

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100



KENYA NATIONAL AUDIT OFFICE



AG/SA/TURKANA/(31)

21 November 2014

The Clerk
County Assembly
County Government of Turkana
LODWAR

SPECIAL AUDIT REPORT OF TURKANA COUNTY GOVERNMENT 2013

The Special Audit Report on the Operations of Turkana County Government and the former Councils for the period 01 January to 30 June 2013 has been concluded.

Attached herewith, please find the Audit Report for your necessary action.

Edward R.O. Ouko, CBS
AUDITOR-GENERAL

① D-Committees
Please deal.
[Signature]

Copy to: The Governor
County Government of Turkana
LODWAR

② Clerk Assist - CPAIC
Please Place on Agenda and deal accordingly ASAP.
[Signature] 03/12/14

The Clerk
Senate
NAIROBI

The Chairman
Transition Authority
NAIROBI

REPUBLIC OF KENYA

Paper Laid by the
Deputy Senate Majority
Leader on 9th Dec
2014



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS

OF

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

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

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY.....	1
1.1 Introduction	1
1.2 Objectives	1
2.0 Key Audit Findings	2
Turkana County Executive.....	2
2.1 Failure to take over former Local Authorities by the County Government	2
2.2 Cash and Bank Balances	2
2.3 Debtors Records and Balances	2
2.4 Creditors Balances.....	2
2.5 Motor Vehicles and Office Equipment.....	3
2.6 IPPD Payroll and Establishment.....	3
2.7 Recurrent and Development Expenditure.....	3
2.8 Procurement Procedures.....	3
2.8.1 Irregular Payment for Undelivered Motor Vehicles.....	3
2.8.2 Irregular Payment of Insurance.....	4
2.9 Failure to Implement IFMIS, G-Pay or Other Information System(s).....	4
2.10 Inadequate Internal Control Environment	4
Turkana County Assembly.....	5
2.11 Failure to Maintain Proper Cash Book	5
2.12 Debtors Records	5
2.13 Creditors Records	5
2.14 Lack of Motor Vehicle Log Book	5
2.15 Irregular Procurement of Goods and Services	5
2.16 Failure to Implement IFMIS.....	6
Defunct Municipal Council of Lodwar.....	6
2.17 Handing Over to the County Government.....	6
2.18 Cash and Bank Balances	6
2.19 Debtors Balance.....	6
2.20 Creditors Balance.....	7
2.21 Motor Vehicles and Office Equipment.....	7

2.22	Establishment and Personnel Records	7
2.23	Un-vouched Expenditure	7
2.24	Revenue Collection	7
	Defunct County Council of Turkana	8
2.25	Handing Over to the County Government.....	8
2.26	Cash and Bank Balances	8
2.27	Debtors Balance	8
2.28	Creditors Balance.....	8
2.29	Motor Vehicles and Office Equipment.....	8
2.30	Establishment and Personnel Records	9
2.31	Irregular Payment.....	9
2.32	Revenue.....	9
1.0	Audit Objectives	11
	Detailed Audit Findings	11
2.0	Turkana County Executive	11
2.1	Handing and Taking Over from Defunct Local Authorities	11
2.2	Cash and Bank Balances	12
2.3	Debtors and Suppliers Balances	12
2.4	Motor Vehicles and Office Equipment.....	13
2.5	IPPD Payroll and Establishment.....	13
2.5.1	Staff from Defunct Local Authorities	13
2.6	Recurrent and Development Expenditure.....	14
2.7	Procurement and Procurement Procedures	14
2.7.1	Irregular Payment for Undelivered Motor Vehicles.....	14
2.7.2	Irregular Payment for Motor Vehicle Insurance	15
2.8	Failure to Implement IFMIS.....	16
2.9	Inadequate Internal Control Environment	16
3.0	Turkana County Assembly	17
3.1	Cash and Bank Balances	17
3.2	Debtors and Suppliers Balances	18
3.3	Motor Vehicles and Office Equipment.....	18
3.3.1	Lack of Motor Vehicle Log Book.....	18

3.4	Procurement and Procurement Procedures	19
3.4.1	Irregular Payment of Insurance Premiums.....	19
3.4.2	Irregular Procurement of Goods and Services.....	19
3.5	Failure to Implement IFMIS	20
4.0	Defunct Municipal Council of Lodwar	20
4.1	Handing Over and Taking Over of Defunct Local Authority	20
4.2	Cash and Bank Balances	21
4.3	Debtors and Suppliers Balances	21
4.3.1	Debtors	21
4.3.2	Unconfirmed Creditors Balances.....	22
4.4	Motor Vehicles and Office Equipment.....	23
4.4.1	Lack of Fixed Assets Register	23
4.4.2	Missing Computer and Printer	23
4.5	Establishment and Personnel Records	23
4.6	Un-Vouched Expenditure	24
4.7	Revenue.....	24
5.0	Defunct County Council of Turkana.....	25
5.1	Handing Over and Taking Over of Defunct Local Authorities	25
5.2	Cash and Bank Balances	26
5.3	Debtors and Suppliers Balances	27
5.3.1	Debtors	27
5.3.2	Unconfirmed Creditors Balances.....	27
5.4	Motor Vehicles and Office Equipment.....	28
5.4.1	Failure to Update Assets Register	28
5.4.2	Motor Vehicles	28
5.5	Establishment and Personnel Records	29
5.6	Unconfirmed Expenditure for Motor Vehicle Insurance	30
5.7	Revenue.....	31
	Conclusion.....	32

SPECIAL AUDIT REPORT ON THE OPERATIONS OF TURKANA COUNTY GOVERNMENT FOR THE PERIOD 1 JANUARY 2013 TO 30 JUNE 2013

1. EXECUTIVE SUMMARY

1.1 Introduction

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.

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.

1.2 Objectives

The audit covered the Turkana County Executive, County Assembly, the defunct County Council of Turkana and Municipal Council of Lodwar transactions for the period 5 March to 30 June, 2013 and took into account transactions before, during and after the transition period. The terms of reference set for the audit included verifications and confirmations of transactions in respect to but not limited to the following areas:

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

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.

2.0 Key Audit Findings

Turkana County Executive

2.1 Failure to take over former Local Authorities by the County Government

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

Although handing over notes had been prepared by the defunct Municipal Council of Lodwar and County Council of Turkana, no handing over was done. Instead the County Government was selectively taking control of some assets.

