REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR–GENERAL

ON THE

FINANCIAL OPERATIONS

OF

THE COUNTY GOVERNMENT OF MACHAKOS AND ITS DEFUNCT LOCAL AUTHORITIES

FOR THE PERIOD I JANUARY TO 30 JUNE 2013

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REPORT OF THE AUDITOR-GENERAL ON THE OPERATION OF MACHAKOS COUNTY GOVERNMENT AND THE DEFUNCT LOCAL AUTHORITIES FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013

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 Machakos County Executive, County Assembly, former Municipal Council of Mavoko, former Municipal Council of Machakos, former County Council of Masaku, former Town Council of Kangundo, and former Town Council of Matuu 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
- Current debtors and suppliers balances
- Motor vehicles and office equipment
- IPPD Payroll and establishment
- ICT and G-pay system
- Recurrent and development expenditure items
- Procurement and procurement procedures

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

3.0 Executive Summary

3.1 Failure to hand over by the defunct Local Authorities to the County Government

Handing over was not done as instructed by the Ministry of Local Government Circular Ref. No. MLG/1333/TY/(52) dated 18 February 2013 which had directed the Clerks being the Chief Officers of the Local Authorities to ensure there was proper handing over to the incoming County Government and to ensure that they also prepared statements of Assets and Liabilities as at 20 February 2013. Proper handing over should be done to ensure proper transfer of the assets and liabilities taken over by the County Governments.

3.2 Bank Accounts

3.2.1 The defunct Local Authorities/ Councils did not close their accounts as at 28 February 2013 as had been directed by the Transition Authority guidelines given vide letter Ref.MOF/IFMIS/1/41 dated 7 March 2013. The defunct Local Authorities and Councils continued operating most of the accounts up to 2 July 2013. The County should ensure in future that instructions/guidelines given by relevant authorities are adhered to.

3.2.2 No bank reconciliations were done contrary to Financial Regulations Chapter 5.9.2 that requires that bank reconciliations be done once a month and also there was no evidence of any cash survey done at the closure of the year contrary to Financial Regulations paragraph 5.9.9 that requires that a board of survey be constituted annually to examine and verify the cash on hand balances. The County Government should ensure that financial regulations Chapters 5.9.2 and 5.9.9 that require bank reconciliations to be done once a month and that board of survey be constituted annually to examine and verify cash on hand balances respectively are adhered to. Bank reconciliation and bank certificates should be produced for audit review.

3.3 Assets Status

3.3.1 Debtors

Transition Authority Circular Ref. No. TA/2/5 dated 9 January 2013,
"Inventory of Assets and Liabilities Debts and Human Resource Profile in Public Organisations required the Clerks of the Local Authorities to carry out an inventory of all Assets, Debts and Liabilities including movable and immovable assets. Most defunct Councils did not maintain individual debtors' ledgers and although they prepared a statement of assets and liabilities as at 28 February 2013 with a consolidated debtors figure of Kshs. 1,036,076,425. It was not possible to confirm the completeness and accuracy of the balances provided. Further, there were no evidences in the form of confirmations or correspondences to support the debtors. The County should

maintain up to date debtor's ledgers and also avail confirmations/correspondences to confirm the debtors balances.

3.3.2 Immovable Assets

An undetermined number of land parcels and buildings belonging to the County valued at Kshs.961,451,472 did not have title deeds and were prone to grabbing or encroachment by unscrupulous individuals who might know this fact. There is need to move with speed to acquire titles to secure the parcels of land.

3.3.3 County Residential Houses

During the year 1974, a housing scheme was developed by Masaku County Council and financed through a loan from National Housing Corporation. However, the houses numbering 25 were later taken over by the National Government and allocated to civil servants who have been paying rent to the Ministry of Housing and Urban Development in unclear circumstance. The County should avail documents to indicate how the housing scheme was taken over by the Ministry of Lands and what action is the County Government contemplating with a view to repossess the housing scheme.

3.3.4 Works in progress

During the transition process there were several projects in various stages of progress in each of the defunct Local Authorities whose completion was not budgeted for in the County budget for the period 2013-2014 totalling to Kshs.12,542,292. There is the risk of these projects in various stages of completion not being completed. The County Government should make budgetary provision for the completion of the projects

3.3.5 Public Utility Land

Records available show that 18 pieces of land of various sizes recognized by the then Municipal Council of Mavoko as public utilities in Syokimau and Numerical area of Mavoko Sub County had been sub-divided and allocated to individuals and institutions under unexplained circumstances, a physical check revealed that most of the land had been developed privately and others fenced off while a few were vacant. The County should avail documents for the sub-division of the 18 parcels of land allocated to the individuals/private developers if any, and also repossess the same since these parcels had been irregularly allocated.

3.3.6 Movable Assets

During the period under review the County procured 16 motor vehicles valued at Kshs.32,855,000 for its County Executive Officers. Examination of ownership documents revealed that these vehicles were second hand/used.

In addition, tender and evaluations documents were not availed to confirm how the procurement was done. No valuation documents were availed to determine whether the County received value for money on this transaction contrary to the requirements of the Public Procurement and Disposal Act, 2005 and Regulations 2006. We were therefore not able to confirm whether the County Government received value for money on these procurements.

Further, these vehicles were registered with private number plates instead of the green plates as required by law and are likely to be put to private use contrary to Office of the President circular OP/DAB 9/21/2A/LII dated 24/3/2005 yet serviced and fueled from public funds. The County should provide documents on the procurement of motor vehicles and valuation reports to determine the true worth of the vehicles and authority to register the same with private number plates instead of the usual (green).

3.4 Creditors and Other Liabilities

Individual Creditors ledgers and creditors analysis were not maintained by the defunct Councils and Local Authorities. Although balances of liabilities were given in respect of LAPTRUST, Payment in lieu of leave, suppliers and Contractors and some other pending bills, it was not possible to confirm the completeness and accuracy of the unconfirmed consolidated Creditors figure of Kshs. 280,734,871 as at June 2013. The County should maintain a complete individual creditor's ledger and the County Treasury to undertake an analysis of creditors and reconciliation in order to establish the true position of the Creditors

3.5 Staff/Personnel Profile

The County Government engaged 156 staff without having done a human resource audit to determine the gaps and adequacy or otherwise in terms of numbers and competencies of the existing staff at the time of transition. No evidence was provided to show the recruitment process used and also the staff portfolio and structures at the time of their engagement. Further, the County Public Service Board was not in existence by then. In addition, the salaries paid were not within the approved salaries scales. The County should nullify the engagements and surcharge the officers responsible for the recruitment and further adhere to the laid down procedures in recruitment of staff.

3.6 IFMIS and G-PAY

IFMIS and G-PAY had not been implemented in most of the Sub-Counties and LAIFOMS were still in operation for revenue collection. Manual cash books were still in operation even when the County Government took over from the defunct Local Authorities. The County should implement the IFMIS and G-Pay and ensure they are operational as envisaged.

3.7 Unsupported Expenditures

The County Government Incurred expenditures on various votes such as imprests, foreign travel, conferences among others amounting to a cumulative total of Kshs.19,851,875 which were not properly supported and could thus be termed as nugatory expenditures. The propriety of these expenditures could not be confirmed. Details of which are contained at some portion of the report.

All the expenditures should be properly supported and documentary evidence produced for audit verification.

CONCLUSION

The foregoing observations clearly indicate that the process of taking over of assets and liabilities, including staff of the former Council was not properly handled due to apparent lack of necessary arrangements by officials of the Transition Authority who had the responsibility to ensure a smooth and seamless transition process. The County Government should however ensure full control of functions, awaiting guidance from the National Treasury based on the accounting and reporting systems to be developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the Public Finance Management Act, 2012 and take remedial action of the issues reported in this report. Expenditure should be incurred in accordance with requirements of the Public Finance Management Act, 2012 and for the benefit of the tax payers. Further, the County Assembly being the watch dog should ensure proper operations within the County and also take necessary action where there are deviations.

Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

03 February 2014

MAIN REPORT

4.0 THE COUNTY EXECUTIVE

4.1 Cash and Bank

Circular Ref COB/TA/001/1, From the office of the Controller of Budget dated May 8,2013 states that "In line with part IV, Section 109 and section 119 of the Public Finance Management Act, 2012, the Transition Authority issued instructions to the County Transition Principal officers to ensure that the previous Local Authorities bank accounts are frozen with exception of receiving and paying cheques issued before 1 March 2013 and the officers were provided with guidelines on opening and managing of new County Government bank accounts through letter reference no MOF/IFMIS/1/41 dated 7 March 2013.

Financial Regulations chapter 5 paragraph 5.9.2 requires that bank reconciliations be done at least once a month. Paragraph 5.9.9 further, requires that a board of survey be constituted annually to examine and verify the cash on hand and bank balances as at the closure of the year. Following was the state of the bank accounts:-

Acc. Name	Bank	Acc. Number	Balance as at 30.6.013	Date Account opened	Comments
Machakos Govern' Development A/C	Co-operative Machakos	1141549094500	Nil	17/6/2013	
Machakos County Tender A/C	KCB Machakos	1142999262	59.00	17/6/2013	
County Govern' of Machakos Town	KCB Machakos	1142861880	Nil	29/7/2013	
Matuu Sub County Operational A/C	KCB Matuu	1142805549	Nil	29/7/2013	
Mavoko Operations Account	Co-op Mavoko	1141549052001	6,804,410.00	28/3/2013	
Machakos County Operations A/C	Co-op Machakos	1141277913200	76,463,233.46	31/5/2013	
Machakos County Assembly	Co-op Machakos	1141277998901	Nil	30/4/2013	

The bank accounts were opened on various dates in the year 2013 as indicated above to oversee functions in the defunct Local Authorities of revenue collection, operations and development as at 30 June 2013. No bank reconciliation had been done by the time of closing the previous bank accounts held by the Councils in order to ascertain the true cash position.
Further there is no evidence to indicate that a cash survey was done at the time of closure and opening of new accounts during the changeover so as to ascertain the correct cash balances.

Recommendation

Bank reconciliation should be done up to and including the period of takeover by the County Government in order to know the true cash position as at that period. Further, cash survey should be done at all times as required by the Financial Regulations.

