and liabilities, including staff of the former Councils were not properly handled due to apparent lack of leadership by officials of Transition Authority who had the responsibility to ensure a smooth and seamless transition process. The County Government should however ensure full control of functions, including revenue collection, recording and proper accounting for the same while awaiting guidance from the National Treasury 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 . Further, the expenditure should be incurred in accordance with the requirements of the Public Finance Management Act, 2012.

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

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

Edward R. O. Ouko, CBS
Auditor-General

Nairobi

12 November 2014

DETAILED AUDIT REPORT ON OPERATIONS OF COUNTY GOVERNMENT OF BARINGO EXECUTIVE, COUNTY ASSEMBLY, DEFUNCT MUNICIPAL COUNCIL OF KABARNET, DEFUNCT COUNTY COUNCIL OF BARINGO, DEFUNCT COUNTY COUNCIL OF KOIBATEK AND DEFUNCT TOWN COUNCIL OF ELDAMA RAVINE 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 terms 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 and 2013 Regulations.

DETAILED AUDIT FINDINGS

2.0 Baringo County Executive & Assembly

2.1 Audit Findings

2.2 Handing Over and Taking-Over of Defunct Local Authorities by the County Government

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. All the four local authorities under Baringo County Government i.e County Council of Baringo, Municipal Council of Kabarnet, County Council of Koibatek and the Town Council of Eldama Ravine did not prepare the required lists and therefore no proper handing over was done.

2.3 Cash and Bank Balances

Section 5.9.1.1 of the Government Financial Regulations and Procedures requires that the cash book should be written up to date and balanced daily, cash in hand verified and checked by a senior officer daily and sign the cash book at the last entry examined. Further, Section 5.9.2 of the regulations requires that bank reconciliation should take place at least once every month reconciling the balance shown on the bank statement and that appearing in the cash book.

The County Government of Baringo opened three accounts with the Kenya Commercial Bank, Kabarnet, however, a cashbook was only kept for the Standing Imprest Account. No reasons were provided for not maintaining cashbooks for other bank accounts as required by the Government Financial Regulations and Procedures.

Three other accounts were opened with the Central Bank of Kenya and no cashbooks were kept for these accounts. In addition there were no bank statements to show if they had any balances as at 30 June 2013.

Recommendation

The management should ensure that proper cashbooks are maintained for all the bank accounts, balanced daily, counter checked by a senior officer and bank reconciliation statements prepared monthly.

2.4 Debtors and Suppliers Balances

2.4.1 Debtors Balances and Records

There were no records availed to show the County Government debtors' position as at 30 June 2013. The debtors' ledger was not maintained.

There was also no information relating to the debtors that were taken over from the defunct local authorities. In the absence of such details, it was not possible to confirm if the County Government had any debtors as at 30 June 2013.

Recommendation

The management should ensure that debtors' register/ledger are maintained and updated in order to ensure accuracy and recoverability of the debts.

2.4.2 Creditors Records and Balances

There were no records availed to show the County Government creditors position as at 30 June 2013. The creditors' ledger was not maintained and there was also no information relating to creditors that were to be taken over from the defunct local authorities. Handing over had not been done as at the time of audit in September 2013.

In the absence of such details, it was not possible to confirm if the county government had any creditors as at 30 June 2013.

Recommendation

The management should ensure proper recording of creditors, verified and updated on regular basis to ensure that only genuine creditors are entered in the records and paid.

2.5 Motor Vehicles and Office Equipment

Section 151 of the Public Finance Management Act, 2012 requires accounting officers for a county Government to be responsible for the management of the entity's Assets and liabilities; and manage those assets in such a way as to ensure that the county government entity achieves value for money in acquiring, using or disposing of those assets.

Physical verification and inspection of records revealed that during the period under review, between March and June 2013, the County Government purchased new assets as follows;

Asset Class	Kshs
Motor Vehicles	33,729,953.00
Furniture	1,901,595.00
Computers, Printers & phones	2,619,500.00
Total	<u>38,251,048.00</u>

There was however no inspection and acceptance certificates to show that the assets were verified and confirmed to be as per the order as required by the Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal (County Governments Regulations), 2013. Further, Furniture, Computers & Printers have not been marked with asset reference/identification numbers for ease of identification.

The prices of vehicles purchased were based on the contract entered in to by the former Ministry of Public Works, being the government procuring agency with suppliers of vehicles. The vehicles purchased were as follows:

Registration Number	Make/Type	Cost (Kshs)
GK B798D	Toyota Land Cruiser Prado VX-L Auto	11,834,839.00
KBU 636T	Toyota Fortuner	5,823,301.00
KBU 635T	Toyota Hilux D/Cabin- County Assembly	4,236,974.00
KBU 732T	Toyota Land Cruiser Prado- County Assembly	<u>11,834,839.00</u>
Total		<u>33,729,953.00</u>

Review of documentation showed that the payment voucher together with other supporting documents for vehicle registration KBU732T that costed Kshs.11,834,839.00 were not available. In the absence of such documents, the propriety of the expenditure cannot be confirmed.

Recommendation

- i) 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 to the register.
- ii) The management should adhere to the provisions of the Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal (County Governments Regulations), 2013 in the procurement of goods and services.

2.6 IPPD and Establishment

2.6.1 Staff from Defunct Local Authorities

The Baringo County Government took over all the employees of the defunct local authorities and continued to perform the functions they used to perform under the defunct councils. However formal handover had not been done as at the time of audit in September 2013.

The staff position of the County Government, including those that were taken over from the defunct local authorities as at 30 June 2013 were as below:

Institution	No of Staff as at Dec 2012	No of Staff as at 28 Feb 2013	No of Staff as at 30 June 2013
County Council of Baringo	81	81	80
Municipal Council of Kabarnet	53	53	53
County Council of Koibatek	78	77	78
Town Council of Eldama Ravine	24	32	33
County Executive	-	-	13
County Assembly	-	-	32
Total	236	243	289

2.6.2 Integrated Payroll and Personnel Database (IPPD)

The County Government had not implemented the Integrated Payroll and Personnel Database (IPPD) system as at 30 June 2013. The payroll was processed using excel spread sheets which, however, do not have good controls including access controls and backups. The processing of the payrolls for the four defunct local authorities were prepared separately by each authority and forwarded to the County Government for onward consolidation and payment.

The IPPD was implemented in July 2013, and no reason was provided as to why it was not implemented immediately the county government came into being for prudent management of the payroll.