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

2.2 Cash and Bank Balances

The County Government did not maintain properly reconciled cash books for the three bank accounts that were opened. The cashbooks only had a list of receipts and payments. It was therefore not possible to confirm cash balances as at 30 June 2013.

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

2.3 Debtors Records and Balances

The County Government did not maintain debtors' records. Further, there was no information regarding the debtors transferred from the defunct local authorities since the handing over was not done.

The County Government should develop appropriate systems for recording of debtors, including the debt collection policy to facilitate timely collection of debts as and when they fall due.

2.4 Creditors Balances

There were no creditors' records maintained by the County Government to show the creditors position as at 30 June 2013. There was also no information relating to creditors that were to be taken over from the defunct local authorities since no listing had been done by the defunct councils as at the time of audit in September 2013. In the absence of such details, it was not possible to confirm if the County Government had any creditors as at 30 June 2013.

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

2.5 Motor Vehicles and Office Equipment

The County Government did not maintain an assets register to show the motor vehicles and office equipment taken over from the defunct local authorities and those acquired between March 2013 and 30 June 2013. Failure by the County Government to maintain an asset register, may lead to loss of county assets. The County Government should ensure that a consolidated assets register is maintained clearly showing the location of each asset, cost and date acquired among other details.

2.6 IPPD Payroll and Establishment

IPPD was implemented with effect from August 2013. Previously excel spread sheets were used and which did not have any IT Controls. The County Government was noted to have taken over all staff of the former local authorities. However, the former Treasurer and Clerk to the County Council of Turkana were not allocated duties despite being fully on the payroll – thus idle man hours.

The County Government should carry out audit of the staff to ascertain the optimum number and skill gaps which needs to be filled in future.

2.7 Recurrent and Development Expenditure

The County Government received an amount of Kshs.337, 856,682.00 from the National Treasury to carter for Development and Recurrent expenditure for both the Executive and County Assembly. An amount of Kshs.191, 818,844.40 was utilized while the unutilized balance of Kshs.146, 037,837.60 was transferred to Exchequer Account. The low absorption of funds was due to the fact that most of the structures and committees had not been put in place.

The management should ensure that the necessary committees are established to hasten decision making and ensure that funds are applied towards the purpose for which they were appropriated.

2.8 Procurement Procedures

2.8.1 Irregular Payment for Undelivered Motor Vehicles

An amount of Kshs.68,820,765.00 excluding VAT was paid on 6 June 2013 for purchase of ten vehicles. However, four (4) vehicles valued at Kshs.36,557,550.00 had not been delivered as at the time of audit in September, 2013. In addition log books for 6 delivered vehicles were missing. Management should adhere to government financial regulations and procedures and ensure that payments are only made in respect of goods and services received. Further, evidence of subsequent delivery of the vehicle should be provided for audit

confirmation, and should include Pre-delivery inspection report from the relevant authorities. Missing logbooks should also be availed for audit.

2.8.2 Irregular Payment of Insurance

An amount of Kshs.5,670,000.00 was irregularly paid in respect of insurance for 10 vehicles valued at Kshs.79,624,962.00 (Including VAT) out of which 4 vehicles with value of Kshs.37,218,155.00 had not been delivered. The management should adhere to the provisions of the Public Procurement and Disposal Act, 2005 and related 2006 and 2013 regulations in acquisition of goods and services. Insurance should only be paid in respect of assets owned and valued.

2.9 Failure to Implement IFMIS, G-Pay or Other Information System(s)

The Turkana County Government has not implemented the Integrated Financial Management Information System (IFMIS) despite the National Treasury having supplied the required equipment and offered training to some of the finance staff on the use of IFMIS. In addition, G-Pay has not been implemented by the county government. IPPD was implemented effective August 2013 but noted to be grossly understaffed and not well equipped.

The management should ensure that IFMIS is fully implemented and all financial operations automated. In addition, IPPD should be adequately staffed and equipped.

2.10 Inadequate Internal Control Environment

The County Government did not prepare a strategic plan, organization structure and approved organization chart. Code of conduct for County Executive employees has also not been developed. Performance evaluation process has not been developed and implemented. The management does not prepare periodic bank reconciliations and stock count of both current and non-current assets.

The management should develop strategic plan for the County, optimal organisation structure, risk management policy, strengthen internal audit department and establish a functional audit committee.

Turkana County Assembly

2.11 Failure to Maintain Proper Cash Book

The Turkana County Assembly did not maintain a proper cashbook for the operation of Account No 01141863936 at the Kenya Commercial Bank, Lodwar which was opened on 25 May 2013. In addition, reconciliations were not prepared and thus it was not possible to confirm the bank balance as at 30 June 2013. Management should ensure that proper cashbook is maintained and bank reconciliation prepared on a timely basis as required by the Government Financial Regulations and Procedures.

2.12 Debtors Records

The County Assembly did not maintain debtors' records. The management should develop appropriate systems for recording of debtors including the debt collection policy to facilitate timely collection of debts as and when they fall due.

2.13 Creditors Records

The County Assembly did not maintain creditors' ledgers during the period March 2013 to 30 June 2013. There is the risk of the Assembly paying for non-existent creditors if proper records are not maintained.

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

2.14 Lack of Motor Vehicle Log Book

Motor vehicle – GKB782B bought at a cost of Kshs.9, 718,690.00 did not have a log book to confirm the ownership. In addition the County Assembly did not maintain a fixed assets register in which all the assets could be recorded for accountability. Consequently, it was not possible to confirm the value and existence of the assets acquired and those taken over from the defunct councils as at 30 June 2013.

Management should ensure that a proper and up to date fixed assets register is maintained, clearly showing the location of each asset, cost and date acquired among other details.

2.15 Irregular Procurement of Goods and Services

The County Assembly did not adhere to the provisions of the Public Procurement and Disposal Act, 2005, related 2006 and 2013 Regulations in the procurement of goods and services.

- i) A charter plane was hired to Mombasa and back through single sourcing without going through a competitive bidding process at a cost of Kshs.3, 642,410.00.

- ii) A payment of Kshs.7,139,062.00 was made in respect of insurance premiums for motor vehicle, furniture and equipment and building irregularly. A motor vehicle bought at Kshs.9,718,000.00 was valued at Kshs.23,000,000.00 for the purpose of insurance while a building insured for Kshs.3,570,000.00 was done without any valuation and was thereafter demolished to give way for a new building to be constructed.