4.2 Unaccounted Imprests

1) Article 201(d) of the Constitution states that Public money shall be used in a prudent and responsible way. Further, Paragraph 104(1) of the Public Finance Management Act 2012, subject to the Constitution, a county treasurer shall monitor, evaluate and oversee the management of Public finances and economic affairs of the County Government including: sub Paragraph (i) by ensuring proper management and control of, and accounting for finances of the County Government and its entities in order to promote efficient and effective use of the County's budgetary resources.

2) Further, paragraph 147 of the same act, provides for the role of the accounting officer as among other things (a) promoting and enforcing transparency, effective management and accountability with regard to the use of finances.

Our examination of the imprest register and warrants indicated that imprests totalling to Kshs. 5,405,434.00 had either not been accounted for or lacked the necessary supporting documents. A further Kshs.2,915,267 did not indicate the officers who were issued with the imprest among several other anomalies.

Recommendation

All imprest should be accounted for within the required time and with the necessary documentation, or recovered immediately through the payroll. For the amounts whose holders are not known, the same should be established and accounted for.

4.3 Foreign Travels and Local Travels

Machakos County Government engaged Air Ride Air travel Services, Marony Travel Agencies and Rosma Moors & Travel for both foreign and local travels during the financial year 2013 and incurred an expenditure of Kshs.4,555,104

The following anomalies were noted:-

1) There were no stamped Visas attached to the payment vouchers to show when the officers left Kenya and entered foreign countries and vice versa nor were entry and exit stamps on travel documents at the point of entry and exit produced for confirmation. No lists of participants or copies of Air ticket were attached to the payment vouchers, other than the number of officers travelling without their respective names.

2) No invitation letters were made available to ascertain the need for the expenditure and whether it was beneficial to the Machakos County Government

3) Further no quotations were made available for audit review to enable us confirm how the services were procured, whether regulations were followed and that the expenditure was a proper charge to public funds.

Recommendation

The County should ensure that, all payment vouchers are supported by the relevant documentations and the same should be produced for audit review and accountability.

4.4 Machakos County Investors Conference - Maanzoni Lodge

Public Procurement and Disposals Act, 2005 and its regulations of 2006 state the procurement method to be used in procurement of services. Further, section 54 (2) of the same Act, states the thresholds matrix for services where an open tender minimum expenditure is Kshs.3 million. Examination of payment vouchers revealed that, Machakos County engaged Maanzoni Lodge during the investor conference and incurred expenditure of Kshs. 10,537,935.

The following anomalies were however noted;

1) The payment voucher did not have a list of participants. The initial budget was for 500 persons and the additional un budgeted of 1400 persons;

2) An attendance register/list was not provided to ascertain the number of participants;

3) Tender documents for hospitality services were not made available to ascertain whether the provision of the service was competitively done and whether the expenditure was a proper charge to public funds.

4) In addition, Machakos County Executive further engaged the services of Wander joy Party World Limited at a cost of Kshs.3,755,036 for provision of tents at Maanzoni Investors conference. This was an additional cost against an initial budget of Kshs.1,116,700. The County therefore incurred an additional cost of Kshs. 2,638,336.00 which was not budgeted for.

5) A further payment of Kshs.765,600 being 50% was advanced to Homeboyz Ltd, Nairobi for provision of sound system, screens, power generator lighting, stage and set up. However, no quotations, no tender committee minutes were availed for audit verification to establish how the suppliers were identified.

Recommendations

1) The management should ensure that, all payment vouchers are supported by the relevant documentations and be produced for audit review and that all expenditures are budgeted for and approved in line with the County Revenue Allocation Act, 2013.

2) The County should adhere to the Public Procurement and Disposal Act, 2005 and Regulations 2006 while procuring services but not single sourcing. Further, the concerned officers should be surcharged for the apparent loss to the County Government.

4.5. Maruba Dam Expenditure

Examination of payment vouchers revealed that Machakos County paid Kshs.2,020,500 to Peter Mulei and Sons for provision of cocktail party for 400 persons at Kshs.1,600 per person and provision of Public Address system, tents and decorations as follows:-

Name of payee	Date	Item	Amount (Kshs)	Particulars
Peter Mulei & Sons	04.06.13	2210803	194,350.00	PA system, tents & deco'
Peter Mulei& Sons	28.06.13	2210803	1,342,400.00	Cocktail Party
Peter Mulei &Sons	15.05.13	2210803	163,750.00	PA system, tents & deco'
Peter Mulei& Sons	15.5.13	2210803	320,000.00	Cocktail Services
Total Expenditure			**2,020,500.00**	

However the following was noted:-

1) No list of participants were attached to the payment voucher;

2) No quotations were made available to enable us ascertain how the providers of those services were identified.

Recommendations

1) The management should ensure that, all payment vouchers are supported by the relevant documentations and produced for audit review and proper accountability,

2) Further, all services should be competitively procured but not single sourced and the culpable officers should be surcharged for the apparent loss to the County Government.

4.6 Purchase of Teleprompter

Paragraph 29 of the Public Procurement and Disposals Act, 2005 provides for the choice of procurement procedure. Further, regulation 8 and 9 of Public Procurement Regulations 2006 provides the responsibility of the procurement unit and user department as pertains to documentation and Regulation 17, on establishment of inspection and acceptance committee for all procurement.

The following issues were noted during our examination of the transactions involving the purchase of the Teleprompter:-

1) Machakos County Executive paid an officer cash of Kshs.100,000 for the purchase of Teleprompter vide Warrant No 1674541;

2) No quotations were attached to verify whether the procurement of the asset was competitively done;

3) There was no requisition from the user department to ascertain the need for the purchase.

Recommendations

1) The County should follow the laid down financial procedures and regulations and desist from cash purchases and the concerned officers should be surcharged.

2) Quotations should be attached whenever any procurements are to be done.

3) Requisitions from user departments should be attached for audit verification and confirmation of the need for the procurement.

4.7 Recruitment of New Staff

The County Government Act provides under Paragraph 45(1) that the Governor shall:

(a) nominate qualified and experienced County Chief officers from among persons competitively sourced and recommended by the County Public Service Board; and (b) with the approval of the County Assembly, appoint County Chief Officers and Paragraph 56(1) provides that, each County shall have its own Public Service to be known as County Public Service whose functions as under paragraph 59(1) shall be inter alia, (b) to appoint persons to hold or act in offices of the County Public Service and under (e), promote in the County Public Service the values and principles referred under Articles 10 and 232 of the Constitution also (g) facilitate the development of coherent, integrated human resource planning and budgeting for personnel emoluments. Further, Paragraph 74 gives the County Public Service Board the powers to regulate appointment of persons on contract. During the period under review, the County recruited an additional 156 employees in the month of April 2013. The following anomalies were noted:-

1) There were no advertisements so as to reach as wide a population of potential applicants;

2) There was no County Public Service Board in place when these appointments were made in April;

3) Further, appointments were done in September in total disregard of the existence of the County Public Service Board;

4) No proper records were maintained in respect of the appointments to indicate whether there were any applications made and received, interviews conducted, etc.;
5) There was no evidence of the creation of certain offices by the County Public Service Board;

6) No budgetary provisions were made for the recruitment;

7) The appointments were done based on a non existent salary structure, designations, placements and terms;

8) These appointments have caused an additional Ksh.13 million per month in respect of wage bill for the county;

9) The appointments were done with the full knowledge of the Transitional Authority who were supposed to have advised the County Administration since the appointment letters were signed by the Interim County Secretary in place at the time.

10) Further, an examination of the payroll data indicated that Tax pins for forty three (43) staff were invalid, thus casting doubt on how their tax deductions had been effected and remitted to the Kenya Revenue Authority **(**KRA).

Recommendations

1) The County should nullify the engagements and surcharge the officers responsible for the recruitment and further adhere to the laid down procedures in recruitment of staff;

2) Records to indicate the process of recruitment should be availed for audit review to determine the integrity of the process,

3) There should be a budgetary provision approved by the County Assembly as per the County Revenue Allocation Act, 2013 for recruitment of staff,

4) Any newly recruited staff should be paid emoluments within the approved salary structure;

5) Data integrity should be maintained.

4.8 Irregular Payment of "Confidential Expenditure" Kshs.7,500,000

1) Article 201 (d) of the Constitution states that Public money shall be used in a prudent and responsible way and Paragraph 104 (1) of the Public Finance Management Act, 2012, Subject to the constitution, a County Treasury shall monitor, evaluate and oversee the management of public finances and economic affairs of the County government including: sub paragraph (i) and ensuring proper management and control of, and accounting for finances of the County government and its entities in order to promote efficient and effective use of the County's budgetary resources;

2) Further, paragraph 147 of the same Act, provides for the role of the accounting officer as among other things, (a) Promoting and enforcing transparency, effective management and accountability with regard to the use of finances.

An expenditure amounting to Kshs.7,500,000 was incurred termed as "confidential expenditure" by the Governor, Machakos County.
However, the following were noted:-

1) There was no budgetary provision in respect of the expenditure;

2) The payment vouchers were not supported by any relevant documentation;

3) The amounts were paid out in cash instead of using cheque as required in prudent management of cash resources.

4) The whole amount of Kshs.7,500,000 was not accounted for to confirm whether it was lawful as a proper charge on the Public funds.

Recommendations

1) All public funds should be applied with due regard to financial regulations and procedures and the same funds be fully accounted for and produced for audit review, failure to that the officers concerned should be surcharged;

2) The County should desist from making big cash payments in future and also develop a cash payment policy;

3) All funds should be properly budgeted for as required by the County Revenue Allocation Act, 2013.

4.9 Funeral Expenses for the Late Senator Hon. Mutula Kilonzo - Kshs.2,880,160

1) Paragraph 104 (1) of the Public Finance Management Act, 2012, Subject to the Constitution, a County Treasury shall monitor, evaluate and oversee the management of Public finances and economic affairs of the County Government including: sub paragraph (i) ensuring proper management and control of, and accounting for finances of the County Government and its entities in order to promote efficient and effective use of the County's budgetary resources;

2) Paragraph 121 of the Public Finance Management Act, 2012 provides that all procurement of goods and services and disposal of assets, required for the purposes of the County government or a County Government entity are to be carried out in accordance with article 227 of the Constitution and the Public Procurement and Disposal Act, 2005.