2.6.3 Staff Appointment and Emoluments

Examination of payroll and inspection of other relevant records revealed the following unsatisfactory matters:

i) Over Payment to Chief of Staff/Private Secretary

The County Government hired chief of staff/private secretary effective 13 March 2013. It was however not possible to confirm how the officer was recruited due to lack of a well-documented recruitment procedure. Further, the chief of staff was being paid monthly basic salary of Kshs.152,060.00, house allowance of Kshs.56,000.00 and other allowances of Kshs.20,000.00 although the Salaries & Remuneration Commission through circular Ref. No. SRC/TS/CGOVT/3/16 of 27 July 2013 recommended a monthly salary of Kshs.120,270.00, house allowance of Kshs.60,000.00 and other allowances of Kshs.20,000.00. Consequently, the officer was overpaid by Kshs.100,401.00 between 13 March and 30 June 2013.

No reason was provided as to why the officer was not paid salary and allowances as recommended by the Salaries and Remuneration Commission.

i) Over payment to Members of County Assembly

The remuneration and benefits of the members of the County Assembly was recommended by the Salaries and Remuneration Commission through Gazette Notice No 2888 of 28 February 2013.

The County Government was in charge of preparation of payroll and payment of staff of the County Assembly including Members of the County Assembly. During the months of March and April 2013, the members were paid salaries of Kshs.110,880.00 per month instead of the gazetted salaries of Kshs.79,200.00 while the Speaker of the County Assembly earned Kshs.320,000.00 instead of Kshs.230,000.00. This resulted in overpayment by Kshs.1,660,813.00 for the two months as per **Appendix I(a) and I(b)** attached.

Recommendation

- i) 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.
- ii) The management should adhere to the existing regulations in the recruitment of new staff and setting of personal emoluments.
- iii) The management should recover any irregularly overpaid salaries and allowances.

2.7 Recurrent Expenditure

2.7.1 Payment of Irregular Allowances

During the period under review, the County Government of Baringo paid various allowances totalling Kshs.996,500.00 were neither budgeted for nor supported by any financial regulation and therefore had no basis for payment.

2.7.2 Payment of 1/4 Per Diem and Out of Pocket Allowance

(i) Members of the County Assembly, Deputy Speaker and Clerk of County Assembly were paid ¼ per diem allowances at the rate of Kshs.2,500.00 per day totalling to Kshs.416,000.00 on various occasions for attending swearing in of Governor, attending induction course at Soi Lodge and seminar at Naivasha.

ii) In addition, fifteen members of staff who attended a deployment meeting at Kenya School of Government, Kabarnet for five days from 12 to 17 May 2013 were paid out of pocket allowance at the rate of between Kshs.1,000.00 and Kshs.2,500.00 per day totalling Kshs.142,500.00 for all the officers.

However, there was no regulation to support the payment of these ¼ per diem allowances totalling to Kshs.558,500.00 paid to members of the county assembly and staff.

The payments are thus irregular and are recoverable.

2.7.3 Irregular Payment of Overtime Allowance

The County Government paid overtime allowance to some members of staff who were said to have worked extra hours in the Governor's office on various dates in the month of May 2013 at the rate of Kshs.1,000.00 per day all totalling to Kshs.45,000.00. Payment of overtime allowance however was not supported by any regulation. In addition, there was no prior authority to show that the officers were required to work overtime and the nature of the work they were to do. The payment thus amount to nugatory payment.

2.7.4 Irregular Payment of Lunch Allowances to Visitors

During a meeting with the pastors and MYWO chairpersons at the Governor's office on 16 May, 2013, the County Government paid lunch allowances to the visitors at the rate of Kshs.500.00 for Pastors and between Kshs.1,000.00 and 1,500.00 to leaders of the women organization all totalling to Kshs.32, 500.00. However, lunch allowance for visitors is not among the allowances recommended and approved by the Salaries and Remuneration Commission. The allowances are thus irregular.

2.7.5 Irregular Payment of Interview Allowance

During the interviews of the post of the Chairman, Secretary and members of the County Public Service Board, members of the interviewing panel were paid interview allowance at the rate of Kshs.25,000.00 for Chairman and Kshs.20,000.00 for members for two days all totalling Kshs.210, 000.00 for the panel.

The members of the secretariat were also paid at the rate of between Kshs.5,000.00 and Kshs.10,000.00 per day all totalling Kshs.150,000.00 for the two days.

However, there was no documented regulation or authority to support the rates used for payment.

Recommendation

The management should ensure that the allowances paid to staff and other personnel are only those supported by existing regulations and confirm that they form a proper charge to public funds.

2.8 ICT and G-Pay

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. A review of the ICT of the County Government revealed the following:

2.8.1 Hardware

- i) The County Government had sixteen (16) desktop computers received from the National Treasury for IFMIS. However, only four had been configured and put to use but before installing anti-virus software.
- ii) The County has three (3) operating servers at the Baringo County headquarters, Lake Bogoria National Reserve and Koibatek County Council offices.
- iii) There was however no established Wide Area Network at the County to connect various Sub-County offices. Internet connectivity is through use of modems which is not very reliable.

2.8.2 Software

2.8.2.1 Integrated Financial Management Information System (IFMIS)

IFMIS had been implemented but only one module had been put to use, i.e. Plan to Budget. The rest of the modules were yet to be utilized and the financial operations were manual. Eighteen (18) County staff including the Interim ICT Manager had been trained on IFMIS.

2.8.2.2 G-PAY

The County received one computer from The National Treasury which is dedicated for G-Pay. In addition, three (3) officers have been trained on G-PAY and assigned roles.

2.8.2.3 Local Authority Integrated Financial Operations Management System (LAIFOMS)

LAIFOMS was used for receipting of revenue. Receipting module was the only active module. The Expenditure module ceased to be used on implementation of IFMIS. Analysis of data extracted from the system revealed that Receipting Module was not fully utilized.

2.8.2.4 Integrated Payroll and Personnel Database (IPPD)

The County Government implemented IPPD system and the payroll processing beginning July 2013. There was however, only one (1) user who had been trained on the use of the system.

A review of data migration into IPPD revealed a number of integrity issues; one officer earned irregular extraneous allowance of Kshs.7242.00 monthly, one who formerly worked in Payroll Department had his basic salary irregularly increased from Kshs.27,970.00 in June 2013 to Kshs.35,450.00 in July 2013 and three (3) bank accounts that were each shared by two officers. Others included incorrect PIN Numbers, non-capture or incorrect capture of employment dates and dates of birth.

2.8.2.5 E-Ticketing System

Erudite E-Ticketing System was in use at the Lake Bogoria National Game Reserve for revenue collection.

A review of the system that was installed in July 2012 revealed the following:

- Inability to save generated reports on external devices.
- Revenue banking recorded on excel worksheets instead of the system although the system has banking module.
- Revenue collection reports generated were inaccurate since the revenue in dollars could not be converted into Kenya shillings.

2.8.3 IT Control Environment and ICT Governance

Review of It control environment and ICT governance revealed the following weaknesses:

- The IT section had only four (4) personnel and their roles and responsibilities on how to oversee the IT operations were not defined. There was no IT organogram in place to define responsibilities and Authority.
- The County budget did not include input from ICT department, as there was no money set aside for the IT Department under Development Budget.
- 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.