The insurance premiums of Kshs.3,570,000.00 amounts to nugatory payment while over insurance on motor vehicle may not be honoured by the insurance firm in case of an accident. Management should adhere to the provisions of the Public Procurement and Disposal Act, 2005 and related 2006 and 2013 Regulations.

2.16 Failure to Implement IFMIS

As at the time of audit in September 2013, the County Assembly had not implemented IFMIS or any other efficient software that could assist in the management of funds. IPPD was also not implemented as the payroll is managed by the County Executive.

Management should ensure that its financial operations are automated through implementation of IFMIS. In order to have independence from the Executive, the County Assembly should also manage its own payroll which should be done through IPPD.

Defunct Municipal Council of Lodwar

2.17 Handing Over to the County Government

The defunct Municipal Council of Lodwar had not officially handed over the assets and liabilities to the county government as at the time of audit in September 2013, contrary to instructions issued by the former Ministry of Local Government vide Circular No. MLG/1333/TY/52 of 18 February 2013. The Transition Authority should make arrangement to have the chief officers of the defunct local authority officially hand over the assets and liabilities of the former council to the county government.

2.18 Cash and Bank Balances

No proper cashbooks were maintained and no bank reconciliations were prepared as required. The cash balances as at 28 February 2013 could therefore not be confirmed. The management should ensure that proper cashbooks are maintained and reconciled monthly and the outstanding balances transferred to the county government revenue account.

2.19 Debtors Balance

The council did not maintain debtors' ledger. According to a list of debtors prepared by the defunct council, the debtors stood at Kshs.74, 096,207.00 as at 28 February 2013 and rate debtors were not supported by valuations roll. Consequently, the debtors balance to be handed over to County Government could not be confirmed. The management should ensure that debtors' registers/ledgers are maintained and updated to ensure accuracy of the balance to be transferred to the county government and recoverability of the same.

2.20 Creditors Balance

The creditors' balance of Kshs19, 778,339.00 as at 28 February 2013 was not supported by any record or documentation. Thus the validity could not be confirmed. Management should ensure that the creditors' ledgers are maintained, updated and individual accounts reconciled to ensure that correct balances are handed over to the County Government.

2.21 Motor Vehicles and Office Equipment

No fixed assets register was maintained to safeguard the assets of the council as required. In addition two computers and one printer jet of unknown value were missing. The management should ensure that proper and up to date Fixed Assets Register is maintained. Further, investigation should be carried out to establish the whereabouts of the missing computer and printer.

2.22 Establishment and Personnel Records

The defunct council did not have payroll processing software. Flat-file or excel spreadsheets were used to process salaries and wages which however do not have controls. In addition, casual workers were continuously hired for over 3 years without change in terms of service as required by the Employment Act, 2007. The management should carry out staff head count in order to ensure that no ghost workers are transferred to county government. Further, the management should adhere to the provisions of the Employment Act, 2007.

2.23 Un-vouched Expenditure

Payments totalling Kshs.16, 436,739.00 relating to LATF projects and other payments totalling Kshs.4, 829,276.30 under GRF account were not supported by payment vouchers and supporting documents. Consequently the propriety of the total expenditure of Kshs.21,266,015.30 could not be confirmed. Management should adhere to government financial regulations and procedures regarding payments. The payment vouchers together with supporting documents for payments totalling Kshs.21,266,015.30 should be provided for audit.

2.24 Revenue Collection

There was no register of land allottees to control income from allotment. In addition the allocation of land was not approved as provided for in section 35 (2) of the Transition to Devolved Governments Act, 2012, which stipulates that a public entity or local authority shall only transfer assets and liabilities with the approval of the National Treasury, the Commission of Revenue Allocation, the Ministry of Local Government and the Ministry of Lands. Management should ensure that proper and up to date register of land allottees is in place and any land allocation should be in accordance with the provisions of the law.

Defunct County Council of Turkana

2.25 Handing Over to the County Government

The defunct County Council of Turkana had not officially handed over the assets and liabilities to the county government as at the time of audit in September 2013, contrary to instructions issued by the former Ministry of Local Government vide Circular No. MLG/1333/TY/52 of 18 February 2013. Although the defunct local authority had prepared handing over report, no handing over was done and instead the County Government took possession of some assets selectively. The Transition Authority should make arrangement to have the chief officers of the defunct local authority officially hand over the assets and liabilities of the former council to the County Government.

2.26 Cash and Bank Balances

No proper cashbooks were kept by the Council and no monthly bank reconciliations were done as required by the Government Financial Regulations and Procedures. In addition bank statements in respect of three bank accounts were not provided. The accounts were also not closed by 28 February 2013 as instructed by Transition Authority. The management should ensure that proper cash books are kept and bank reconciliations prepared on a timely basis as required by the Government Financial Regulations and Procedures. Further all outstanding cash balances should be paid in to the County revenue account.

2.27 Debtors Balance

The debtors' balance of Kshs.57, 110,158.00 as at 28 February 2013 was not supported by any debtor's records to authenticate the balance. The management should ensure that debtors' registers/ledgers are maintained and updated to ensure accuracy of the balance to be transferred to the county government and recoverability of the same.

2.28 Creditors Balance

There were no ledgers maintained to confirm the creditors' balance of Kshs.10,369,577.00 outstanding as at 28 February 2013. Management should ensure that creditors' ledgers are maintained, updated and individual accounts reconciled to ensure that correct balances are handed over to the County Government.

2.29 Motor Vehicles and Office Equipment

The defunct County Council of Turkana did not maintain a Fixed Assets Register to account for and to safeguard the assets of the council. Physical verification was not done for an absent vehicle Reg. No KBG 238C which was said to be in Nairobi. In addition, log books in respect of two vehicles donated by the United Nations were not provided for audit verification. The management should ensure that a proper system for recording fixed assets is in place to safeguard the assets. Missing logbooks for donated vehicles should be provided for verification.

2.30 Establishment and Personnel Records

The council did not have payroll processing software. Instead excel spread sheets were used which, however do not have controls. Further no head count had been carried out as at the time of audit and casuals were continuously hired for over ten years without change of service as required by the Employment Act, 2007. The management should carry out staff head count in order to ensure that no ghost workers are transferred to county government. Further, the management should adhere to the provisions of the Employment Act, 2007.

2.31 Irregular Payment

An amount of Kshs.800, 000.00 was paid in respect of motor vehicle insurance. However, the payment was not supported with policy documents, list of valuation and type of vehicles insured. Consequently the propriety of the expenditure could not be confirmed. Management should adhere to the provisions of the Public Procurement and Disposal Act, 2005 and related 2006 Regulations.