During the period under review, the County Government of Machakos incurred Kshs.2,880,160 in respect of funeral expenses for the late senator Mutula Kilonzo of Makueni County.

The money was paid out as follows:-

Pv. No	Date	Payee	Amount	Details
26	7/5/13	Governor Machakos	1,000,000.00	Being Contribution towards the funeral of the late Hon. Senator Mutula Kilonzo
31	7/5/13	HomeBoyz Entertainment Ltd.	1,000,000.00	Being payment for provision of Public Address system, trussing, staffing and screens for the funeral service and burial of the late Hon. Mutula Kilonzo.
27	7/5/13	Acutex Ventures P.O. Box 237, Kikuyu.	880,160.00	Purchase of Laptop, receiver, and Microphones and Speakers, wireless speakers and a projector, Amplifier and Mic stands
		Total	**2,880,160.00**	

The following anomalies were noted about this expenditure:-

1) No procurement documents were provided to support how the services from HomeBoyz entertainment were procured to warrant the payment;

2) The payment to Acutex ventures were based on proforma invoices before delivery was made;

3) It is not clear under which expenditure item the total amount was charged since there was no budgetary provision;

4) The burial of the late Senator was held on Thursday, 23 May 2013 in Utangwa, Kikima, Mbooni Constituency of Makueni Constituency a clear indication that this was a senator from another County;

5) The Head of State attended the function and in the circumstances it is common knowledge that the services of a Public Address system were therefore provided by the Presidential Press services thus putting the integrity of the Kshs1,000,000 paid to Home Boyz for Public Adress system to doubt.

Recommendations

1) Provide necessary explanations and documentary evidence on how this transaction was entered into,

2) The above expenditure of Kshs.2,880,160 is an irregular one and the culpable officers should be surcharged for the apparent loss of Kshs.2,880,160 in a nugatory expenditure of the Public funds.

4.10 Irregular Payments To County Ward Representatives Kshs.4,000,000

Circular No. MSPS 18/2A/ (89) of 12 November 2009, stipulates the accommodation and subsistence allowances payable to state officers. During the period under review, payment was made to forty (40) County Representatives as training allowances vide PV. No. 2 of 23/4/2013 at the rate of Kshs.10,000 per member for 10 days totalling to Kshs.4,000,000 for an induction course. An in-depth examination of the transaction revealed the following:-

1) The invitation letter did not indicate the venue and itinerary of the induction course;

2) According to the letter, the course was to take 7 days from 24/4/2013 to 01/5/2013 and not the 10 days as paid.

3) The payments were done based on a circular from Office of the Deputy Prime Minister and Minister of Local Government Ref MLG/1373/XIV (21) of 6th October 2011 which only stipulates accommodation allowances for councilors and not Ward Representatives.

An additional payment amounting to Kshs.867,000 was made from the Machakos County Assembly vide Cheque No.1 of 7/5/2013 and as earlier reported/noted, there was no invitation letter of attendance for the courses or training.

Recommendations

1) There should be an invitation letter for any course indicating the venue and itinerary and the same should be availed for audit verification and proper accountability of the expenditure,

2) The irregular/additional payment for the three (3) days should be recovered from the Ward Representatives,

3) Applicable rates for payment of allowances should be confirmed and applied at all times and any overpayment recovered.

4.11 Irregular Procurement of Goods and Services Kshs.14,062,627

Paragraph 29 of the Public Procurement and Disposals Act, 2005 provides for the choice of procurement procedure and also regulation 8 and 9 of Public Procurement Regulations 2006 provides the responsibility of the procurement unit and user department as pertains to documentation. Further, regulation 17 provides for the establishment of inspection and acceptance committee for all procurement.

A sample of payments examined revealed that several goods and services amounting to Kshs.14,062,627 were procured without following the laid down rules and regulations. Further, the Procurement Unit did not maintain the requisite documents as pertains to these procurements (i.e. requisitions, prequalification register, quotation registers, quotations, tender documents, signed contracts, inspection and acceptance reports, market surveys etc)

An amount of Kshs.1,680,000 paid to Ms Tea Tot Hotel was incurred in respect of workshop package for 30 days from 24 April to 4th June 2013. Examination of this payment revealed that, the following documents were missing:- list of participants, invitation, L.S.O, Quotation, Requisition, or any other correspondence to indicate the purpose and nature and need for the said workshop.

Recommendation

Procurement rules and regulations should be followed at all times in public

Procurement and all the missing documents should be produced for Audit review in order to ascertain the propriety of these expenditures;

4.12 Payment of Accommodation Allowances

Paragraph F.2 (1) to (5) of the County Human Resource Manual 2013 stipulates the circumstances under which officers may be paid accommodation allowances. Accommodation allowances was paid to two Officers, a Mr.Mwengi Mutuse and a Mr.Francis Mwaka from 4 March to 30 April 2013 at Kshs. 84,000 each, no documentation was provided to ascertain whether the expenditures were payable under the set out criteria and the amount applicable.

Recommendation

Documents to ascertain the legality of these expenditures should be availed for audit verification and all payments should be done in line with the human resource manual and supported by the necessary documents. Further, where there is no sufficient supporting documents of the payment, a recovery should be made from the said officers.

4.13 Payment of Transport Expenses

Transport for officers of Public Service Commission is covered under the Code of Regulations and terms of service and Paragraph F.13 of the County Human Resource Manual 2013. An officer, Anne A.M. Kamau seconded to the County as the Chief Finance Officer was paid transport allowance from 4 March to 29 March from Kahawa west Nairobi to Machakos County an amount of Kshs.140,000 vide Payment Voucher No. 252 of 5/6/2013 contrary to Circular Ref MSPS/10/27A/VOL.II/ (114) of 27th February 2013 from the Office of the Prime Minister, Ministry of State for Public Service, which stated that the only payable allowances were consolidated top up allowances.

Recommendation

This payment should be recovered from the officer and payments for services not provided for to undeserving officers should not be made. Further, the County Government should follow laid down guidelines whenever making any payment of allowances.

4.14 IFMIS and G-Pay

Although Machakos County executive has already installed IFMIS system and several modules are up and running there are challenges since it is a new system to most of the defunct Local Authorities staff. The following have since been done:-

1) The County Executive has conducted several trainings on the operation of the new system;

2) In terms of capacity, the office has procured several computers which have the prerequisite memory capacity and features which can comfortably process the data;

3) All payments are made through G-pay and Chart of Accounts has been uploaded in Budget Module in the IFMIS;

4) Revenue collected by the sub-counties has been uploaded in the IFMIS Budget.

Recommendation

Further trainings should be conducted so as to build capacity for the existing employees to enable optimum operation of the systems as envisaged and to enhance accountability of the operations.

4.15 Engagement of Casual Workers

Employment Act, 2007 states in its preliminary in part one "casual employee" means a person the terms of whose engagement provides for his payment at the end of each day and who is not engaged for a longer period than twenty four hours at a time; The following were noted:-

1) Various casuals were engaged by the County Government during the period under review. It was however not clear how these casuals were identified since documents to show how they were engaged were not provided for audit review.

2) It was also noted that some of the casuals were engaged in bush clearing along the Mombasa highway which is under the jurisdiction of the Kenya National Highways Authority (KENHA). No correspondences/ communications between the County Government were availed showing any agreement between the two offices.

3) Some of the rates used to pay casuals could not be supported with the existing gazzeted Ministry of Labour rates.

Recommendations

1) The process and documentation to show how these casuals were engaged should be availed for audit review,

2) Any correspondence or agreement between the County Government and the Kenya National Highways Authority (KeNHA) on the engagement to clear the bushes along Mombasa highway should be availed for audit review or in the absence of the same this expenditure should be recovered from the officer who authorized the same,

3) The existing and approved labour rates should be applied when paying casuals and where excess payment was made, the responsible officer should be surcharged.

4.16 Purchase of Motor Vehicles

Paragraph 104 (1) of the Public Finance Management Act, 2012 states that, Subject to the Constitution, a County Treasury shall monitor, evaluate and oversee the management of public finances and economic affairs of the County Government including: sub paragraph (i). To ensuring proper management and control of, and accounting for finances of the County Government and its entities in order to promote efficient and effective use of the County's budgetary resources. Further, Paragraph 121 of the Public Finance Management Act, 2012 provides that, all procurement of goods and services and disposal of assets, required for the purposes of the County Government or a County Government entity are to be carried out in accordance with article 227 of the Constitution and the Public Procurement and Disposal Act.

The County Executive office procured and paid to M/s Extreme Auto's Limited for supply of 15 Subaru Outback 2500 cc at Kshs.1,757,000 each, totaling to Kshs.26,355,000 and one Toyota Land Cruiser 4700 cc VX (V8) at Kshs.6,500,000 all used/second hand vehicles, vide invoice dated 22 April 2013 which was paid on 03 May 2013.

On further examination of records pertaining to this transaction, the following

were noted:-

1) The vehicles were registered but the booking and advance tax of Kshs. 62,080 paid by the County Government on 23 May 2013. Further, details indicated that the 16 vehicles were inspected; however the inspection reports were not availed for audit verification.

2) No pre-purchase valuation was done by the Ministry of Public works or a Government registered Valuer to establish the length of usage since these vehicles were used/second hand;

3) There was no information to show that these vehicles had been tendered for or how the vehicles and the supplier were identified;

4) Further, these vehicles were imported and registered in different individual names though supplied by one dealer a clear indication that the dealer did not have the capacity to supply but acted as an agent to the various owners in whose names the vehicles were registered;

5) These vehicles were fitted with private registration numbers instead of the normal green plates used by the defunct Local Authorities,

6) As at the time of signing this report these vehicles had not been transferred to the County Government thus prone to misuse and even loss/theft.

Recommendations

1) The inspection reports for the vehicles procured should be availed for audit and a proper valuation done to ascertain whether the Council got value for the money on these procurements. .

2) Documents to show the process used in identifying the vehicles and the supplier should be availed for audit review and the County Government should adhere to proper procurement regulations when procuring/ purchasing of goods and services;

3) The vehicle should be transferred to the County Government and registered as assets belonging to the County for proper accountability of the County assets and/or seek approval from the relevant office for fitting the private registration numbers on the County vehicles which should ideally have green number plates;

4) Where used items are being procured a pre-purchase valuation should be done to determine their true worth.