Recommendations

- i) The management should ensure that IFMIS is fully implemented and all modules utilized and all its financial operations automated.
- ii) 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.
- iii) The ICT Department should ensure that all machines are installed with anti-virus software to minimize the risk of virus attacks.
- iv) The County should carry out a data clean-up of its human resource data to ensure the integrity of the payroll data.
- v) All irregular payments made to staff members should be recovered.
- vi) Regular backup of data should be carried out to ensure continuity of operations in the event of system failure.
- vii) The e-ticketing system should be modified to enable the generation of reports in an appropriate format.
- viii) There should be a Service Level Agreement (SLA) between the County Government and the e-ticketing system vendor so as to obtain value for money spent on the system.
- ix) Adequate physical access and environmental controls in the server room need to be put in place.

- x) 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.

2.9 Revenue Collection and Banking

The County Government opened Revenue collection account on 2 April 2013. The four defunct local authorities and sub-county units are now in charge of collecting revenue for the County Government. The revenue collected for the period March to 30 June 2013 totalled to Kshs.32,150,596.00 out of this Kshs.27,740,530.00 was banked to the County Revenue Collection Account and Kshs.2,054,700.00 in form of cheques was irregularly banked into Koibatek General Fund Account which should have been closed by 28 February 2013. The under-banking difference of Kshs 2,355,366.00 has not been explained.

The USA dollar collection was US\$ 27,800.00 while the banking to County Government Revenue Account was US\$ 27,900.00 resulting into unexplained overbanking of US\$ 100.00.

The revenue was collected and banked as indicated below:

Month	Collected (Kshs)	Banked (Kshs)	Un-Banked (Kshs)
April	12,170,476.00	11,908,517.00	261,959.00
May	9,145,858.00	8,935,179.00	210,679.00
June	<u>10,834,262.00</u>	<u>8,951,534.00</u>	<u>1,882,728.00</u>
Total	<u>32,150,596.00</u>	<u>29,795,230.00</u>	<u>2,355,366.00</u>
	Collected (US\$)	Banked (US\$)	(Over)/Under Banking
April	7,020.00	7,120.00	(100.00)
May	7,290.00	7,290.00	0.00
June	<u>13,490.00</u>	<u>13,490.00</u>	<u>0.00</u>
Total	<u>27,800.00</u>	<u>27,900.00</u>	<u>(100.00)</u>

No reason was provided for the under banking of revenue and no documentary evidence was provided to show how the un-banked revenue was utilised.

Recommendations

- i) All revenue collected should be receipted and banked intact in the County Revenue Account.
- ii) 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.

2.10 Inadequate Internal Control Environment

International Standards of Supreme Audit Institutions provides that management is responsible for maintenance of effective control measures and compliance with laws and regulations. Review of the overall control environment of Baringo County Executive revealed the following weaknesses:

- i) A strategic plan for the County Executive had not been prepared.
- ii) The organisation structure of the County Executive has not been defined through approved organisation chart and roles in decision making documented and communicated to all.
- iii) A code of conduct for County Executive employees has not been developed.
- iv) Performance evaluation process has not been developed and implemented.
- v) The County Executive does not have a documented and approved risk management policy.
- vi) The management has not developed policies and procedures in line with the relevant financial regulations.
- vii) The management does not prepare periodic bank reconciliations and stock count of both current and non-current assets.
- viii) The County Executive is yet to establish an Audit Committee.

Recommendation

- i) The management should ensure that the County Budget and Economic Forum is constituted as required by the Public Finance Management Act, 2012 so as to prepare the county integrated development plans. The management should also ensure that various committees are constituted to develop the various documents including manuals and other policy documents that are required to guide the County Government in its operations.
- ii) The management should ensure that a strategic plan for the county is in place, develop an optimal organization structure, develop a risk management policy, strengthen Internal Audit Department and establish a functional Audit Committee.

3.0 Defunct Municipal Council of Kabarnet

3.1 Audit Findings

3.2 Handing over and Taking – Over of Defunct Local Authorities by the County Government

All former local authorities including the Municipal Council of Kabarnet 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 Kabarnet has not prepared a list of assets, staff and liabilities and formally handed-over to the County Government of Baringo.

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 councils are verified and handed over to the county government as required.

3.3 Cash and Bank Balances

The council is required under paragraph F and J of the Local Authority Financial Management Regulations 2007 and paragraph 3.4.0 of the Treasurers Manual 2006 to maintain the following records to support cash and cash equivalent balances in the financial statements:-

- Maintain cash book and monthly bank reconciliation statements for all the accounts as at the balance sheet date.
- Conduct a board of survey at the closure of financial year to certify cash in hand and other assets
- To get bank confirmation certificates to support bank balances at the close of each financial year.

The audit showed that the defunct Municipal Council operated ten (10) bank accounts held with various banks in Kabarnet town. A review of the records maintained by the Council revealed the following:

- i) Three (3) bank accounts were maintained at the Kenya Commercial Bank (KCB): Salaries Account (1103761730), Housing Account (1103764063) and Kazi Kwa Vijana (1126058858) accounts and were closed on 19 January 2013 when they had the balances as shown below:

Account No	Name	Amount (Kshs)
1103764063	Salaries Account	2,692.65 CR
1103761730	Housing Account	488.85 DR
1126058858	Kazi Kwa Vijana	0.00

Although information available indicated that the accounts were closed by the bank, no additional information was availed to show or confirm where the outstanding balances were transferred to.

- ii) No cashbooks and bank reconciliations were prepared for KCB Roads Maintenance Levy Fund Account No. 118275608, KCB Mayor's Tree Fund Account No.1103220330 and KCB Renewal Fund Account No.1135278059.
- iii) The cashbooks in respect of KCB LATF Account No.1188276426, KCB General Rate Fund Account No.118275608, Equity Salaries Account No.1390260494744 and Equity Housing Account No.13902604944734 had payments column only which were not reconciled on daily basis as required by the Government Financial Regulations and Procedures.
- iv) Although the local authorities were to close bank accounts and transfer the balances to the County Government as soon as they became operational, the defunct Municipal Council of Kabarnet continued to operate the bank accounts up to 30 May 2013 when the accounts were closed and the outstanding balances transferred to the County Government Revenue Account.

As per bank statements, cash balances as at 1 January, 28 February and 30 May 2013 were as follows:

Bank Account	Balance as at 1 January 2013	Balance as at 28 February 2013	Balance as at 30 May 2013
LATF-KCB No.1118276426	346,821.75	3,676,610.00	75,038.50
GRF-KCB No.118275608	123,002.00	(54,76.00)	13,147.80
Salaries-Equity No.1390260494744	0	360,036.00	45,200.00
Housing-Equity No.13902604944734	0	32,524.00	62,809.00
Mayor's Tree Fund –KCB No.1103220330	Information not available	Information not available	38,750.00
Renewal Fund-KCB No.1135278059	Information not available	Information not available	21,350.00
Roads Maintenance Levy – KCB No.1118276566	Information not available	Information not available	(3,209.00)

In the absence of cashbooks, accurate and proper accountability will not be guaranteed. Further, failure to close the bank accounts and transfer funds as directed within the specified time period contravenes Government directive and may cause delay in smooth transition to devolved Government.