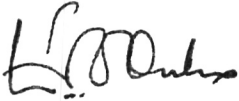
2.32 Revenue

Collections from plot rent totalling Kshs.1,371,351.00 and allotment fees of Kshs.1,756,400.00 totalling to Kshs.3, 127,751.00 for the period January 2013 to June 2013 could not be confirmed due to lack of updated rent and land allottee registers respectively. Management should ensure that the plot rent and allottee registers are maintained and updated to ensure that all revenue due is collected.

Conclusion

The audit revealed that poor book keeping was evident in the defunct local authorities and appears to exist in the County Government. Financial controls are also weak as no financial policies have been formulated by the County Treasury that would help to strengthen the existing laws and regulations in ensuring full accountability of public resources. In addition the adoption of technology is very slow and the County Government has not put in place mechanisms to improve the situation. It is also clearly evident that the process of taking over of assets and liabilities, including staff of the former Councils was not properly handled due to apparent lack of leadership by officials of Transition Authority who had the responsibility to ensure a smooth and seamless transition process. The County Government should however ensure full control of functions, including revenue collection, recording and proper accounting for the same while awaiting guidance from the National Treasury based on the accounting and reporting systems to be developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the Public Finance Management Act, 2012 . Further, the expenditure should be incurred in accordance with the requirements of the Public Finance Management Act, 2012.

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



Edward R. O. Ouko, CBS
AUDITOR- GENERAL

NAIROBI

14 November 2014

DETAILED AUDIT REPORT ON OPERATIONS OF COUNTY GOVERNMENT OF TURKANA EXECUTIVE, COUNTY ASSEMBLY, DEFUNCT MUNICIPAL COUNCIL OF LODWAR AND DEFUNCT COUNTY COUNCIL OF TURKANA FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013

1.0 Audit Objectives

The following were the main audit objectives:

- Confirm existence of proper accountability of cash and bank balances before, during and after transition to the County Government.
- Confirm that revenue and expenditure were recorded and properly accounted for before, during and after the transaction period.
- Confirm that operational debtors and creditors were accurately recorded and transferred from the defunct local authority to County Government.
- Establish that assets taken over by the County Government are properly listed, exist and are being used to provide services to the County.
- Ensure that assimilation of the defunct local authority's staff with other county government staff is seamless and no ghost workers or irregular change of items have been imported in the new IPPD system.
- Ensure that the County Assembly and Executive Committees comply with the budget and that expenditures are properly charged to County Revenue Fund.
- Ensure that ICT system is not circumvented by manual system where IFMIS and G – Pay systems are fully implemented.
- Confirm that where manual systems are in use, proper accountability system is put in place and specific plans for system changeover exist.
- Confirm that procurement of goods and services is done in accordance with the Public Procurement and Disposal Act, 2005, and related 2006 and 2013 Regulations.

Detailed Audit Findings

2.0 Turkana County Executive

2.1 Handing and Taking Over from Defunct Local Authorities

All local authorities ceased effective 4 March 2013 after the general election. According to the Transition to the Devolved Government Act, 2012, local authorities were supposed to prepare a detailed listing of assets, liabilities and staff to facilitate handing over to the County Governments in their region of jurisdiction. Although both local authorities under Turkana County Government i.e. Municipal Council of Lodwar and County Council of Turkana prepared the required lists of assets and liabilities, no proper handing over was done.

The taking over by the County Government was thus not coordinated and may lead to loss of some of the assets.

Recommendations

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

2.2 Cash and Bank Balances

The Turkana County Executive maintained three bank accounts with the Kenya Commercial Bank, Lodwar. However, the county government did not maintain properly written and reconciled cash books. The cashbooks only had listing of receipts and payments which were not reconciled. It was therefore not possible to confirm cash balances as at 30 June 2013. According to the bank statements, the County Government had the following balances:

ACCOUNT NO	PARTICULARS	AMOUNT (Kshs)
1140763822	Imprest Account	0.00
1140780069	Operations Account	10,069,719.00
1140763687	Exchequer Account	163,538,181.90

No reasons were given for not keeping proper cash books and preparation of monthly bank reconciliations to show the correct cash position and also detect any anomalies in time.

Recommendation

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

2.3 Debtors and Suppliers Balances

The County Government did not maintain both debtors' and creditors' ledgers during the period March 2013 to 30 June 2013. There is the risk of the county government failing to collect debtors due and paying for non-existent creditors if proper records are not maintained.

Recommendation

- i) Debtors' register/ledger should be maintained and updated in order to ensure accuracy and recoverability of the debts.
- ii) The County Government should introduce a system for proper recording of the details of each creditor and which should be verified and updated on regular basis. This will

ensure that only genuine creditors are entered in the records and consequently paid by the County.

2.4 Motor Vehicles and Office Equipment

The county government did not maintain assets register to show the motor vehicles and office equipment taken over from the defunct local authorities and those acquired between March 2013 and 30 June 2013. Failure to maintain such a record, the county government may lose the assets without trace.

Recommendation

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

2.5 IPPD Payroll and Establishment

The County Government maintained its payroll in excel spread sheets up to July 2013. The excel spread sheets however, did not have adequate controls such as access rights and audit trail and could be manipulated easily.

Although IPPD payroll was noted to have been implemented with effect from August 2013, there were only three members of staff deployed to the Department as opposed to the optimal number of five. In addition, the IPPD department had only one computer with no scanner.

2.5.1 Staff from Defunct Local Authorities

The Turkana County Executive took over all the employees of the defunct local authorities, both permanent and casual. While all the employees continued to perform the functions they used to perform under the defunct councils, the Clerk and Treasurer, of the former Turkana County Council were not deployed although they continued to draw salaries and allowances. The former clerk draws a gross monthly salary of Kshs 137,790.00 while the former Treasurer a gross salary of Kshs 79,296.00.

The salaries paid to the two officers for the months of March 2013 to June 2013 totalling to Kshs 868,344.00, therefore amount to nugatory payment.

Recommendation

- i) The County Government should carry out staff head count in order to ensure that no ghost workers are inherited from the defunct councils and to align its payroll with the head count.

- ii) Also, critical job evaluation and assessments should be undertaken to facilitate deployment of key staff to relevant departments. This will also assist in identification of skill gaps and recruitment of optimal staff with the required skills and qualifications.