5.0 COUNTY ASSEMBLY

5.1 Cash and Bank

Financial Regulations chapter 5 paragraph 5.9.2 requires that bank reconciliation be done at least once a month. Paragraph 5.9.9 it further requires that a board of survey be constituted annually to examine and verify the cash on hand and bank balances as at the close of the year.

The Machakos County Assembly opened its bank account on 30 April 2013 as per the bank statement and received cash transfers from the Machakos County Government as follows:-

Date	Amount Kshs.	Source	Comments
30 April 2013	7,257,096.00	County Government	
30 May 2013	15.000,000.00	"	
14 June 2013	40,756,795.00	"	
TOTAL	**63,013,891.00**		**Nil balance as at 30.6.2013**

1) The cash balance at the closure of the financial year, 30 June 2013 was nil;

2) The Assembly did not prepare a board of survey report to establish the cash on hand as at 30 June 2013

3) Examination of cash book revealed that, it was not being balanced and examined on daily basis by a senior officer and further no monthly bank reconciliations were done;

Recommendations

1) A Board of Cash survey should be instituted and cash survey done at the required times;

2) The Cashbook should be balanced on daily basis and bank reconciliations done on a monthly basis.

5.2 Purchase of Motor Vehicles

Paragraph 104 (1) of the Public Finance Management Act, 2012, Subject to the Constitution, a County Treasury shall monitor, evaluate and oversee the management of Public finances and economic affairs of the County

Government including: sub paragraph (i) also ensuring proper management and control of, and accounting for finances of the county government and its entities in order to promote efficient and effective use of the County's budgetary resources. Further, paragraph 147 of the Public Finance Management Act,2012 provides for the role of the accounting officer as among other things (a) promoting and enforcing transparency, effective management and accountability with regard to the use of finances.

The County Assembly procured and paid to Osaka Motors Limited for supply of one (1) Toyota Harrier Station Wagon 2360 cc at Kshs. 2,600,000 and also procured and paid Muhammed Aden for the supply of one (1) Toyota Prado of 2690 cc at Kshs. 7,000,000 all used /second hand vehicles as per the sale agreements dated 27 June 2013.

Examination of the transaction revealed the following:-

1) No pre-purchase valuation was done by the Ministry of Public works or a Government registered Valuer to establish the length of usage as the vehicles were used/second hand;

2) The invoice for the Toyota Prado registration No.KBV 393 C was issued by Bhinder Corporation Ltd. whereas the payment was made to one Muhammed Aden vide Bank transfer dated 27 June 2013;

3) The vehicles were not tendered for nor was there any information given as to how the vehicles and the supplier were identified;

4) Further, these vehicles were fitted with private registration and as at the time of signing this report these vehicles had not been transferred to the County.

Recommendations

1) The vehicles procured should be valued to ascertain whether the County got value for the money and if the Council never got value for the money the responsible officers should be surcharged for the apparent loss;

2) Documents for the procurement procedures used should be availed for audit review and the County Assembly should in future adhere to the requirements of the Law in the purchase of goods and services;

3) Where used items are being procured a pre-purchase valuation should be done to determine their true worth;

4) Payments of any kind should be made in the name of the supplier as indicated on the invoice and this payment should be investigated to ascertain the nature of the arrangement to pay one not indicated in the invoice and the officer culpable surcharged for the apparent loss to the Assembly;

5) The County should have the vehicles transferred formally or seek approval from the relevant authority for fitting private registration numbers on the County vehicles which should have green number plates and accounted for as assets of the County Assembly.

6.0 MUNICIPAL COUNCIL OF MAVOKO (MAVOKO SUB-COUNTY)

6.1 Cash and Bank

Circular Ref COB/TA/001/1, from the office of the Controller of Budget dated 8 May, 2013 stated that "In line with part IV, Section 109 and section 119 of the Public Finance Management Act, 2012, the Transition Authority issued instructions to the County Transition Principal officers to ensure that the previous local authorities bank accounts are frozen with exception of receiving and paying cheques issued before 1 March 2013 and the officers were provided with guidelines on opening and managing of new County Government bank accounts through letter reference no MOF/IFMIS/1/41 dated 7 March 2013.

Financial Regulations chapter 5 paragraph 5.9.2 requires that bank reconciliation be done at least once a month. Paragraph 5.9.9 further, requires that a board of survey be constituted annually to examine and verify the cash on hand and bank balances as at the closure of the year.

The defunct Municipal Council of Mavoko had nine bank accounts as follows:-

Acc. Name	Bank	Acc. Number	Balance as at 30.6.013	Date of closure	Comments
Collateral Account	Co-op Bank	12460650861	611,601.00	Not closed	Active to date
Kazi Kwa Vijana(KKV),	Co-op Bank	1120065086104	(1,671.51)	2/7/2013	
Water Account	Co-op Bank	1100065086102	169,480.45	2/7/2013	
Renewals Fund	Co-op Bank	1132065086100	(200.00)	2/7/2013	
Kenya Roads Board Fund	Co-op Bank	1120065086102	(1,671.51)	2/7/2013	
LATF	Co-op Bank	1100065086101	(200.00)	2/7/2013	
Quarry Account	Co-op Bank	1100065086103	1,666,704.00	2/7/2013	
Current a/c (GRF).	Co-op Bank	1120065086100	4,657,589.31	2/7/2013	
EU Poverty Eradication Account	Co-op Bank	1120065086103	(1,671.51)	2/7/2013	

However the following was noted:-

1) The Sub County had not closed all its bank accounts as at 1 March 2013. Most accounts were active up to 2 July 2013 when they were closed except one account, Collateral account which has remained active up-to-date;

2) No Board of Survey report was availed as at 30 June 2013 to establish cash on hand;

3) Bank reconciliations were not up-to-date except for two bank accounts namely, water account and Kenya Roads Board fund which were done up to 30 June 2013.

Recommendations

1) The active bank account (Collateral A/C) should be taken over by the Machakos County Government as part of its liabilities transferred from the defunct Local Authority since the account was used for the purchase of a motor Vehicle from Toyota Kenya, which is a non current asset;

2) Board of Survey report should be availed in order to establish cash on hand at handing over and the closure of the financial year;

3) Machakos County Government should ensure that bank reconciliations are up-to-date;

6.2 Debtors

The Ministry of Local Government through Circular Ref. No. MLG/1333/TY/ (52) of 18 February 2013 directed the Clerks as the Chief Executive Officers of the Local Authorities to ensure there is proper handing over to the incoming County Government . As part of the handing over, Clerks were expected to ensure that statements of Assets and Liabilities were prepared by 28 February 2013. The Clerks were also reminded of the Public Finance Management Act, 2012 part iv section 123.

Transition Authority Circular Ref.No. TA/2/5 dated 9 January 2013; 'Inventory of Assets and Liabilities Debts and Human Resources profile in public organizations' required the Clerks of Local Authorities to carry out an inventory of all Assets, Debts and Liabilities including movable and immovable assets.

The defunct Council prepared statement of assets and liabilities by 28 February 2013. A review of records and documents of Debtors as at 31 December 2012 and 28 February 2013 and up to 30 June 2013 showed the following:-

1) The Council did not maintain a Debtors ledger for proper management of debtors.

2) The Council did not maintain monthly reports on Debtors balances; it was therefore not possible to ascertain the Debtor position as at 31 December 2012 and 28 February 2013.

3) The debtors balance as at 30 June 2013 was Kshs.847,153,735 as per schedules provided and there were no verifiable correspondences with customers for evidence of incomplete or incorrect dispatches or invoicing.

4) The debtors balance as at 30 June 2013 of Kshs. 847,153,735 had not been consolidated at the County head office.

5) No schedule was provided for plot rent debtors amounting to Kshs.5,699,848.

Recommendations

1) The County Government should maintain the debtors ledgers and consolidate the debtors balances in its books;

2) The County Government should maintain correspondences for confirmation of the transactions with debtors;

3) The Sub County should provide a schedule of plot rent amounting Kshs.5,699,848 for proper accountability.

6.3 Creditors/Suppliers and Other Liabilities

Transition Authority Circular Ref. No. TA/2/5 dated 9 January 2013, Inventory of Assets and Liabilities Debts and Human Resources profile in public organizations required the Clerks of Local Authorities to carry out an inventory of all assets, debts and liabilities including creditors.

1) The creditors balance as 31 December, 2012 could not be established as the defunct Council did not update the records and no Creditors ledger was kept to enable confirmation of balances as at any particular date;

2) The Creditors balance as at 28 February, 2013 and 30 June, 2013 were Kshs.69,600,000 and Kshs.69,678,957 respectively. No Schedules were provided to support Payment in lieu of leave and LAPTRUST amounting kshs.45,000,000 and 19,000,000 respectively;

3) Further, a balance of Kshs.12,542,290 was noted as a listing of pending bills from Suppliers and Contractors, however, no evidence was provided when the expenditures were incurred and how the same would be paid;

4) The Creditors balance as at 30 June 2013 had not been consolidated at the County head office.

Recommendations

1) Maintain an updated individual creditor's ledger for ease of confirmation of the correct balances of creditors;

2) Schedules to support the LAPTRUST and Payment in lieu of leave should be a availed for proper accountability;

3) Evidence to support the pending bills should be availed for proper accountability

4) The County Treasury should do a proper analysis and verification of the creditors and consolidate the balances in its books.

6.4 ASSETS

6.4.1 Land and Buildings

The Local Authorities Financial Management Regulations (LAFMR) M (3a) requires every local authority to revalue its land and buildings after every 5 years. Further, Regulation J - Accounting records and record keeping, Section 1 (f) and (g) requires each local authority to properly register, acquire titles, value and maintain a fixed assets register among other records, for all properties and assets vested in the Local authority.

Regulation M.2A(3) states that such assets shall as far as possible, be effectively marked and numbered as Council property, and the ledger records shall be maintained as to the physical location of each item.