Recommendation

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

3.4 Debtors and Suppliers Balances

3.4.1 Debtors

The council is required under paragraph E and J of the Local Authority Financial Management Regulations 2007 and paragraph 3.1.0 of the Treasurers Manual 2006 to maintain the following records to support debtors balances in the financial statements:-

- Debtors' registers and listings at the close of each financial year.
- Debtors' ledgers and reconciliation statements.
- Age analysis of debtors and make adequate provision for bad and doubtful debts.

The only debtor's record provided by the defunct council was rates register and Contributions In Lieu of Rates (CILOR) which were however not up to date. The rates stood at Kshs.10,737,171.00 while the CILOR at Kshs.7,132,480.00 as at 31 December 2012. In the absence of complete and up to date debtors' records, the debtors balance as at 28 February 2013 could not be established. Further there was no evidence that the management had made any effort to collect these debts.

Recommendation

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.

3.4.2 Creditors

The council is required under paragraph J of the Local Authority Financial Management Regulations 2007 and paragraph 3.10.0 of the Treasurers Manual 2006 to maintain the following records to support creditors' balances in the financial statements:-

- Creditors' listing, registers, ledgers, statements, control accounts and reconciliations.
- Creditors invoices, contract agreements, local purchase orders, delivery notes, statements and reconciliation statements.

- Creditors aged analysis reports.

3.4.2.1 Lack of Creditors Ledgers

The council did not provide creditors ledger or the listing of creditors for audit review. However, according to the financial statements as at 30 June 2012 and 28 February 2013, the creditors were shown as Kshs.4,812,564.00 and 2,850,000.00 respectively as below:

Creditor	Position as at 28 February 2013 (Kshs)	Position as at 30 June 2012 (Kshs)
KLGWU		93,160.00
BARRICCO SACCO		282,150.00
Salary Arrears		2,907,198.00
ALGAK		358,500.00
KENAO	1,350,000.00	1,050,000.00
Customer Hardware	1,500,000.00	10,072.00
Ukulima SACCO		12,000.00
AMEDO		66,284.00
Rent Deposits		32,000.00
Key Deposits		<u>1,200.00</u>
TOTAL	<u>2,850,000.00</u>	<u>4,812,564.00</u>

In the absence of the creditors' ledgers, the position of creditors as at 28 February 2013 when they were to be taken over by the county government could therefore not be confirmed.

3.4.2.2 Long Term Loan Kshs.45, 078,692.00

Records maintained by the defunct Municipal Council of Kabarnet indicate that it owed a loan balance of Kshs.45,078,692.00 to the Local Government Loans Authority (LGLA). The council has not been receiving LGLA Loan statements and notifications of interest thereof. Further, the Council did not provide loan registers and statements to confirm the loans balance as at 28 February 2013.

Recommendation

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

3.5 Motor Vehicles and Office Equipment

The council is required under paragraph J and M of the Local Authority Financial Management Regulations 2007 and paragraph 3.7.0 of the Treasurers Manual 2006 to maintain the following records to support noncurrent assets balances in the financial statements:-

- Ownership documents such as log books and title deeds.
- Fixed Assets Register to guard against loss or misappropriation of assets.
- Fixed Assets Ledger.
- Insurance policy documents.
- Provide depreciation on qualifying assets and create a renewals fund as required by section 219 of the Local Government Act, cap 265.
- Ensure that assets are adequately insured and obsolete and/or excess assets are timely disposed in accordance with the laid down procedures.
- Record the noncurrent assets in the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) 17.

3.5.1 Maintenance of Records

The Fixed Asset Register (FAR) maintained by the Council was incomplete as it lacked some information including; year of acquisition, location of the asset and cost.

3.5.2 Grounded Motor Vehicles

The Council had twelve (12) Motor Vehicles, Trailer and Exhaust tank all of which were registered in the name of the defunct council as detailed below and whose values could not be ascertained due to lack of information.

Upon physical verification showed that Six (6) motor vehicles: KUL 047, KUL 375, KUL 967, KAB 088Q, KAB 364Q and KAL 071E were grounded. However, there were no reports to explain the reasons for grounding them.

3.5.3 Donated Vehicles

The Council received a fire engine registration No KBQ 140D as a donation from Germany. The cost of freight was Kshs.456,500.00 and was paid by Baringo Constituency Development Fund on behalf of the council. The value of the engine has been indicated in the Fixed Assets Register as Kshs.5, 000,000.00. However, there was no valuation report to show how the cost was arrived at. In addition, this grant of Kshs.456,000.00 from Baringo Central Constituency Development Fund (CDF) was not capitalised.

Recommendation

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 Fixed Assets Register. Further, mechanical condition of grounded vehicles should be assessed and appropriate action taken.

3.6 Establishment

The Local Authority Financial Management Regulations of 2007 Section K 10 and 11 requires that all unpaid wages be recorded as unpaid on the wages sheet and be entered in the unclaimed wages book to be kept in a manner approved by the Treasurer and that salaries and wages shall be payable as determined by the terms and conditions of service applicable to officers of local authorities.

3.6.1 Employees of Defunct Municipal Council

The former Municipal Council of Kabarnet had fifty three (53) permanent employees as at 28 February 2013. The Defunct Council also continued preparing the payroll and paying its 53 employees up to April 2013. The payment of salaries was taken over by the County Government effective May 2013. All the 53 employees of the defunct council were transferred to the county government although the Council did not carry out a headcount to confirm the exact number of staff transferable to the County Government.

3.6.2 Implementation of Collective Bargain Agreement (CBA)

The former council implemented the CBA in April 2013 which was back dated to September, 2012. However, arrears of Kshs.6, 550,380.00 covering the period between 1 September 2012 and March 2013 as shown below were not paid due to lack of funds:

Nature of Payment	Period	Amount (Kshs)
Basic Salary	September 2012 To March 2013	4,271,820.00
House Allowance	"	2,047,500.00
Basic Salary Underpayment	April To June 2013	<u>231,060.00</u>
Total		<u>6,550,380.00</u>

These arrears were however not recognized by the defunct council as a liability. Thus understating the liabilities of the defunct council to be taken over by the county government.

Recommendation

The management should carry out staff head count in order to ensure that no ghost workers are transferred to county government.