2.6 Recurrent and Development Expenditure

The County Government of Turkana received an amount of Kshs.337, 856,682.00 from the National Treasury to fund the operations of the County Government. An amount of Kshs 191,818,844.40 was utilised while a balance of Kshs 146,037,837.60 was transferred to Exchequer Account on 29 June 2013.

According to the budget, out of the total funding received, an amount of Kshs.109, 589,083.00 was meant for Turkana County Assembly.

The County Executive only disbursed to the County Assembly an amount of Kshs.46, 966,749.00 leaving a balance of Kshs.62, 622,334.07 out of which Kshs 2,202,960.00 was spent by the County Executive on behalf of the County Assembly.

There was however no documentary evidence that the Executive had authority to incur expenditure from the County Assembly. This is contrary to the provisions of section 147 of the Public Finance Management Act, 2012 which stipulates that the accounting officer of a county assembly shall monitor, evaluate and oversee the management of their public finances.

No explanation was provided for the anomaly.

Recommendation

The management should ensure that the County Assembly operates independently as far as management of its finances and decision making are concerned.

2.7 Procurement and Procurement Procedures

2.7.1 Irregular Payment for Undelivered Motor Vehicles

The Turkana County Executive paid an amount of Kshs 68, 820,765.00 excluding VAT of Kshs 10,982,747.00 to M/s Toyota Kenya Ltd on 6 June 2013 for supply of ten (10) vehicles as below:

Model	Make	Colour	Quantit y	Cost (Kshs)	Remarks
VDJ200R-GNTEZ	VX V8	ATT. BLACK	1	13,272,750.00	Not Delivered
HZJ76R-RKMRS	HARD TOP	BEIGE	4	24,318,840.00	Delivered

KUN25R-PRMDHN	DOUBLE CAB	SILVER	2	7,765,776.00	Delivered
KDJ150R-GKAEY	PRADO VX	SILVER	1	8,805,560.00	Not Delivered
KDJ150R-GKAEY	PRADO TXL	SILVER/GREY	2	<u>14,479,240.00</u>	Not Delivered
Total				<u>68,642,166.00</u>	

- i) The County Executive made a payment of Kshs 68, 820,765.00 for the vehicles instead of the invoice amount of Kshs 68,642,166.00 resulting in an unexplained overpayment of Kshs 178,599.00.
- ii) Four (4) vehicles valued at Kshs 36,557,550.00 had not been delivered as at the time of audit in September 2013. No explanation has been provided for failure to deliver all the vehicles paid for.
- iii) Further, the logbooks for the (six) 6 vehicles that had been delivered were not provided for audit verification. Consequently, the ownership of these vehicles could not be confirmed.

Recommendation

- i) The Public Procurement and Disposal Act, 2005 and related 2006 and 2013 Regulations requirements should be followed on all procurements made by the County Government.
- ii) Evidence of subsequent delivery of the vehicles should be provided for audit confirmation, and should include Pre-delivery Inspection Report from the relevant authorities.
- iii) In addition, the logbooks for the six vehicles should also be provided for audit verification.

2.7.2 Irregular Payment for Motor Vehicle Insurance

The Turkana County Executive paid an amount of Kshs.5, 670,000.00 to M/s African Merchant Assurance Company (AMACO) Ltd in respect of insurance premiums for ten (10) new motor vehicles valued at Kshs.79, 624,962.00 inclusive of VAT. However, as at the time of audit in September 2013, only six (6) vehicles valued at Kshs 37,218,155.00 had been delivered and received by the County Government while four (4) vehicles valued at Kshs 42,406,758.00 had not been supplied.

- i) No reason was provided for paying insurance premiums for vehicles that had not been received by the county government.

- ii) Further, policy documents for the vehicles insured were not provided for audit verification. Consequently, the propriety of the insurance premiums paid could not be ascertained.

Recommendation

The Public Procurement and Disposal Act, 2005 and related 2006 and 2013 Regulations requirements should be followed on all procurements made by the County Government.

2.8 Failure to Implement IFMIS

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

The IFMIS and G-Pay systems or any other efficient financial management system had not been implemented by the County Government for good governance and accountability as at the time of the Audit in September 2013. The manual system of processing payments was in use. It is only the IPPD for payroll processing and human resource management that had been implemented in August 2013 although it was grossly understaffed and not well equipped with sufficient computers and scanner.

No reason was provided for non-implementation of the IFMIS, although the hardware had been supplied by the National Treasury in June 2013.

Recommendation

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

2.9 Inadequate Internal Control Environment

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

- i) A strategic plan for the county executive has not been prepared.

- ii) The organisation structure of the County Executive has not been defined through approved organisation chart and roles in decision making documented and communicated to all.
- iii) A code of conduct for County Executive employees has not been developed.
- iv) Performance evaluation process has not been developed and implemented
- v) The County Executive does not have a documented and approved risk management policy.
- vi) The management has not developed policies and procedures in line with the relevant financial regulations.
- vii) The management does not prepare monthly bank reconciliations and stock count of both current and non-current assets.
- viii) The Internal Audit Department is grossly understaffed as it has only one officer seconded by the Transitional Authority.
- ix) The County Executive is yet to establish an Audit Committee.

Recommendation

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

3.0 Turkana County Assembly

3.1 Cash and Bank Balances

The Turkana County Assembly maintains an operational Account No 1141863936 at the Kenya Commercial Bank, Lodwar which was opened on 25 May 2013. It was observed that the cashbook maintained was incomplete and no bank reconciliations were prepared.

According to the bank statement for the month of June 2013, the County Assembly had a debit balance of Kshs.6, 111.00 as at 30 June 2013, an indication that the account had been overdrawn. However, no authority was seen sanctioning the overdraft.

Recommendation

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

3.2 Debtors and Suppliers Balances

The County Assembly did not maintain both debtors' and creditors' ledgers during the period March to 30 June 2013. There is the risk of the county government failing to collect debtors due and paying for non-existent creditors if proper records are not maintained.

Recommendation

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

3.3 Motor Vehicles and Office Equipment

The County Assembly did not maintain assets register to show the motor vehicles and office equipment taken over from the defunct local authorities and those acquired between March and 30 June 2013. Failure to maintain such a record, the county government may lose the assets without trace.

Recommendation

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

3.3.1 Lack of Motor Vehicle Log Book

The County Assembly procured a Nissan Patrol vehicle from M/s D.T. Dobie at a cost of Kshs.9,718,690.00 which was paid on 30 June 2013. Although the vehicle registration number GK B782B was confirmed to have been received by the County Assembly, the ownership could not be ascertained due to lack of the log book.