Transition Authority Circular Ref. No. TA/2/5 dated 9 January 2013; Inventory of Assets and Local Authorities to carry out an inventory of all Assets, Debts and Liabilities including movable and immovable assets

1) The Council prepared a statement of Assets and Liabilities which included movable and unmovable Assets as per Transition Authority Circular Ref.No. TA/2/5 dated 9 January 2013.

2) The defunct Municipal Council of Mavoko did not provide the title documents for various parcels of land and buildings under its jurisdiction. The registered titles availed were under County Council of Machakos and/or Athi River Urban Council.

3) All the parcels of land within the defunct Council's jurisdiction had not been valued.

4) 18 parcels of land of various sizes as listed below recognized by the defunct Council as public utilities in Syokimau and Numerical area of

Mavoko Sub County had been sub-divided and allocated to individuals and institutions. A physical check of these parcels revealed that most of them had been developed privately and others fenced off while a few were still vacant.

Location	Size (Acres)	LR No.	Planned use	Current status/user
Syokimau	2.0	12715/255	Public Utility	EPCO Builders
Syokimau	12.1	12715/267 12715/409 1833	Community centre Syokimau dam Civil aviation	Sub-divided into: Commercial plots Vacant
Syokimau	5	12715/407		Vacant
Syokimau	Unsurveyed	12715/207	Primary school	Vacant
Numerical	4.0 2.0	26699/8 26699/27	Public utility Public utility	Residential Residential
Numerical	8.09	26699/28	Surrendered in lieu of rates	Residential plots
Numerical	2.0	26699/29	Public utility	Residential
Numerical	6.1	26699/22	Secondary school	School residential
Numerical	2.0	26699/23	Public utility	Children home
Numerical	0.4	26699/31	Shopping centre	Commercial
Numerical	8	26699/146	Primary school	3 acre residential 5 acre school
Numerical	5.0	26699/147	Public utility	Allocated to private developer
Makadara	Unsurveyed	Former stadium	Intended for a stadium	Owners have titled deed from commissioner of lands
Syokimau	0.0463	13323/36	Community facility	Not developed
Sofia	0.2	Open space	residential	Vacant
Mulinge scheme	50	337/1919	Secondary school	Private owned
Makadara	1.25	Parcel no. 798	Jua kali sheds	Shops, workshops and residential
Makadara	0.4	Parcel no. 389	Open space	Church

Total 108.5863 Acres, while two parcels were unsurveyed

Recommendations

1) The County Government should follow up on title deeds to secure ownership of these properties for proper accountability of its assets,

2) The County Government should engage competent valuers to value the parcels of land and other properties within its jurisdiction;

3) The 18 parcels of land which were fraudulently allocated should be repossessed.

6.4.2 Revenue

Letter Ref No. MLG/1328/A/ (3) dated 7 March 2013 instructed clerks to the local authorities to ensure that all revenue collected during the transition period is banked intact as required by the law.

A comparison of 6 months in 2012 and 2013 (January – June) revealed that there was an under banking of Kshs.11, 472,413 realized in the six months of 2013.

Recommendation

The unbanked revenue of Kshs.11,472,413 should be investigated and banked and the necessary documentation produced for verification and proper accountability. Further, the officer culpable should be asked to explain and necessary disciplinary action taken against him/her. Further, a record of daily collections and banking should be maintained and supervised by a responsible/senior officer and all revenue in future should be banked intact at all times.

6.5 Unsupported payments

Examination of payment vouchers revealed that there were payments amounting to Kshs.2,968,380 which were not properly supported by relevant documents such as receipts, lists of participants of seminars, quotations or evidence how the suppliers were identified. Further, these expenses seem to have been incurred in haste.

Recommendation

The relevant documents should be produced for audit verification and proper accountability.

6.6 Legal matters

The defunct Council had several cases in relation to land which were still pending in court. A total of 50 court cases were reported in the council files.

Recommendation

The nature of these pending land cases should be investigated and where possible dispensed with to avoid heavy legal fees and penalties.

6.7 IFMIS and G-Pay

Examination of IFMIS and G-Pay positions revealed the following:-

1) IFMIS had not been installed in this sub County. The sub County is still using LAIFOMS which it was previously using as Mavoko Municipal Council;

2) Trainings on IFMIS had been done and was still ongoing;

3) Revenue collected by the sub-counties has not been uploaded in the IFMIS Budget;

4) Balance brought forward relating to creditors have not been accommodated in the IFMIS although most of the former local authorities submitted an inventory of assets, liabilities, debts and human resources profile in public organizations as requested by the Transitional authority vide a letter dated 9th January 2013 of ref no: TA/2/5;

5) Sufficient computers to process the required data are present in this sub county.

Recommendations

1) The IFMIS Should be installed and operationalised as envisaged;

2) Revenue collected should be uploaded in the IFMIS Budget for proper accountability of revenue collections;

3) Further trainings should be conducted so as to build capacity to the existing employees;

4) Balance brought forward relating to creditors should be accommodated in the IFMIS to show the correct balances inherited/taken over from the defunct Council by the County Government.

7.0 MUNICIPAL COUNCIL OF MACHAKOS (MACHAKOS SUB-COUNTY)

7.1 Cash and Bank

Circular Ref COB/TA/001/1, from the Office of the Controller of Budget dated 8 May, 2013 stated that "In line with part IV, Section 109 and section 119 of the Public Finance Management Act, 2012, the Transition Authority issued instructions to the County Transition Principal Officers to ensure that the previous Local Authorities bank accounts are frozen with exception of receiving and paying cheques issued before 1 March 2013 and the officers were provided with guidelines of opening and managing of new County Government bank accounts through letter reference no MOF/IFMIS/1/41 dated 7 March 2013.

Financial Regulations chapter 5 paragraph 5.9.2 requires that bank reconciliation be done at least once a month. Paragraph 5.9.9 further, requires that a board of survey be constituted annually to examine and verify the cash on hand and bank balances as at the close of the year.

The defunct Machakos Municipal Council had the following bank accounts with the balance indicated as at 30 June 2013;

Acc. Name	Bank	Acc. Number	Balance as 30.6.013	Date of closure	Comments
General Rate Fund	KCB	1106429354	122,584.85	04.07.13	
General Rate Fund	Family	10387	15,608.58	3.07.13	
LATF	KCB	1107143411	Nil balance	17.05.13	
Kenya roads board fund	KCB	1106435877	73,736.65	04.07.13	
Housing	KCB	11260429710	25,595.60	04.07.13	
Renewal Fund	KCB	1126042633	234,200.00	04.07.13	
Kazi Kwa Vijana	Family	30100020	Nil balance	3.07.13	

However the following was noted:-

The Sub-County had not closed all its bank accounts as at 1 March 2013 as required by the Transition Authority. Most accounts were active up to 3 and 4 July 2013 when they were closed except for LATF account which was closed on 17 May 2013 and the balances transferred to the County Government account. Bank reconciliations were however done up to 30 June 2013.

Recommendation

The directives issued by relevant authorities should in future be adhered to. Further, the balances transferred to the County Government should be confirmed and correctly shown in its books for proper accountability and reporting in the financial statements for the year ended 30 June 2013.

7.2 Debtors

The Ministry of Local Government through circular Ref. No. MLG/1333/TY/ (52) of 18 February 2013 directed the Clerks as the Chief Executive Officers of the Local Authorities to ensure there is proper handing over to the incoming County Government . As part of the handing over, Clerks were expected to ensure that statements of assets and liabilities were prepared by 28 February 2013. The Clerks were also reminded of the Public Finance Management Act, 2012 part iv Section 123.

The Council did not prepare statement of assets and liabilities by 28 February 2013. A review of records and documents of Debtors as at 31 December 2012 and 28 February 2013 and up to 30 June 2013 showed the following:-

1) The Council did not maintain a Debtors ledger for proper management of Debtors;

2) The Council did not maintain monthly reports on debtors balances and it was therefore not possible to ascertain the debtors position as at 31 December 2012 and 28 February 2013;

3) The Debtors balance as at 30 June 2013 though indicated as Kshs.174,122,262 could not be confirmed as there were no verifiable correspondences with customers for evidence of incomplete or incorrect dispatches or invoicing;

4) The debtors balance as at 30 June 2013 indicated as Kshs. 174,122,262.00 had not been consolidated at the County head office.

5) No schedule was provided for plot rent Debtors, Sewer charges and contribution in lieu of rates (CILOR) amounting to Kshs.5,492,394 Kshs. 8,955,668 and Kshs. 6,743,904 respectively;

6) The imprest balance shown as at 30 June, 2013 was a nil balance yet examination of the system balances showed huge uncleared balances in the LAIFOMS. The examples of these huge outstanding balances are here below:-

Name	Date of Issued	Date due	Balance Kshs.
Aluanga M	Various	Various	2,157,303
Nzioka N	Various	Various	4,836,530
Kioko P	Various	Various	5,927,101
Kyule D	Various	Various	2,693,454
Muange C	Various	Various	8,156,967
Total	Various	Various	**23,771,355**

From the above it is clear that the nil balance is incorrect and misleading and the Council is not providing all the information on imprests. We were therefore not able to confirm the accuracy and completeness of the debtors.

Recommendations

1) The County Government should maintain individual debtors ledgers;

2) Monthly debtors reports should be prepared;

3) The Sub County should provide a schedule for plot rent debtors, sewer charges and Contribution in Lieu of rates amounting to Kshs.5,492,394.00,Kshs. 8,955,668.00 and Kshs.6,743,904.00 respectively;

4) Correct information should be provided for audit verification and proper accountability regarding imprests;

5) The County Treasury should verify and consolidate the debtors balances taken over.

7.3 Creditors

Transition Authority Circular Ref. No. TA/2/5 dated 9 January, 2013, "Inventory of Assets and Liabilities Debts and Human Resources profile in public organizations" required the Clerks of Local Authorities to carry out an inventory of all assets, debts and liabilities including creditors.

Examination of Creditors records revealed the following:-

1) The creditors balance as 31 December, 2012 and 28 February, 2013 could not be established as the Council did not update these records and no creditors ledger was kept to enable confirmation of balances as at any particular date;

2) The creditors balance as at 30 June, 2013 was indicated in the financial statements as Kshs.110,001,068. However, no schedules were provided for Mawasco, Salary arrears and Unpaid statutory deductions amounting to Kshs.1,655,170, Kshs.45,065,846 and Kshs.48,055,877 respectively;

3) A listing of pending bills from suppliers and contractors was provided for audit, however, no evidence was provided when the expenditures were incurred and how they were to be paid;

4) The Creditors balance as at 30 June 2013 had not been consolidated at the County head office.