3.7 Capital Expenditure

3.7.1 Local Authority Transfer Fund (LATF)

The defunct council received a funding of Kshs.10, 468,252.00 from the Ministry of Finance on 22 February 2013 when the LATF account had a balance of Kshs.73,547.85 bringing the total funds to Kshs.10,541,799.85. According to the council budget for 2012/2013, an amount of Kshs.26,841,672.00 was expected to be received in to council LATF account, out of which an amount of Kshs.11,200,000.00 was to be applied towards various projects.

Information available indicates that tenders for supply of various goods and services were awarded on 30 January 2013. However, the propriety of the above expenditure of Kshs.11,200,000.00 could not be confirmed due to lack of documentation to support the goods that were procured and the projects that were implemented and how the implementation was done.

Recommendation

LATF funds should be applied in accordance with the budget and adhere to the provisions of the Public Procurement and Disposal Act, 2005.

3.8 Revenue

Section 35 (2) of the Transition to Devolved Governments Act, 2012, stipulates that a public entity or local authority shall only transfer assets and liabilities with the approval of the National Treasury, the Commission of Revenue Allocation, the Ministry of Local Government and the Ministry of Lands. The total revenue collected for the month of January 2013 was Kshs.2,083,214.00, February 2013 was Kshs.1,669,110.00 and March 2013 Kshs.3,406,050.00. However, the council under banked revenue collected during this period amounting to Kshs.1,361,805.00.

No reason was given as to why the revenue was not banked intact as required by the Government Financial Regulations and Procedures. In addition no documents were provided to confirm how this unbanked revenue of Kshs.1,361,805.00 was utilised.

Recommendations

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

3.9 Receipt Books

The defunct council continued to issue and use receipt books to revenue collectors even as at the time of audit in August 2013. Further, it was observed that four market receipt book counterfoils as shown below had not been surrendered and entered into the Counterfoil Receipt Book Register as required. In the absence of all the receipt books it is not possible to confirm that all revenue collected was surrendered and accounted for.

Date Issued	Issued To	Receipt No	Receipt Type
16 March 2010	David	897001-898000	Market Receipt
14 Sept 2010	Asman	4351-4400	"
06 Jan 2011	David	5351-5400	"
10 Jan 2011	Asman	5501-5550	"

Recommendation

The management should ensure that all receipt books are accounted for and the revenue collected surrendered, receipted and banked intact.

3.10 Inadequate Internal Control Environment

International Standards of Supreme Audit Institutions provides that management is responsible for maintenance of effective control measures and compliance with laws and regulations. Review of the overall control environment of the defunct Municipal Council of Kabarnet revealed the following weaknesses:

- i) The former Municipal Council of Kabarnet did not have a strategic plan.
- ii) The former Municipal Council did not have a documented and approved risk management policy.
- iii) The Council did not implement the use of Local Authorities Integrated Financial and Operations Management System (LAIFOMS) but instead used the manual accounting records which were either missing or incomplete.
- iv) The Internal Audit Department was grossly understaffed as it had one officer without proper qualifications.
- v) The Audit Committee did not have an approved Audit Charter.

4.0 Defunct County Council of Baringo

4.1 Audit Findings

4.2 Handing Over and Taking- Over of the Defunct Local Authorities

All former Local Authorities including County Council of Baringo 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.

Recommendation

The management should ensure that all the assets, staff and liabilities of the defunct councils are verified and handed over to the county government as required.

4.3 Cash and Bank Balances

The County Council of Baringo operated three (3) bank accounts at the Kenya Commercial Bank (KCB), Kabarnet.

According to bank statements, cash balances as at 28 February were as follows:

Bank Account	Balance as at 28 February 2013 (Kshs)	Balance as at closure Date (Kshs)
LATF-KCB No. 11037663822	57,269,501.00	17,902,989.84 As at 26 June 2013
GRF-KCB No. 1103761137	5,188,714.00	1,650.00DR As at 17 May 2013
KKV- KCB No. 11241556046)	2,156,500.00	2,154,200.00 As at 30 June 2013

A review of the records maintained by the council revealed the following:

- i) No proper cashbook was maintained for LATF Account No.1103763822. The cashbook had only payments column and bank reconciliations were never prepared.
- ii) The cashbook in respect of the General Rate Fund Account No. 1103761137 had receipts and payments columns which were however, not reconciled on daily basis as required. In addition, the bank reconciliations that were prepared were not in agreement with cashbook balances.
- iii) No cashbook was provided in respect of the KKV account No.11241556046. The only documents provided were bank statement and certificate of balance which showed a balance of Kshs.2,154,200.00 as at 30 June 2013. The account was generally dormant and only accruing bank charges.

Although these accounts were supposed to be closed by 28 February 2013, the former council continued to operate it up to 26 June 2013 when the LATF account was closed and the outstanding balance of Kshs.17,902,989.84 transferred to the County Government Revenue account. However, KKV account had not been closed as at the period of audit in August 2013.

In the absence of proper cashbooks and bank reconciliations, it was not possible to confirm the cash balances as at 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.

4.4 Debtors and Suppliers Balances

4.4.1 Debtors and Other Receivables

The defunct Council did not maintain a debtor's ledger. The only record provided for audit was Plot Rent Register and a list of Contributions In Lieu of Rates (CILOR) which showed the position as at 28 February as below:

Detail	Balance as at 30 June 2012 (audited Financial Statement)	Balance as at 28 February 2013	Balance as at 30 June 2013
	29,740,732.00	30,401,578.00	No data
CILOR			
Commercial Debtors	81,256.00	No data	No data
Sundry(Plot Rent)	31,166,825.00	18,900,365.00	No data
Advance to Councillors	5,000.00	No data	No data
Staff Advances	178,500.00	No data	No data

However no additional records were provided for the commercial debtors, staff imprest, staff advances and Councillors' advances. In the absence of the ledgers and other records relating to debtors, there is the risk of loss of funds through debts that may not be collected.

Recommendation

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.

4.4.2 Creditors

The defunct County Council of Baringo did not maintain a Creditors Ledger and no list of creditors was availed for audit verification. The creditors outstanding as at 28 February 2013 and which are to be handed over to the County Government could, therefore 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.

4.5 Motor Vehicles and Office Equipment

4.5.1 Lack of Fixed Assets Register

The former County Council of Baringo did not maintain a Fixed Assets Register. The defunct County Council of Baringo only provided a listing of ten motor vehicles and office equipment values said to be based on a valuation carried out in 2007. The value of ten (10) motor vehicles was stated as Kshs.7,100,000.00 while office furniture and equipment at Kshs.2,581,572.00.

In the absence of the valuation reports and the assets register, it was not possible to confirm the existence of these assets and whether they are fairly stated.