Recommendation

The management should ensure that ownership documents for all assets owned including vehicle logbooks are obtained and secured.

3.4 Procurement and Procurement Procedures

3.4.1 Irregular Payment of Insurance Premiums

Payments totalling Kshs 7,139,062.00 inclusive of stamp duty and levies of Kshs 24,259.00 was made to M/s Bilbecar Insurance Agency of Nairobi vide cheque No. 00077 of 28 June 2013 in respect of insurance premiums for building previously owned by County Council of Turkana, vehicle registration GK B782B, furniture and fittings, and computer and other accessories.

The following unsatisfactory matters were noted:

- i) The vehicle insurance premium of Kshs 1,732,803.00 was based on sum insured of Kshs 23,000,000.00 although the vehicle being insured was bought for Kshs 9,718,690.00.
- ii) The premium for the building of Kshs 3,570,000.00 was based on sum insured of Kshs 102,000,000.00. However, there was no valuation report to support the insured amount. Further, the building insured was demolished to pave way for construction of the County Assembly building. Thus the premium of Kshs 3,570,000.00 amounts to nugatory payment.
- iii) The sum insured for furniture and fittings was Kshs 4,200,000.00 while computers and other accessories was Kshs 3,120,000.00 for which premiums of Kshs 954,000.00 and Kshs 858,000.00 respectively were charged. However, there was no list of the assets that were being insured.
- iv) The policy documents for the insurance paid for all insured items totalling to Kshs 7,139,062.00 were not provided for audit review. Consequently, the propriety of this payment could not be confirmed.

3.4.2 Irregular Procurement of Goods and Services

A review of the procurement records for goods and services showed that the County Assembly procured various goods and services without regard to the provisions of the Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal (County Government) Regulations, 2013. Competitive tendering process was not followed. As such, the Assembly may have not gotten the best value for the money spent. Such instances included the following:

- i) An amount of Kshs 3,642,410.00 was paid to M/s Turkana Tours and Travel in respect of chartering a plane to ferry members of the County Assembly and staff to Mombasa and back. Direct procurement method was used in the acquisition of the service and no reason was given as to why open tender method was not used.
- ii) An amount of Kshs 7,139,062.00 was paid to M/s Bilbecar Insurance Agency in respect of insurance premiums for vehicle, building, furniture and computers. The

services were single sourced and no reason was provided for not employing competitive bidding process in accordance with the provisions of the Public Procurement and Disposal Act, 2005.

Recommendation

The Public Procurement and Disposal Act, 2005 and related 2006 and 2013 Regulations requirements should be followed on all procurements made by the County Assembly.

3.5 Failure to Implement IFMIS

Section 8 (2a) of the County Governments Public Finance Management Transition Act, 2013 requires the Transition County Treasury to ensure that the financial management system developed by the National Treasury under Section 12 of the Public Finance Management Act, 2012 is effectively applied to facilitate standard financial management, including budgeting, accounting and reporting provided the operation of the financial management system promotes the distinctiveness of the national and county levels of government. However, Turkana County Assembly has not implemented the Integrated Financial Management Information System (IFMIS) despite the National Treasury having supplied the required equipment and offered training to some of the finance staff on the use of IFMIS.

Recommendation

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

4.0 Defunct Municipal Council of Lodwar

4.1 Handing Over and Taking Over of Defunct Local Authority

All former local authorities including the Municipal Council of Lodwar were required by the Transitional Authority to list all assets, staff and liabilities for onward handing over to the County Governments when they are inaugurated. However, the former Lodwar Municipal Council has not formally handed over its assets and liabilities to Turkana County Government. Instead, the County Government has taken over some noncurrent assets from the former Lodwar Municipal Council without proper recording of the same.

In addition, the defunct municipal council did not take stock of the accountable documents currently in use, taken over by the County Government.

Recommendation

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

4.2 Cash and Bank Balances

The former Municipal Council of Lodwar operated two bank accounts. A review of records maintained by the defunct council revealed the following:

- i) Proper cashbooks were not kept. Two separate books for receipts and payments were maintained and were never balanced and checked daily as required by section 5.9.1.1 of Government Financial Regulations and Procedures.
- ii) Bank reconciliations were not prepared on monthly basis as required by section 5.9.2.1 of Government Financial Regulations and Procedures.
- iii) The defunct Municipal Council of Lodwar continued to operate these bank accounts even after 30 June 2013, which, according to the Transitional Authority was supposed to have been closed on 28 February 2013. No reason was given for this noncompliance of the instructions
- iv) Balances outstanding on these accounts as per bank statements that were provided are as follows:

Account name	Bank	Account Number	Balance as at 28 February 2013	Balance as at 30 June 2013
LATF Account	KCB	1107307325	4,940,701.80	3,580.80
General Account	Fund KCB	1107592410	1,525,911.31	14,048.00

Recommendation

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

4.3 Debtors and Suppliers Balances

4.3.1 Debtors

The council did not maintain debtors' ledger. According to a list of debtors prepared by the defunct council, the debtors stood at Kshs.74, 096,207.00 made; up of Kshs 70,356,700.00 for plot rent, Kshs 3,339,379.00 being contributions in lieu of rates and Kshs 400,128.00 due from state corporations as at 28 February 2013. Further, the plot rent register had not been updated for 2012/2013 financial year.

Due to lack of proper up to date debtors' records and the valuation roll, the accuracy of the debtors' balance of Kshs 74,096,207.00 could not be ascertained.

Recommendation

The management should ensure that debtors' registers/ledgers are updated in order to ensure accuracy of the balance to be transferred to the county government and recoverability.

4.3.2 Unconfirmed Creditors Balances

The former council did not maintain creditors' ledgers. According to the list of creditors provided for audit, the creditors balance stood at Kshs.19, 778,339.00 as at 28 February 2013 as shown below:

Creditor Category	Amount (Kshs)
Salary Arrears	11,014,027.00
LA Provident Fund	4,500,000.00
Consultancy Fees	3,132,412.00
Rent	538,000.00
ALGAK	549,000.00
Medical Superintended	<u>44,900.00</u>
Total	<u>19,778,339.00</u>

However, the defunct council did not provide any documentation such as invoices and creditors' statements to support the creditors' balance of Kshs.19, 778,339.00.