Recommendations

1) Maintain a complete individual creditor's ledger;

2) Adequate planning should be observed to ensure staff enjoy their leave entitlement and all staff should be allowed to take their leave entitlement as and when due instead of commuting the same;

3) Schedules to support the Mawasco, Salary arrears and Unpaid statutory dues should be produced for audit review and proper accountability,

4) Evidence of pending bills should be availed for proper accountability;

5) The County Treasury should do a proper analysis of the creditors and consolidate the balances taken over.

7.4 Assets

The Local Authorities Financial Management Regulations (LAFMR) M (3a) requires that every local authority revalue its land and buildings after every 5 years. Further, Regulation J-Accounting records and record keeping, Section 1(f) and (g) requires each local authority to properly register, acquire titles, value and maintain a fixed assets register among other records, for all properties and assets vested in the Local authority,

Although the Council prepared a statement of assets and liabilities which included movable and immovable Assets as per Transition Authority Circular Ref.No. TA/2/5 dated 9 January 2013; title documents for an undetermined parcels of land and buildings were not availed for audit verification.

Recommendation

The County Government should follow up on title documents in order to secure all the parcels of land owned within their jurisdiction.

7.5 Revenue

A comparison of six (6) months in January – June 2012, and January – June 2013 (revealed that there was an under banking of Kshs.33,431,617 in collections a clear indication of revenue loopholes.

Recommendation

The under banking noted should be investigated and disciplinary action taken against the culpable officer.

7.6 Payments

7.6.1 Payment of legal fees

The defunct Council incurred outstanding legal fees/awards amounting to Kshs.13,429,258 as at 30 June, 2013 up from Kshs.11,745,180 as at 26 September. 2012. No evidence was provided to show how the debt was incurred or would be resolved.

Recommendation

Evidence should be provided to show how the outstanding legal fees arose and how the same would be cleared by the defunct Council.

7.6.2 Improperly supported payments

Examination of payment vouchers revealed that payments amounting to Kshs.938,500 were not properly supported by relevant documents such as receipts, lists of participants of seminars, quotations or evidence to show how the suppliers were identified.

Recommendation

Supporting documents for the above payments should be provided for audit review and it is further recommended that all payments should be supported by relevant documents and be produced for proper accountability.

7.7 IFMIS and G-Pay

Examination of the IFMIS and G-Pay position revealed the following:-

1) IFMIS had not been installed in this Sub County and was still using LAIFOMS which it was previously using as Machakos Municipal Council;

2) Trainings on IFMIS had been done and was still ongoing to capture the rest of the staff;

3) Revenue collected by the Sub-Counties had not been uploaded in the IFMIS Budget;

4) Balance brought forward relating to creditors had not been accommodated in the IFMIS although most of the former local authorities submitted an inventory of assets, liabilities, debts and human resources profile in public organizations as requested by the Transitional Authority vide a letter dated 9 January 2013 Ref. No: TA/2/5;

5) Sufficient computers to process the required data were present in this Sub County.

Recommendations

1) IFMIS should be installed and operationalised as envisaged;

2) Further trainings should be conducted so as to build capacity to the existing employees;

3) Revenue collected by the Sub-Counties should be uploaded in the IFMIS budget for proper accountability of the revenue collections;

4) Creditors balances brought forward should be accommodated in the IFMIS for confirmation of the correct balances taken over from the defunct Council.

8.0 COUNTY COUNCIL OF MASAKU

8.1 Cash and Bank

Financial Regulations chapter 5 paragraph 5.9.2 requires that bank reconciliation be done at least once a month. Paragraph 5.9.9 further, requires that a board of survey be constituted annually to examine and verify the cash on hand and bank balances as at the close of the year.

The defunct Masaku County Council had the following bank accounts:-

Acc. Name	Bank	Acc. Number	Balance as at 30.6.013	Date of closure	Comments
General rate Fund(GRF)	KCB	1106429508	437.27	2/7/2013	
Local Authority Transfer Fund(LATF)	KCB	1107143527	Nil balance	17/5/2013	
LASDAP A/C(Projects)	Family	73000011210	13,428.57	2/7/2013	
Salary Account	Family	73000014412	5,677.01	2/7/2013	
Salary Account	Co-operative	1120277551500	139,211.00	2/7/2013	
Government A/C(New)	Co-operative	1141549087300	(43,023.00)		

1) General Rate Fund (GRF), LATF and Salary account (held at co-operative bank and Family bank, Machakos branch). Except for LATF account which was closed in May 2013, Masaku Sub County did not close its bank accounts till 2 July 2013;

2) Bank reconciliations were not up-to-date except for one salary account held at Family bank;

3) No board of survey report was provided to enable us ascertain the cash on hand at the closure of the financial year, 30 June 2013.

Recommendations

1) Machakos County Government should ensure that bank reconciliations are up-to-date;

2) Board of survey report should be availed in order to establish cash on hand at the closure of the financial year for proper accountability of the cash asset.

8.2 Debtors

The Ministry of Local Government through circular Ref. No. MLG/1333/TY/ (52) of 18 February 2013 directed the Clerks as the Chief Executive Officers of the Local Authorities to ensure there is proper handing over to the incoming County Government . As part of the handing over, Clerks were expected to ensure that statements of assets and liabilities were prepared as at 28th February 2013. The Clerks were also reminded of the Public Finance Management Act, 2012 part iv section 123.

However, The Council did not prepare statement of assets and liabilities as at 28 February 2013. A further review of records and documents on Debtors as at 31 December 2012 and 28 February 2013 and up to 30 June 2013 showed the following:-

1) The Council did not maintain a debtors ledger for proper management of debtors;

2) The Council did not maintain monthly reports on debtors balances and it was therefore not possible to ascertain the debtors position as at 31 December 2012 and 28 February 2013;

3) The debtor balance as at 30 June 2013 was indicated as Kshs.42,458,991 but there were no verifiable correspondences with customers to confirm the balances;

4) The debtors balance as at 30 June 2013 of Kshs.42,458,991 had not been consolidated at the County head office.

An examination of imprests revealed the following:-

1) The imprests outstanding as at 31 December, 2012 amounted to Kshs. 6,867,921 whereas the outstanding imprests as at 30 June, 2013 amounted to Kshs.869,200 an indication that there was a huge surrender of imprests during the transition period contrary to the imprest regulations which require that imprest be surrendered 48 hours after completion of the exercise for which the same was issued.

Recommendations

1) The County Government should maintain proper debtors ledger for accountability of debtors;

2) Monthly reports on debtors position should be maintained and produced for audit verification to confirm the integrity of these balances;

3) The County Treasury should maintain correspondences pertaining to the transaction with debtors;

4) The debtors should be verified, analysed and consolidated in the County Government books.

5) The County should regulate the issuance of imprest and adhere to the set regulation on the duration for surrender of the same. Further, any overdue imprest should be recovered from the payroll immediately.

8.3 Creditors

Transition Authority Circular Ref. No. TA/2/5 dated 9th January 2013, Inventory of Assets and Liabilities Debts and Human Resources profile in public organizations required the Clerks of Local Authorities to carry out an inventory of all assets, debts and liabilities including creditors.

Examination of Creditors records revealed the following:-

1) The creditors balance as 31 December, 2012 and 28 February, 2013 could not be established as the council records had not been updated. Further, no creditors ledger was maintained to enable confirmation of balances as at any particular date;

2) The creditors balance as at 30 June, 2013 amounted to Kshs.36,123,673. However, this could not be confirmed in the absence of the individual creditors ledgers and listing/schedule;

3) A balance of Kshs.2,213,459 was provided as a listing of pending bills from suppliers and contractors, however, no evidence was provided when the expenditures were incurred and how the same would be paid;

4) The Creditors balance as at 30 June 2013 had not been consolidated at the County head office.

Recommendations

1) The creditors ledgers should be maintained and updated for confirmation of the creditors balances,

2) Creditors schedules/listing should be produced for audit review to enable confirmation of the balances as at 30 June 2013;

3) Evidence to support the Kshs.2,213,459 in pending bills should be availed for proper accountability of this liability,

4) The County Treasury should analyse and verify the creditors taken over and further consolidate the same in their books.

8.4 Assets Status

8.4.1 Non Current Asset

1). The Council did not prepare a statement of Assets and liabilities which was to include movable and immovable assets contrary to the Transition Authority Circular Ref. No. TA/2/5 dated 9 January 2013 which required this to be done.

2). The Council did not provide five (5) log books and further, title documents for an undetermined number of parcels of land owned by the Sub County were not provided for audit verification.

Recommendations

1). The County Government should have a statement of assets and liabilities prepared for proper handing over.

2). The County should enhance the process of acquisition of log books, title documents and secure all the assets owned by the Sub County for proper accountability of their assets;

8.4.2 County Residential Houses

In 1974 the National Housing Corporation developed a Housing Scheme, 'Deport Housing Scheme' on Machakos Municipality Block 1/197-214 on behalf of Masaku County Council. Information available and confirmed by the National Housing Corporation indicates that the Scheme was developed by loan to the Council which has since been cleared. However, the entire 25 units of houses were later taken over by the National Government under the then Ministry of Housing and Urban Development in unclear circumstances and allocated to Civil Servants who have in effect been paying rent to the Ministry. The Council has not only been losing revenue but also the advantage to use its own resources.

Recommendation

The County Government should explore the possibility of repossessing the houses developed under the housing scheme and collect the rent as part of the County revenue.

8.5 Payments

8.5.1. Payment of legal fees

The defunct Council made payments of legal fees amounting to Kshs.1,000,400 to O.N. Makau & Mulei advocates during the period from July 2013 to April, 2013. No evidence was provided to confirm the composition of the amount and how the firm was engaged or whether due

process was followed as required in the Public Procurement and Disposal Act, 2005 and regulations 2006 and the nature of the case(s).

A total of 25 court cases were reported in the defunct Council's files.

Recommendation

Evidence should be provided to show how the figure of Kshs.1,000,400 was arrived at and how the advocates were identified, the nature of the cases/suit and whether the lawyers actually attended court on account of Council matters.