4.5.2 Motor Vehicles

Verification of motor vehicle records and subsequent physical inspection revealed the following:

- i) Four motor vehicles registration numbers KUL 490, KWE 319, KVM 489 and EX 40UN 97K had been grounded and there was no information to explain the reasons for grounding such vehicles.
- ii) Vehicle registration number EX40 UN 97K was said to have been donated by the UNDP. However, there was no information indicating when the vehicle was donated and the defunct council appears not to have made any efforts to have the vehicle registered in its name.
- iii) Vehicle registration number KBR 839U registered on 7 January 2013 was acquired at a cost of Kshs.4,397,814.00 and in joint ownership with the defunct County Council of Koibatek. It was explained that the vehicle was bought for the joint venture of running Lake Bogoria Game Reserve which is the main income generating for the two councils. However, the vehicle has not been included among the assets of the council as required by the International Financial Reporting Standards (IFRS) No 11 on recognition of interest in a joint venture.

In view of the above it has not been possible to confirm the valuation and ownership of assets of the defunct council that are to be handed over to the County Government of Baringo.

Recommendation

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 Fixed Assets Register. Further, mechanical condition of grounded vehicles should be assessed and appropriate action taken.

4.6 Establishment

The defunct council had eighty one (81) permanent employees as at 28 February 2013 and continued to prepare the payroll and pay staff up to April 2013. Thereafter, it prepared the payroll but salaries were paid by the county government until June 2013. The county government continued paying salaries even though the head count of staff had not been conducted to establish the correct number of staff that were to be taken over.

The monthly wage bill for the defunct council for the period January to June 2013 was as below:

Month	Wage Bill (Kshs)
January	3,268,354.00
February	4,540,151.00
March	4,789,352.00
April	4,828,646.00
May	4,723,610.00
June	4,723,610.00
Total	<u>26,873,723.00</u>

The slight change in wage bill during the month of February was due to implementation of the Collective Bargain Agreement (CBA) entered in the Register of Collective Agreements maintained by the Industrial Court under entry RCA No. 21 of 2013 dated 7 February 2013.

Recommendation

The management should carry out staff head count in order to ensure that no ghost workers are transferred to county government.

4.7 Capital Expenditure

4.7.1 Use of Local Authority Transfer Funds (LATF)

Records available showed that the defunct County Council of Baringo received Kshs.46,403,894.00 on 22 February 2013 when it had a balance of Kshs.21,559,183.77 in its LATF Account, making a total of Kshs.67,963,077.77. According to the council budget for 2012/2013, an amount of Kshs.29,352,532.00 was to be expended on capital projects.

A review of the expenditure records showed that Kshs.42,877,965.00 was spent on operational items and Kshs.11,538,175.00 on capital projects instead of budgeted expenditure of Kshs.29,352,532.00.

The following unsatisfactory matters were noted:

- i) The project documents showed that in some instances the council did not comply with the provisions of the Public Procurement and Disposal Act, 2005.

- ii) At the evaluation stage, most firms which submitted bids did not meet the evaluation criteria set. However, they were recommended for award with clauses requiring them to provide missing or additional information.
- iii) The Public Procurement and Disposal Regulations, 2006 sets ceiling for using quotation method to procure civil works for Class B entities at Kshs.2,000,000.00. The council however sought quotations for the Construction of Lake Baringo Education Centre Services whose lowest bidder quoted Kshs.4,484,572.00. Although the works were not undertaken due to lack of funds, no reasons were provided for not adhering to the provisions of the procurement regulations.
- iv) Information available indicates that the council awarded contracts with clauses that it was to negotiate with the winners to scale down prices (refer to (i) above). The tender committee thus changed the procurement requirements which could compromise the quality of goods and services provided.
- v) In addition, expenditure documents were not provided to support the expenditures of Kshs.11,538,175.00 incurred on procurement of goods and services under LATF projects.

Recommendation

LATF funds should be applied in accordance with the budget and adhere to the provisions of the Public Procurement and Disposal Act, 2005.

4.8 Revenue

During the period January to March 2013, the total revenue collection was Kshs12,499,972.00 which was banked in to the defunct council GRF account as below:

No reason was provided as to why there were some under banking/over banking in some months. Although there appears to have been no use of revenue collected at source, inconsistent banking and unprepared cashbooks can lead to high risk of revenue loss.

Further, the defunct local authority continued to bank revenue to GRF account until the County Government opened revenue account in April 2013.

Recommendation

The management should ensure that all revenue collected is receipted and banked intact.

5.0 Defunct County Council of Koibatek

5.1 Audit Findings

5.2 Handing Over and Taking-Over of Defunct Local Authorities by The County Government

All former Local Authorities including County Council of Koibatek 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 September 2013, no such report had been prepared by the defunct County Council of Koibatek.

Recommendation

The management should ensure that all the assets, staff and liabilities of the defunct councils are verified and handed over to the county government as required.

5.3 Cash and Bank Balances

The former County Council of Koibatek operated three (3) bank accounts at the Kenya Commercial Bank (KCB), Eldama Ravine. According to the bank statements the three accounts had the following balances between January 2013 and 26 June 2013 when they were closed and the balances transferred to the County Government Revenue account.

Account No	Account Type	1 January 2013	Balance as at 28 February 2013	Balance as at 26 June 2013
033205970357	LATF	11,824,580.17	22,528,638.17	37,915.17
033205970231	GRF	No Bank Statement	2,049,083.15	86,799.15
033205971060	Produce Cess	"	No bank statement	704.45

A review of the cash books maintained by the defunct council revealed the following:

- i) Proper cashbooks were not maintained; two separate books for receipts and payments were maintained and were never balanced daily as required by section 5.9.1.1 of Government Financial Regulations and Procedures.
- ii) Bank reconciliation statements for the three accounts i.e. LATF, General Rate Fund Account and Produce Cess Account were not prepared on monthly basis as required by section 5.9.2.1 of the Government Financial Regulations and Procedures.
- iii) No cashbook or bank statements were provided in respect of Produce Cess Account. The only document availed was the bank confirmation certificate showing the balance of Kshs.704.45 as at 26 June 2013 when it was closed and the balance transferred to the Baringo County Government Revenue Collection Account.

In the absence of proper cashbooks and bank reconciliation statements, it was not possible to confirm the cash balances as at 28 February and 26 June 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.

5.4 Debtors and Suppliers Balances

5.4.1 Debtors

The council did not maintain a debtors' ledger. According to list provided by the defunct council, the debtors balance as at February 2013 stood at Kshs.142,960,834.45.

- i) It was observed that Plot Rent Registers were maintained in both manual and in LAIFOMS. However, comparison of the two registers showed that the manual had a balance of Kshs.9, 875,337.00, the LAIFOMS Kshs.14,777,331.00 while the list provided a balance of Kshs.9,244,798.00. The resultant difference of Kshs.4,901,994.00 and Kshs.5,532,533.00 between the three sets of records has neither been explained nor reconciled.
- ii) The aging analysis in respect of the CILOR and Plot Rent was not provided and it was therefore not possible to tell for how long these debtors have been outstanding.