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

Recommendation

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

4.4 Motor Vehicles and Office Equipment

4.4.1 Lack of Fixed Assets Register

The former Municipal Council of Lodwar provided a list of fixed assets it owned. However, the fixed assets register was not provided for audit review. Details such as cost, date of purchase and the net book values of the assets could not be confirmed.

4.4.2 Missing Computer and Printer

A review of the list of assets owned by former Lodwar Municipal Council was provided for audit verification and subsequent physical verification, it was established that HP computer, L1710 and HP Printer, Office Jet 7000 (serial number 9C8E990AC6CE) of unknown value were not in the custody of former council. No explanation was provided as to their where about.

Recommendation

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

4.5 Establishment and Personnel Records

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

- i) The defunct Municipal Council of Lodwar had thirty one (31) permanent employees and twenty five (25) casual employees as at 28 February 2013. It was however noted that most of the casual employees had been engaged for over three (3) years without change in terms of service. This is in contravention of section 37(1b) of the Employment Act, 2007 which stipulate that where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.
- ii) The former municipal council did not have any payroll processing software such as LAIFOMS. The payroll was processed using excel spread sheets which however do not have good controls including access controls and backups.

Consequently, the reliability of payroll information is not guaranteed as the data can be manipulated, changed or deleted by unauthorised persons without being detected due to lack of reliable audit trail.

Recommendation

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

4.6 Un-Vouched Expenditure

A review of bank statements of the defunct Municipal Council of Lodwar revealed the following:

- i) The council LATF account had an opening balance of Kshs 77,772.80 when it received LATF funding of Kshs 16,362,347.00 on 22 February 2013. The account had a closing balance of Kshs 3,580.80 as at 30 June 2013 having incurred payments amounting to Kshs 16,436,739.00 for which payment vouchers together with supporting documents were not provided for audit.
- ii) The former local authority further collected revenue amounting Kshs.7,622,162.00 during the period 1 January 2013 to 30 June 2013, out of which Kshs 4,626,762.00 was banked in the council GRF account that had a balance of Kshs 216,562.30 as at 2 January 2013. Payments totalling Kshs 4,829,276.30 were made out of the GRF account during the period 1 January 2013 to 30 June 2013.

The total payments paid out of the two accounts totalled Kshs 21,266,051.30 of which payment vouchers together and supporting documents were not provided for audit review.

Consequently, the propriety of the payments totalling Kshs 21,266,015.30 could not be ascertained.

Recommendation

The management should provide all the payment vouchers together with supporting documents for audit review. All future payments must be properly supported and secured as provided for by the Government Financial Regulations and Procedures.

4.7 Revenue

A review of revenue receipts showed that the former Municipal Council of Lodwar continued to collect revenue even after 28 February 2013. Total revenue receipts during the period under review totalled to Kshs 7,622,162.00 and banked as shown below:

MONTH	AMOUNT COLLECTED (Kshs)	Banked in Municipal Account 1107592410	Banked in GRF No	Banked in County Government Account 1140763687
January	1,973,012.00	1,973,012.00	-	-
February	1,831,040.00	1,831,040.00	-	-
March	897,780.00	577,960.00	-	319,820.00

April	577,560.00	221,250.00	356,310.00
May	647,360.00	23,500.00	623,860.00
June	<u>1,695,410.00</u>	=	<u>1,695,410.00</u>
Total	<u>7,622,162.00</u>	<u>4,626,762.00</u>	<u>2,995,400.00</u>

The revenue of Kshs 7,622,162.00 includes an amount of Kshs.3,852,070.00 in respect of plot rent/allotment fee collected during the period January 2013 to June 2013.

- i) It was however noted that the register of land allottees was not updated and the size of land allotted was not indicated in allotment letters. It was thus not possible to confirm that all the revenue due was collected.
- ii) In addition the allocation of land was not approved as provided for in section 35 (2) of the Transition to Devolved Governments Act, 2012, which stipulates that a public entity or local authority shall only transfer assets and liabilities with the approval of the national Treasury, the Commission of Revenue Allocation, the Ministry of Local Government and the Ministry of Lands.

No reason was provided for not keeping up to date records and allotting land without the prerequisite authorisation.

Recommendations

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

5.0 Defunct County Council of Turkana

5.1 Handing Over and Taking Over of Defunct Local Authorities

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

Although the defunct County Council of Turkana prepared handing over report detailing the assets, staff and liabilities for handing over to the County Government, the official handing over is yet to take place. Instead, the County Government has selectively taken possession of the fixed assets without proper recording and handing over of the same.

In addition, the council did not take stock of accountable documents taken over by the County Government although they are in use.

Recommendation

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

5.2 Cash and Bank Balances

The former County Council of Turkana operated five bank accounts which as at 28 February 2013 and 30 June 2013 had bank balances as shown below:

Account name	Bank	Account Number	Balance as at 28 February 2013	Balance as at 30 June 2013
Turkana County Council – Current- Local G	KCB	1107590280	2,474,221.66	506,506.66
Turkana County Council Current Account- Current-Corp Inst.	KCB	1107590558	60,768,238.05	205,358.90
Turkana County Council- Poverty Reduction	KCB	1107272971	No Bank statement	No Bank statement
Turkana County Council- RF	KCB	1134214383	No Bank statement	503,950.00
County Council of Turkana-Business	Equity	09900294647766	No Bank statement	11,358.50

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

- i) Proper cashbooks were not kept. Two separate cashbooks for receipts and payments were maintained and were never balanced or checked daily as required by section 5.9.1.1 of Government Financial Regulations and Procedures.
- ii) Bank reconciliations were not prepared on monthly basis as required by section 5.9.2.1 of Government Financial Regulations and Procedures.
- iii) The defunct County Council of Turkana continued to operate these bank accounts even after 30 June 2013, which, according to the Transitional Authority was supposed to have been closed on 28 February 2013. No reason was given for this noncompliance of the instructions.
- iv) In addition cashbooks and bank statements in respect of three bank accounts were not provided for audit review. Consequently, the balances outstanding or the propriety of payments out of these accounts could not be confirmed.

Recommendation

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

5.3 Debtors and Suppliers Balances

5.3.1 Debtors

The Council did not maintain debtors' ledger. According to, a handing over report prepared by the former County Council of Turkana, debtors totalling Kshs.57, 110,158.00 made up of Kshs 50,067,865.00 for commercial property rates, Kshs 6,774,793.00 for contributions in lieu of rates and Kshs 267,500.00 rent for residential houses were outstanding as at 28 February 2013. Further, the Commercial property rates register had not been updated for 2012/2013 financial year. In addition, the size of some of the plots allotted was not indicated in the handing over report provided for audit.