8.5.2. Inappropriate expenditure

The defunct Council paid out a total of Kshs.950,000 on various dates to a consultancy firm (Zimimu Consultants) for conducting baseline surveys on gender, drug abuse customer and employee satisfaction. Further, examination of these payments indicated four cheques of Kshs.700,000 had the same date while the other of Kshs.250,000 was paid at a later date . In addition, the outcome/report on the surveys was not made available for audit review. The necessity of the survey was not established and it would appear this was an inappropriate expenditure.

Recommendation

In the absence of a report the inappropriate expenditure incurred of Kshs. 950,000.00 should be recovered.

8.6 IFMIS and G-Pay

1) IFMIS had not been installed in this Sub County and continued using LAIFOMS which it was previously using as Masaku County Council;

2) Trainings on IFMIS had been done and was still ongoing to capture most of the staff;

3) Revenue collected by the Sub-Counties had not been uploaded in the IFMIS Budget for proper accountability of the revenue collection;

4) Creditors brought forward balances had not been accommodated in the IFMIS although most of the former local authorities submitted an inventory of assets, liabilities, debts and human resources profile in public organizations as requested by the Transitional Authority vide a letter dated 9 January 2013 of ref no: TA/2/5;

5) Sufficient computers to process the required data were available in this Sub County.

Recommendations

1) IFMIS should be installed and operationalised as envisaged;

2) Further trainings should be conducted so as to build capacity to the existing employees;

3) Revenue collected should be uploaded in the IFMIS Budget for proper accountability of the cash asset;

4) Creditors brought forward balances should be accommodated in the IFMIS for proper accountability of the creditors balances.

9.0 TOWN COUNCIL OF KANGUNDO (MATUNGULU SUB-COUNTY)

9.1 Cash and Bank

Financial Regulations chapter 5 paragraph 5.9.2 requires that bank reconciliation be done at least once a month. Paragraph 5.9.9 further, requires that a board of survey be constituted annually to examine and verify the cash on hand and bank balances as at the close of the year.

The defunct Kangundo Town Council held the following bank accounts:-

Acc. Name	Bank	Acc. Number	Balance as at 30.6.013	Date of closure	Comments
General Rate Fund(GRF)	1120341944500	Co-op Bank	Nil balance	28/5/2013	
Local Authority Transfer Fund(LATF)	1107344913	KCB	Nil balance	28/5/2013	
Kazi Kwa Vijana(KKV)	1120341956800	Co-op Bank	Nil balance	28/5/2013	
Project Account	112041944501	Co-op Bank	Nil balance	28/5/2013	

1) The defunct Local Authority of Kangundo had not closed all its bank accounts by 1 March 2013, these were subsequently closed on 28 May 2013. These accounts had nil balance as at 30 June 2013.

2) No bank reconciliations were done at all, however a board of survey report was availed to ascertain the cash on hand as at 30 June 2013;

3) Bank statements for the Project account at Cooperative Bank was not availed for proper accountability.

Recommendation

Machakos County Government should ensure that bank reconciliations are up-to-date and further, avail the Project account bank statements for proper accountability.

9.2 Debtors

Transition Authority Circular Ref. No. TA/2/5 dated 9 January 2013, "Inventory of Assets and Liabilities Debts and Human Resources profile in public organizations required the Clerks of Local Authorities to carry out an inventory of all assets, debts and liabilities including movable and immovable assets". However, the Council did not prepare a statement of assets and liabilities as at 28 February 2013.

A review of records and documents on debtors as at 31 December 2012 and 28 February 2013 and up to 30 June 2013 showed the following:-

1) The defunct Council did not maintain a debtors ledger for proper management of debtors;

2) The defunct Council did not maintain monthly reports on debtors balances and was therefore not possible to ascertain the debtors position as at 31 December 2012 and 28 February 2013.

3) Although the debtor balance as at 30 June 2013 was indicated as Kshs.19,491,557 there were no verifiable correspondences with customers for evidence of dispatches or invoicing;

4) No schedules were provided for Plot rent and Stall rent debtors amounting to Kshs.19,457,957 and Kshs.33, 600 respectively;

5) The debtors balance as at 30 June 2013 of Kshs.19,491,557 had not been consolidated at the County head office.

Recommendations

1) The County Government should maintain a debtors ledger ;

2) The County should maintain monthly reports of debtors for confirmation of the debtors position;

3) The Sub-County should provide schedules of plot rent and Stall rent debtors amounting to Kshs.19,457,957 and Kshs. 33,600 respectively for proper accountability;

4) The County Treasury should analyse and verify the debtors taken over and further consolidate the same in their books.

9.3 Creditors/Suppliers and Other Liabilities Balances

Transition Authority Circular Ref. No. TA/2/5 dated 9 January 2013, Inventory of Assets and Liabilities Debts and Human Resources profile in public organizations required the Clerks of Local Authorities to carry out an inventory of all assets, debts and liabilities including creditors.
Examination of Creditors records revealed the following:-

1) The creditors balance as 31 December, 2012 and 28 February, 2013 could not be established as the Council did not update creditors records and further, no creditors ledgers were maintained to enable confirmation of balances as at any particular date;

2) The creditors balance as at 30 June, 2013 was indicated as Kshs.19,695,969. These were however not fully supported by documentary evidence;

3) No schedules were provided for staff arrears/casual wages, insurance cover and other creditors amounting to Kshs.18,983,980, Kshs.608,089 and Kshs.103,900 respectively;

4) The creditors balance as at 30 June 2013 had not been consolidated at the County head office.

Recommendations

1) A complete individual updated creditor's ledger should be maintained to enable coming up with reliable creditors balances;

2) Schedules to support the balances in the staff arrears/casual wages, insurance, and other creditors should be availed for audit verification and proper accountability. Further, staff should be encouraged to proceed on leave and not accumulate the leave days and get paid in lieu of leave;

3) The County Treasury should analse and verify the creditors taken over and consolidate the same in their books.

9.4. Revenue

A comparison of the 6 months for the two periods 2012 and 2013 (January – June) revealed that there was an under baking of Kshs.2,262,641 from the collections.

Recommendation

The under banking noted should be investigated and corrective measures taken. Further, proper cash management should be undertaken and reconciliation between the receipts and bankings done regularly to avoid the recurrence of such incidences of under bankings in future.

9.5. IFMIS and G-Pay

1) IFMIS had not been installed in this sub County and was still using LAIFOM system which it was previously using as Kangundo Town Council;

2) Trainings on IFMIS done and was still ongoing to capture most of the staff;

3) Revenue collected by the sub-Counties had not been uploaded in the IFMIS Budget for proper accountability of the revenue collection;

4) Sufficient computers to process the required data were present in this Town Council.

Recommendations

1) IFMIS should be installed and operationalised as envisaged;

2) Revenue collected should be uploaded in the IFMIS Budget for reliable and proper cash management;

3) Further trainings should be conducted so as to build capacity to the existing employees.

10.0 TOWN COUNCIL OF MATUU (MATUU SUB-COUNTY)

10.1. Cash and Bank

The defunct Matuu Town Council held the following bank accounts,

Acc. Name	Bank	Acc. Number	Balance as at 30.6.013	Date of closure/status	Comments
General rate Fund(GRF)	Equity	390290855118	5,195.35	2/7/2013	
Local Authority Transfer Fund(LATF)	KCB	1108206786	Nil balance	8/5/2013	
Kazi Kwa Vijana(KKV)	KCB	1122772009	Nil balance	25/1/2013	
Kenya Roads Board Fund(KRBF)	KCB	1105360296	Nil balance	25/1/2013	
No details	KCB	166049234	8,887	Active	
No details	KCB	1130138232	Nil balance	2/7/2013	
Operational Account	KCB	1142805549	Nil balance	New	

General Rate Fund (GRF), LATF, Kazi Kwa Vijana (KKV), Kenya Roads Board Fund and two other dormant accounts which did not have details except account NOs, 166049234 held at KCB with Kshs.5,887 had initially not been reflected in the defunct Local Authority's books for a long period of time till the bank Manager wrote to the council and A/C NO 1130138232 held at KCB with Nil balance had no other details explaining the type of account.

Examination of the accounts operated by the defunct Local Authority revealed the following:-

1) The defunct Local Authority of Matuu had not closed all its bank accounts by 1 March 2013. The General Rate Fund was closed on 2 July 2013. The other accounts were closed on various dates as shown in the table above and the amounts transferred to the County revenue account.

2) No bank reconciliations were done at all and no board of survey reports were availed to ascertain the cash on hand balances at 30 June 2013;

3) Bank statements for the two accounts which were closed on 25 January 2013 were not availed for audit review.

Recommendations

1) Machakos County Government should ensure that bank reconciliations are done and are up-to-date and cash survey report availed in order to ascertain the cash on hand balances as at 30 June 2013;

2) The account which had remained dormant with public funds should be investigated in order to establish why it had never been included in the defunct Local Authority's financial statements for all these years;

3) Bank statements should be availed for proper accountability and confirmation of the correct cash/bank balances as at 30 June 2013.

10.2. Debtors

Transition Authority Circular Ref. No. TA/2/5 dated 9 January 2013, "Inventory of Assets and Liabilities Debts and Human Resources profile in public organizations required the Clerks of Local Authorities to carry out an inventory of all assets, debts and liabilities including movable and immovable assets". However, the Council did not prepare a statement of assets and liabilities as at 28 February 2013.
A review of records and documents of debtors as at 31 December 2012 and 28 February 2013 and up to 30 June 2013 showed the following:-

1) The defunct Council did not maintain a debtors' ledger for proper management of debtors;

2) The Council did not maintain monthly reports on debtors' balances. It was therefore not possible to ascertain the debtors position as at 31 December 2012 and 28 February 2013;

3) The debtors balance as at 30 June 2013 was indicated as Kshs.3,308,695, however, there were no verifiable correspondences with customers for confirmation of the balances;

4) The debtors balance as at 30 June 2013 of Kshs. 3,308,695 had not been consolidated at the County head office.

Recommendations

1) The County Government should analyse all its debtors and produce monthly reports on the debtors position and also maintain debtors ledgers;

2) Verifiable correspondences should be availed to confirm the debtors position;

3) The County Treasury should verify and consolidate all the debtors balances taken over.