Recommendation

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.

5.4.2 Creditors

The creditors ledger provided for audit was not updated. However, according to the list provided by the defunct council, the outstanding creditors as at 28 February 2013 amounted to Kshs.11,229,262.00.

The extract from the ledger amounted to Kshs.8,849,232.00. No explanation or reconciliation has been provided for the difference of Kshs.2,380,030.00 arising from the two sets of records.

Further, supporting documents such as invoices, suppliers' statements and deduction schedules in respect of statutory deductions were not provided. Consequently the position of creditors outstanding as at 28 February 2013 and which are transferable to the County Government cannot 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.

5.5 Motor Vehicles and Office Equipment

5.5.1 Non Maintenance of Fixed Assets Register

According to Section 3.1.0 of the Treasurers' Manual, the council is supposed to maintain an updated Fixed Assets Register. However, as at the time of audit, the council did not have a Fixed Assets Register.

5.5.2 Motor Vehicles

A list of motor vehicles and motor cycles availed showed that there were eight (8) motor vehicles, five (5) motor cycles, two (2) tractors and one (1) Komatsu grader.

- (i) Two motor vehicles registration number KX29A19K donated by IUCN and X40UN97K donated by UNOPS and Motor cycle KX29A20K also donated by IUCN had not been transferred in the name of the former council. Also tractor registration No. GK809U donated by KWS was grounded after being involved in an accident and ownership had not been transferred to the former council.
- (ii) Although a number of vehicles were grounded, the council did not have mechanical report to show the reasons for grounding such vehicles and the action being taken to have them repaired or sold to avoid deteriorating further.
- (iii) Vehicle registration number KBR839U was jointly owned with the former County Council of Baringo to support the activities of Lake Bogoria Game Reserve. However, there was no memorandum of understanding on how the jointly owned assets should be accounted for.

5.5.3 Furniture, Fittings and Equipment

A list of furniture, fittings and equipment availed did not have values. They also didn't have identification marks or numbers for ease of verification. It was therefore not possible to confirm if all the assets existed and their condition.

Recommendation

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 Fixed Assets Register. Further, mechanical condition of grounded vehicles should be assessed and appropriate action taken.

5.6 Staff Establishment

The council had seventy seven (77) permanent employees as at 28 February 2013 and the council used LAIFOMS in payroll processing. A summary of monthly gross salaries paid by the council for the period January to April totalled to Kshs.15,142,337.00.

During the month of March 2013, the Council awarded the salary increment in accordance with the Collective Bargain Agreement (CBA).

The county government took over the payment of salaries with effect from May 2013. However, the staff head count had not been carried out to confirm the correct number of staff to be taken over by the county government.

Recommendation

The management should carry out staff head count in order to ensure that no ghost workers are transferred to county government.

5.7 Capital Expenditure

5.7.1 Local Authorities Transfer Funds (LATF)

According to the council budget, an amount of Kshs.63,806,437.00 was expected through LATF funding out of which Kshs.25,860,000.00 was to go towards LATF Projects. On 22 February 2013 an amount of Kshs.24,884,511.00 was received in LATF account when it had a balance of Kshs.2,982,276.17, bringing balance to Kshs.27,866,787.77. This was in addition to an amount of Kshs.28,712,896.00 received on 9 November 2012 bringing the total LATF funding to Kshs.53, 597,407.00 during the year 2012/2013.

As at the time of audit about twelve (12) projects were in progress. The estimated cost of these projects was Kshs.13,187,455.44.

It was however noted that the council did not have a procurement plan to show how the projects were prioritised for goods and services to be sourced. Further, no documents or explanations were provided on how difference of Kshs.12,672,544.56 was applied since budget for LATF projects was Kshs.25,860,000.00 while documentation verified totalled to Kshs.13,187,455.44 only.

Recommendation

LATF funds should be applied in accordance with the budget and adhere to the provisions of the Public Procurement and Disposal Act, 2005.

5.8 Revenue

5.8.1 Revenue Collection and Banking

The council collected revenues totalling to Kshs.4,052,970.00 for the period between January and March 2013.

The council did not bank all the revenue intact as required by the Government Financial Regulations and Procedures. No explanation or documentation has been provided to support the un-banked revenue of Kshs.1,012,312.00. In addition no reason was provided for not banking revenue intact as required by the regulations.

5.8.2 Use of Council Revenue Receipts

The local authorities were to cease operations after 4 March 2013. As at the time of audit in September 2013, the defunct council revenue receipts and other accountable documents were still in use. However, there appear to have been no proper listing and handing over of such receipts. This puts the county government at risk of losing revenue if such receipts are misused.

Recommendation

The management should ensure that all revenue collected is receipted and banked intact.

5.9 Investment in Lake Bogoria Game Reserve

The council had a joint venture with the County Council of Baringo in the administration and management of Lake Bogoria Game Reserve. Explanation provided is that the venture is run on equal share of fifty percentages each. Each Council would only account for revenue shared but not assets. However, no framework or agreement was provided to show how the venture is to be run and how disputes are to be resolved when they arise.

During the months of January and February, the Lake Bogoria Game Reserve collected revenue amounting to Kshs.3,263,124.00 and US\$ 39,020.00. However, an amount of Kshs.2,145.00 and US\$ 2,070.00 was not banked intact as required.

The above revenue was neither accounted for by the County Council of Koibatek nor County Council of Baringo. Further, no reason was provided as to why the revenue collected was not banked intact as required by the Government Financial Regulations and Procedures.

Recommendation

The management should ensure that all revenue collected is receipted and banked intact.

6.0 Defunct Town Council of Eldama Ravine

6.1 Audit Findings

6.2 Handing Over and Taking- Over of Defunct Local Authorities by the County Government

All former Local Authorities including County Council of Baringo were required by the Transition 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 September 2013, no such report had been prepared by the defunct Town Council of Eldama Ravine.

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.

6.3 Cash and Bank Balances

The defunct council had the following bank accounts at the Kenya Commercial Bank (KCB), Eldama Ravine between 1 January 2013 and 31 May 2013:

Account No	Account Type	Balance as at 1 January 2013 (Kshs)	Balance as at 28 February 2013 (Kshs)	Balance on 31 May 2013 (Kshs)
1105700992	GRF	No statement	196,915.10	71,452.00
1105702278	LATF	2,793,452.07	12,160,043.07	231.00
1105711730	Salaries and Wages	1,229,959.31 as at 29 January 2013	717,923.31	37,512.00
1130703479	Modern Public Toilet	16,509.00	14,209.00	-

It was noted that three accounts, i.e. GRF, LATF and the Salaries and Wages account were closed on 31 May 2013 and the bank balances transferred to the County Government Revenue account. However, the defunct council did not maintain cash books and prepare monthly bank reconciliation statements as required by the Government Financial Regulations and Procedures. Further, as at the time of audit in September, 2013 the Modern Public Toilet bank account had not been closed as required by the Transition Authority.