Due to lack of proper and up to date debtors' records, the accuracy of the debtors due could therefore not be ascertained.

Recommendation

The management should ensure that debtors' registers/ledgers are updated in order to ensure accuracy of the balance to be transferred to the county government and recoverability.

5.3.2 Unconfirmed Creditors Balances

The former council did not maintain creditors' ledgers. According to the handing over report prepared by the former County Council of Turkana the creditors balance as at 28 February 2013 stood at Kshs.10, 369,577.00 as detailed below:

Creditor	Amount (Kshs)
South Turkana Emergency	627,498.00
Shabaa	854,958.00
Baraka Contractors	400,000.00
Ngamia Consultancy Ltd	275,655.00
Aminit Suppliers and Contractors	501,892.00
Kerman Contractors	200,000.00
TUSCAL	1,581,841.00
ERECKS	250,000.00

Logistical International	702,823.00
Promise Development Services	95,041.00
Joeli Contractors	463,200.00
Mointe Contractors	247,349.00
Work Bench	430,000.00
Yellow Dreamms	493,320.00
Tonyoutu Contractors	2,266,000.00
Lobokat Enterprises	80,000.00
KENAO	<u>900,000.00</u>
Total	<u>10,369,577.00</u>

However, the council did not provide any documentation such as invoices to support the creditors' balance of Kshs 10,369,577.00.

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

Recommendation

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

5.4 Motor Vehicles and Office Equipment

5.4.1 Failure to Update Assets Register

The former County Council of Turkana maintained a fixed assets register for its assets. However, it was incomplete as it did not have some details such as the date of purchase, model, serial numbers and location of the asset.

5.4.2 Motor Vehicles

The handing over report indicate that the defunct County Council of Turkana owned seven (7) motor vehicles with net book value of Kshs.13,080,000.00 as listed below:

Vehicle Registration	Make	Value (Kshs)
KAN 262D	Mitsubishi Pajero	220,000.00
KAW 771Z	Toyota Prado	2,480,000.00
KAN 024P	Toyota Hilux	1,440,000.00
KAT 041M	Isuzu Truck	2,120,000.00
KBG 238C	Toyota Land cruiser	4,700,000.00
EX-40UN 250K	Land Cruiser Pick Up	1,200,000.00
EX-40UN 415K	Land Cruiser	<u>920,000.00</u>
Total		<u>13,080,000.00</u>

Physical verification of the vehicles revealed the following:

- i) Two motor vehicles registration numbers KAN 262D and KAN 024P are grounded and there was no report to show the reasons for grounding them.
- ii) Motor vehicle registration KBG 238 C was not in the custody of the council. It was explained that the vehicle was involved in an accident and is in a garage in Nairobi. However, no documentary evidence was provided for verification.
- iii) The former council had two (2) other motor vehicles registration numbers EX 40 UN 415K and EX 40 UN 250K said to have been donated by the United Nations. However, there were no log books to prove the ownership and the council appear not to have made any efforts to have the vehicles registered in its name.

Recommendation

- i) The management should ensure that proper and up to date Fixed Assets Register is maintained and all vehicles received from donors registered in the name of the county government and recorded in the Fixed Assets Register.
- ii) Further, mechanical condition of grounded vehicles should be assessed and appropriate action taken.

5.5 Establishment and Personnel Records

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

- i) The defunct County Council of Turkana had twenty five (25) permanent employees and seventy seven (77) casual employees as at 28 February 2013. It was however noted that most of the casual employees had been engaged for over ten (10) years without change in terms of service. This is in contravention of section 37(1b) of the Employment Act, 2007 which stipulate that where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.
- ii) The former council did not have any payroll processing software such as LAIFOMS. The payroll was processed using excel spread sheets which however do not have good controls including access controls and backups.

Consequently, the reliability of payroll information is not guaranteed as the data can be manipulated, changed or deleted by unauthorised persons without leaving an audit trail.

Recommendation

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

5.6 Unconfirmed Expenditure for Motor Vehicle Insurance

The defunct Turkana County Council paid an amount of Kshs 800,000.00 on 28 February 2013 to M/s Malson Insurance; vide cheque No. 4905 in respect of insurance services for the council motor vehicles.

However, the list and values of the vehicles for which insurance was paid for was not provided. In addition, the policy documents were not provided for audit verification. The authenticity of the expenditure of Kshs 800,000.00 could not be confirmed.

Recommendation

- i) The Public Procurement and Disposal Act, 2005 and related 2006 and 2013 Regulations requirements should be followed on all procurements of goods and services.
- ii) In addition, list of vehicles insured should be provided together with valuation reports and policy documents.

5.7 Revenue

A review of revenue receipts showed that the former local authority continued to collect revenue even after 28 February 2013. Total revenue receipts amounted to Kshs 14,871,324.00 as below:

MONTH	AMOUNT (Kshs)	Deposited in GRF Ac 11075590280	Deposited in County Gov. – Exc. Ac 1140763687
January	2,654,210.00	2,654,210.00	
February	3,208,225.00	3,208,225.00	
March	3,090,810.00	1,450,450.00	1,640,360.00
April	1,987,385.00	1,744,534.00	242,851.00
May	2,023,576.00	63,940.00	1,959,636.00
June	<u>1,907,118.00</u>	<u>111,640.00</u>	<u>1,795,478.00</u>
Total	<u>14,871,324.00</u>	<u>9,232,999.00</u>	<u>5,638,325.00</u>

The above revenue includes an amount of Kshs.1, 371,351.00 in respect of plot rent and Kshs 1,756,400.00 in allotment fees collected during the period January 2013 to June 2013.

- i) It was however noted that the register of land allottees was not up to date. It was thus not possible to confirm that all the revenue due was collected.
- ii) In addition the allocation of land was not approved as provided for in section 35 (2) of the Transition to Devolved Governments Act, 2012, which stipulates that a public entity or local authority shall only transfer assets and liabilities with the approval of the national Treasury, the Commission of Revenue Allocation, the Ministry of Local Government and the Ministry of Lands.

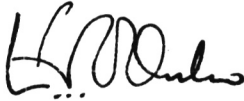
No reason was provided for not keeping updated records and allotting land without the prerequisite authorisation.

Recommendation

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

Conclusion

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



Edward R. O. Ouko, CBS
AUDITOR – GENERAL

NAIROBI

14 November 2014