10.3. Creditors/Suppliers and Other Liabilities Balance

Transition Authority Circular Ref. No. TA/2/5 dated 9 January 2013, Inventory of Assets and Liabilities Debts and Human Resources profile in public organizations required the Clerks of Local Authorities to carry out an inventory of all assets, debts and liabilities including creditors.

Examination of Creditors records revealed the following:-

1) The creditors balance as at 31 December, 2012 could not be established as the Council did not update creditors records and no creditors ledger were maintained to enable confirmation of balances as at any particular date;

2) The creditors balance as at 31 December, 2012, 28 February, 2013 and 30 June, 2013 were indicated as Kshs.41,325,450, Kshs.48,060,980 and Kshs.47,825,280 respectively**.** These could however not be verified as to accuracy or completeness;

3) The Creditors balance of Kshs.47,825,280 as at 30 June 2013 had not been consolidated at the County head office.

Recommendations

1) The County Government should maintain a complete individual creditor's ledger and control accounts;

2) The County Treasury should update the creditors records and consolidate the creditors after reconciliations and proper analysis has been done.

10.4. Revenue

According to letter ref no. MLG/1328/A/ (3) dated 7 March 2013 the clerks to the local authorities were instructed to ensure that all revenue collected during the transition period is banked intact as required by the law. However, a comparison of the 6 months in the two periods 2012 and 2013 (January – June) revealed that reconciliations were not done between the revenue collection and the banking.

Recommendation

Proper reconciliations should be done at all times between the receipts and bankings and all revenue collections should be banked intact.

10.5. IFMIS and G-Pay

1) IFMIS had not been installed in the Sub County units;

2) Manual Systems were still operational and neither LAIFOMS nor IFMIS systems had been installed;

3) Trainings of some staff on IFMIS had been done and was still going on to capture most of the staff;

4) Revenue collected by the Sub-Counties had not been uploaded in the IFMIS Budget;

5) Sufficient computers to process the required data were however available.

Recommendations

1). IFMIS and G-Pay should be implemented in this Sub County and operationalised as envisaged.

2). Training of all staff on IFMIS should be continued to build capacity;

3). Revenue collections should be uploaded in the IFMIS Budget once installed and operational for proper accountability of revenue collections.

11.0 ICT ASSESSMENT COUNTY REPORT

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

11.1.1 IT Control Environment

Assessment of how the County has put in place structure to govern and manage the information systems in place revealed the following:-

11.1.2 Management of IT Operations

In order to effectively and efficiently govern and manage the IT operations, the County is yet to develop some of the key ICT documents including:-

1) ICT policies and procedures;

2) Network Diagram;

3) Business Continuity Plans;

4) Disaster Recovery Plans

11.1.3 IT Organization Structure

The County IT department has fifteen (15) personnel but there are no defined roles and responsibilities on how to oversee the IT operations hence there is no clear segregation of duties. The county intends to hire sixty (60) more IT staff. However the County has developed an organogram for the IT department which is not yet operational.

11.1.4 Non-Training of ICT Staff on Applications in Place

Our interview with the ICT staff at the County revealed that they have not been trained on the applications that are in place at the County. The ICT staffs have not been formally trained on IFMIS and IPPD and could therefore not offer the necessary ICT support to users as is required.

11.1.5 Staff Training on IFMIS

Forty (40) officers of the County have been informally trained on IFMIS at their offices, while five went through formal training at Kenya School of Government (KSG). However, only seven (7) users have access rights to the system.

11.1.6 IT Budget

The County has an allocation of Kshs.200 million for ICT in the development budget. A breakdown of the budget was also provided. A review of the 2013/2014 County recurrent budget showed that it did not have a specific allocation to the IT Department in the recurrent expenditure. It was observed that ICT expenditure was incorporated in each department's budget, with each department allocating Kshs.2,500,000 for purchase of computers and accessories.

11.1.7 Website

The County has a running web page and mail domain i.e. www.machakosgovernment.com and mail.machakosgovernement.com respectively, 200 staff members are on official email. The domain machakos.go.ke is in the process of being activated. However, the mail server were being hosted by a different company and not in the County offices.

11.1.8 HARDWARE

The hardware components are as follows:-

11.1.9 Computers and Accessories

The County had received nineteen (19) computers and fifteen (15) special orange CDMA modems from the National Treasury (IFMIS Department) which will be solely used for IFMIS. The Interim ICT Manager had not been able to carry out an assessment of the ICT Status and Infrastructure of the County, there was no ICT register kept or assessment of the existing infrastructure done.

11.1.10 Data Centre

The County has one (1) data center (server room) at the headquarters. However, the previous Councils' (Mavoko, Masaku, Machakos and Kangundo) have servers which are still being used for LAIFOMS. A physical inspection of the data center indicated that it does not have adequate physical and environmental controls. Some of the controls lacking include reinforced physical doors, air conditioning systems, smoke detectors and fire extinguishers apart from Mavoko Town Council server room which complied with the above requirements.

11.1.11 Network Connectivity

There is no established Wide Area Network at the County to connect the various Sub-County offices. There is a Local Area Network at the former Mavoko Town Council and at former Municipal Council of Machakos offices.

11.2 SOFTWARE

The applications in place at the County are as follows:-

11.2.1 IFMIS

IFMIS has been installed in the County with only Budgeting module operational. The computers use Orange CDMA Modems to connect to IFMIS through the Treasury's Virtual Private Network (VPN). The Orange connectivity is fairly stable though the users complained of system downtime which can last for two to three hours. Currently, all payments are done manually by use of cheques.

11.2.2 G-PAY

The County had received one computer from the National Treasury which is dedicated for G-Pay. Training for G-Pay had been undertaken for three (3) officers, Two (2) signatories and One Officer as the paying cashier.

11.2.3 IPPD

The County had fully installed the IPPD system and the payroll beginning May 2013 was processed using the system. However, the County data for the month of May payroll was not available as the computer containing the data had crushed and it was not backed up. There were five (5) trained users and one administration who is the manager in charge. Analysis of the complement and payroll revealed the following:-

1) Forty three (43) employees had irregular Pin numbers;

2) Forty (40) employees in IPPD could not be traced in the LAIFOMS complement and payroll Data for the month of April drawn from the former Councils;

3) Six (6) employees had invalid ID numbers as shown in the table below:

Payroll Number	Id Number	FULL NAMES
31601062	o793237	Ms Maingi Regina Mbeneka
19800000275	X6133895	Mr Makau Sammy Mutune
19870000525	X8967486	Mrs Muia Josephine Ndunge
19900006055	X006055X	Mr Musembi Musyoka
19920001485	X6133895z	Mrs Kiamba Florence Eita
19920007058	X8967486z	Mrs Muia Janet Mukui

11.2.4 LAIFOMS

LAIFOMS had been installed in four (4) out of Five (5) former Councils, namely Kangundo, Mavoko, Masaku and Machakos Municipal. Matuu Town Council was still running manual system. In Kangundo Town Council the revenue module was in active. Beginning 1 July 2013 the Budget was prepared through IFMIS deactivating the Expenditure Module in LAIFOMS

however, the Expenditure Module was still operational after 1 July 2013 in three of the former Councils of Mavoko, Masaku and Machakos.

These Councils had paid out expenses as follows:

	Kshs.
Mavoko	6,788,055
Masaku	2,806,748
Machakos Municipal	1,834,808

A review of the system at the Councils revealed the following:

There were under bankings/overbanking in the following Councils:

Council Underbanking/(Overbanking)	1 July 2012 4th March 2013	4th march 2013 30th June 2013	Total Underbanking/ (Overbanking)
Municipal council of Machakos	(2,264,326.00)	893,655.00	(1,370,671.00)
County Council of Masaku	27,429,922.00	47,622,490.00	75,052,412.00
Mavoko Town Council	4,061,027.00	4,665,481.00	8,726,508.00
			82,408,249.00

11.2.5 Anti-Virus Software

The County has in place single user licenses anti-virus software installed. The anti-virus was up to date and licenses were still valid.

11.2.6 Revenue System

The County has advertised a tender for a revenue collection system.

12.0 RISKS

From the above findings the County is exposed to the following risks:

1) The IT operations may not be effectively managed and aligned to support the operations of the County;

2) Lack of a network diagram may lead to delay in detecting and correction of any network problem that may arise at the County headquarters;

3) The absence of IT contingency plans does not ensure continuity of service and operations at the County in the event that unforeseen disaster takes place;

4) Loss of ICT assets without trace due to lack of a comprehensive ICT inventory;

5) The use of restricted CDMA modems may lead to downtime, which may hamper the smooth operations of the County;

6) Inability to centrally manage LAIFOMS may lead to revenue leakages at the sub-Counties;

7) The continued use of LAIFOMS expenditure module may lead to loss of revenue in the County and also against Transitional Authority directive to close all Council's bank accounts;

8) Lack of segregation of duties may lead to conflict of roles and lack of accountability in the ICT department;

9) The organization may lose confidential e-mail information if no clear written agreement on confidentiality between the mail server hosts and the County.

13.0 RECOMMENDATIONS

1) The County should develop and approve the key ICT documents that ensure proper management of IT operations. These documents govern key IT operations including use of passwords, back-ups, maintenance of IT equipment, and continuity of IT critical operations in the event of a disaster and network management. In addition, these documents should also be circulated to staff so as to create awareness and ensure compliance;

2) The County may consider having a wide area network (WAN) that connects all the sub-Counties with the County headquarters so as to ensure that operations are centrally managed;

3) The management should ensure that all revenue collected and banked should be captured in the LAIFOMS so that timely reconciliation can be done;

4) The ICT department, as strategic resource, needs to be adequately staffed and with defined roles so as to effectively manage the IT operations of the County;

5) The payroll data in IPPD needs to be cleansed to ensure accurate information is captured;

6) To ensure all expenditures is centralized and discontinue use of LAIFOMS expenditure module especially where it is still pegged on previous Council accounts;

7) Before procurement of any financial system, the County should ensure that it has complied with Public Financial Management Act, 2012, Section 12(e).

14.0 CONCLUSION

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

Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

03 February 2014