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.

6.4 Debtors and Suppliers Balances

6.4.1 Debtors

The debtors balance stood at Kshs.70,710,375.00 as at 28 February 2013 made up of:

Category	Kshs
Property rates	12,273,013.00
Contribution in Lieu of rates	55,143,993.00
Stall rent-New market	1,774,601.00
Rent	377,337.00

Staff advance	838,309.00
Councillors advances	33,000.00
Imprests	270,122.00
Total	<u>70,710,375.00</u>

There were however no schedules to support the councillors' advances balance of Kshs 33,000.00 and imprests balance of Kshs.270,122.00.

Recommendation

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.

9.4.1 Creditors

According to the listing provided by the Council, creditors balance as at 28 February 2013 stood at Kshs.8,385,253.00. However, suppliers' statements, schedules for statutory deductions together with aging analysis to confirm the existence and validity of the creditors were not provided for audit review. Consequently the correctness of the creditors' balance of Kshs.8,385,253.00 as at 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.

9.5 Motor Vehicles and Office Equipment

9.5.1 Lack of Fixed Asset Register

Section 3.1.0 of the Treasurers Manual requires Councils to maintain an updated Fixed Assets Registers. However, the Town Council of Eldama Ravine did not maintain such a Fixed Asset Register as required. No reason was provided for the non-maintenance of the register.

9.5.2 Motor Vehicles and Office Equipment

According to a valuation report dated 18 December, 2012 by M/s PEMSA Company limited, the Council assets were valued at Kshs180, 791,000.00 as detailed below:

Asset	Total (Kshs)
Buildings	33,115,000.00
Land	142,100,000.00
Motor Vehicles	4,750,000.00

Equipment and Furniture	<u>826,000.00</u>
Total	<u>180,791,000.00</u>

- i) However, there were no Council minutes to ratify the valuation report. In the absence of such a report, the reliability of the valuation report is in doubt.
- ii) According to the valuation report, the Council had four (4) Motor Vehicles, one exhaustor, a trailer and a Mower. Physical verification confirmed that two (2) motor vehicles, KAB 051Q and KSZ 283 were not included in the valuation report and were grounded. However, there were no reports filed to confirm the reasons for grounding them.
- iii) There was no detailed schedule to support the equipment and furniture valued at Kshs.826,000.00.

Recommendation

The management should ensure that proper and up to date Fixed Assets Register is maintained.

9.6 Staff Establishment

The Council permanent employees increased by seven (7) new employees in the month of January bringing total to thirty two (32) as at 28 February 2013 and one in June bringing total to thirty three (33) in June 2013.

Although there was approval for implementation of the recommendations in the staff rationalization report vide letter Ref. C/130811011(4) of 6 June 2012 from the former Ministry of Local Government, there was no additional information to show how this exercise was carried out or whether the above staffs were actually required.

The monthly wage bill of the defunct Town Council of Eldama Ravine between January and June 2013 was as below:

Month	Wage Bill (Kshs)
Jan-13	1,387,899.00
Feb-13	1,350,506.00
Mar-13	1,667,616.00
Apr-13	1,859,892.00
May-13	1,905,892.00
Jun-13	<u>1,937,072.00</u>
Total	<u>10,108,875.00</u>

There was a slight change in the wage bill during the months of March and April due to implementation of the Collective Bargain Agreement (CBA).

The defunct council continued to prepare payroll up to the month of June 2013 while the payment of salaries was being done by the County Government starting May 2013. This is despite the fact that the headcount of the former council employees had not been carried out to confirm the exact number of transferable staff to the County Government.

Recommendation

The management should carry out staff head count in order to ensure that no ghost workers are transferred to county government.

9.7 Capital and Recurrent Expenditure by the Defunct Council after 4 March 2013

Although all the local authorities including the defunct Town Council of Eldama Ravine were to cease their operations after 4 March 2013, the former council continued to operate up to May 2013. During this period the defunct council incurred expenditure amounting to Kshs.13,462,231.00 on its two accounts as below:

Month	Account Source		Total Kshs
	LATF Kshs	GRF Kshs	
Mar-13	8,145,658	-	8,145,658
Apr-13	3,264,584	1,481,606	4,746,190
May-13	<u>200,000</u>	<u>370,383</u>	<u>570,383</u>
Total	<u>11,610,242</u>	<u>1,851,989</u>	<u>13,462,231</u>

No reason has been provided as to why the former council continued to operate beyond the deadline set by the Transition Authority.

9.8 Un-Vouched LATF Expenditures

The defunct council received LATF funding of Kshs.12,649,383.00 on 22 February 2013 when the LATF account had a balance of Kshs.1,122,365.07 totalling to Kshs.13,771,748.07. Information available indicates that the council was to implement LATF projects at an estimated cost of Kshs.12,788,196.00. However, the following observations were noted;

- i) There was no procurement plan to show how the goods and services were to be procured.
- ii) The expenditure of Kshs.4,275,320.00 paid in respect of various goods and services were not supported by payment vouchers, invoices, LPOs/LSOs and certificates to confirm receipt of goods/service.

iii) The assets valuation cost of Kshs.1,238,000.00 incurred was never budgeted for.

In the absence of such documentation, it has not been possible to confirm the propriety of the expenditure of Kshs.4,275,320.00.

Recommendation

LATF funds should be applied in accordance with the budget and in adherence to the provisions of the Public Procurement and Disposal Act, 2005. In addition, management should ensure that all payments are adequately supported and such supporting documents properly kept.

9.9 Revenue Collection and Banking

The Town Council of Eldama Ravine collected revenue totalling to Kshs.5,095,858.00 out of this Kshs.4,788,947.00 was banked to the GRF account leaving unbanked balance of Kshs.306,911.00 as shown below:

Month	Revenue Collected(Kshs)	Banking (Kshs)	Under banking(Kshs)
January 2013	1,180,598.00	1,075,755.00	104,843.00
February 2013	1,923,443.00	1,842,252.00	81,191.00
March 2013	<u>1,991,817.00</u>	<u>1,870,940.00</u>	<u>120,877.00</u>
Total	<u>5,095,858.00</u>	<u>4,788,947.00</u>	<u>306,911.00</u>

The council continued to bank revenue to its GRF account during the month of March 2013 as the County Government of Baringo had not yet opened bank accounts.

A total of Kshs.306,911.00 revenue for three months; January to March 2013 was unbanked. However, no reason or explanation has been provided as to why the revenue was not banked intact as required by Section 6.8.3 of the Government Financial Regulations and Procedures or how the unbanked revenue was utilised.

Recommendation

The management should ensure that all revenue collected is receipted and banked intact.

Conclusion

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

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

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi