

# COUNTY GOVERNMENT OF ISIOLO



**REPUBLIC OF KENYA**

**ISIOLO COUNTY ASSEMBLY**

**PUBLIC INVESTMENT AND ACCOUNTS COMMITTEE REPORT  
ON THE**

**AUDIT GENERAL ON THE FINANCIAL OPERATIONS OF  
ISIOLO COUNTY**

**EXECUTIVE FOR THE PERIOD 1ST JULY 2013 TO 30TH JUNE  
2014**

Clerks Chamber  
2016  
Isiolo County Assembly Building  
Isiolo

March,

## **PREAMBLE**

### **1. Mandate of the Committee**

Pursuant to standing order 188 of Isiolo County Assembly, The Public Investments and Accounts Committee has two main functions:-

i) Examination of the accounts showing the appropriations of the sum voted by the House to meet the public expenditure and of such other accounts laid before the House as the Committee may think fit; and

ii) Examination of the working of the public investment  
When or while discharging obligation its roles under the above functions, the Committee shall further discharge the following functions a well;-

(a) Examine the reports and accounts of the public investments;

(b) Examine the reports, if any, of the Auditor General on the public investments;  
and

(c) Examine in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices.

Further in discharging the above mandates the Public Accounts and Investments Committee shall not examine any of the following, namely-

(a) Matters of major Government policy as distinct from business or commercial functions of the public investments;

(b) Matters of day-to-day administration; and

(c) Matters for the consideration of which machinery is established by any special statute under which a particular public investment is established.

The report after the committee deliberating will further be tabled to the assembly to enable the Assembly perform her oversight role as vested in the constitution of Kenya article 185.

### **Committee Membership**

NO.	NAME	DESIGNATION	SIGNATURE
1.	Hon Hassan D. Kumpa	Chairperson	
2.	Hon. Nura Diba	Member	
3.	Hon Peter Losu	Member	
4.	Hon Abdi Sora	Member	
5.	Hon Hassan Shano	Member	

### **ACKNOWLEDGEMENTS**

The Committee wishes to thank the Offices of the Speaker and the Clerk of the County Assembly for the support extended to it in the execution of its mandate and facilitation. The Committee also appreciates the USAID - AHADI for training the committee so as to build its capacity and enhancing its aspirations to deliver its mandate effectively.

Finally, I wish to express my appreciation to the Honourable Members of the Committee who tirelessly went through the 2013/2014 Audit General on the Financial Operations of Isiolo County Executive and sacrificed their time to participate in the activities of the Committee and preparation of this report.

It is therefore, my pleasant duty and privilege, to present this report of the Audit General on the financial operations of Isiolo County Executive for the period 1st July 2013 to 30th June 2014 to this committee.

**Signed** .....  
**(CHAIRPERSON)**

**Date:** .....

## **Introduction**

To regularize the committee activities, events and meetings the committee prepared its action plan which was sampled to its first meeting on 23rd February 2016 for approval and play as a guideline throughout this fourth Assembly session.

In the same meeting the committee resolved to have a retreat to allow it peruse through the report of the auditor-general on the financial operations of Isiolo County Executive and Isiolo County Assembly for the period 1st July 2013 to June 2014.

After coordination between the office the clerk and various stakeholders in support to Isiolo County Assembly, USAID AHADI supported the committee in capacity building training in order to make it propel well in the delivery of its mandates.

Initially the Public Investment and Accounts committee had exhaust the scrutiny of the reports of the Auditor general on the financial operations of Isiolo County Executive and Isiolo County Assembly but could not meet its targets and therefore concentrated only through the report of Auditor general of Isiolo County Executive portioning the one of Isiolo County Assembly to be slotted for another time. In the reviewing and scrutinizing the report of Isiolo County Executive the committee under the following set terms of reference;

- 1.0** Budgetary controls and performance
- 2.0** Internal control systems
- 3.0** Foreign travelling and accommodation allowances
- 4.0** unaccounted for consultancy services expenditure
- 5.0** seminar workshop and training sponsorship
- 6.0** revenue
  - 6.1** Under Collection Revenue
  - 6.2** collection of revenue without contract agreement by KATO
  - 6.3** Failure to recognize payroll processing revenue
  - 6.4** unlimited liquor licensing Fees
  - 6.5** long outstanding un-surrendered Receipt Books
  - 6.6** Cost sharing Revenue

- 6.7 Uncollected Revenue
- 7.0 Non Establishment of Emergency Fund
- 8.0 cash and bank Balances
- 9.0 Human resources
  - 9.1 Non Reimbursement of salaries paid by the National Government
  - 9.2 Non remittance of Staff deduction to the National Government
  - 9.3 Operations without an Approved staff establishment
  - 9.4 Management of personnel records
  - 9.5 Unpaid and Unbudgeted for staff Salaries
  - 9.6 Irregular payment of locum allowances
  - 9.7 Doubtful appointments
- 10.0 Information Technology Environment
- 11.0 Non Current Assets
- 12.0 Creditors and Payables
- 13.0 Non Establishment of Audits Committees
- 14.0 Failure to take over Assets and liabilities of the defunct county council
- 15.0 Debtors
- 16.0 Creditors

### **Specific Recommendations**

The committee scrutinized the report in the format of report information deduction, audit general recommendation, committee findings, queries which arose in the committee review process which will act as a prime follow up of the report.

### **BUDGETARY CONTROLS AND PERFORMANCE**

#### **i. Information deduced from the report.**

##### **FY 2013/2014 - Budget approval - Kshs 2.78b**

- Recurrent Kshs 1.74 b ( including Budget for CA)
- Development Kshs 1.04b

No.	Item Description		Item Description
	Annual projections	Amnt in Kshs	Records;Amount Received
a.	National Equitable Share	2.4b	Kshs 2.2b Kshs 1.459b (Recurrent ) Kshs 1.784b ( Development)
b.	Local Revenue Sources	360m	Kshs 125m (local sources 34.7%)
c.	B/F 2012/2013	5.9m	Kshs 5.9m B/F 2012/2013 FY
Expenditure			
d.	Total spent in the reporting period	Kshs 1.95b (70%) budgeted amount in the FY	County Executive County Assembly Kshs 1.784b ( 70.3% budgeted amount) Kshs 212m (69.9% budgeted amount)

### i) The audit general recommendation

- The county Executive should review the local revenue collection frameworks by appointing receivers of revenue and implementing revenue collection systems
- Devolved units should declare all their revenue collections to the County Executive and ensure that the same is deposited to designated collection accounts and transferred regularly to the revenue Fund Account.
- The county Executive should set realistic local revenue targets in subsequent budgets

### ii) Committee findings

- There was irregularities in the local revenue collection
- The local revenue collections resources areas are under-utilized.
- Observed that single source of income raised Kshs 84,772,849 only from parks and the rest of the sources combined raised Kshs 40,227,151; **this is unrealistic** e.g. land rates only has many components which can raise more for the county government.

### iii) Queries which arose in the committee review process

- Why there was under absorption and performance in local revenue collection was not explained?

## 2.0 INTERNAL CONTROL SYSTEMS

### i) Information deduced from the report.

- The finance department had inadequate number of only seven officers serving both county government and County Assembly
- There was no internal audit department in place; further weaknesses were noted in;
- Payment vouchers were not numbered
- Payment vouchers did not have vote book certificate though recorded in IFMIS system
- Payment vouchers were not examined

**ii) The audit general recommendations**

- The county executive should adequately staff the finance department to ensure that there is segregation of duties in processing of payments and there are strong internal controls
- Internal audit should be created in line with the requirement of PFM Act of 2012
- Payment vouchers should be pre-revised and vote booked appropriately

**iii) The committee review findings**

- Internal audit controls were not compliant to the PFM Act of 2012
- There was variance between the actual expenditure and approved amount

**iv) Queries which arose in the committee review process**

- Why there no internal auditor in place?
- Why payment vouchers were not numbered and examined?
- Why payment voucher did not have vote book certificate?

**3.0 Foreign travelling and accommodation allowances**

**i) Information deduced from the report.**

- County government had budgeted to spend Kshs 13,797,605 on foreign but spent 12,682,150 resulting to an under expenditure of Kshs 1,115,455 (8%) of budgeted amount.

**ii) The audit general recommendations**

- Management should provide the required information for audit verifications
- Any amounts supported should be recovered appropriately

**iii) The committee review findings**

- There were no documents available for audit to show the countries visited, nature of visits and the number of officers involved
- The propriety of expenditure information for audit verifications
- The report of travel details to be accessed by the committee.

**iv) Queries which arose in the committee review process**

- Why there were no documents of travel detailing the procedural arrangement?
- Which department(s) personnel benefitted, was the selection departmental cross-cutting?

**4.0 unaccounted for consultancy services expenditure**

**i) Information deduced from the report.**

- County Executive incurred an expenditure of Kshs 2,805,500 on 9<sup>th</sup> of April in respect of legal fees to a firm
- Payment voucher, legal fees notes and procurement documents were not available for audit verification
- It is not possible to ascertain whether any legal services were provided by the firm.

**ii) The audit general recommendations**

- Management of the county government should put in place a training policy and guidelines on sponsorship of its employees
- Any amount paid without supporting documents should be recovered appropriately



**v) The committee review findings**

- The committee to access detailed report of the unaccounted consultancy services expenditure

**vi) Queries which arose in the committee review process**

- Which firm received the money?
- Was the tendering procedures followed as per public procurement act
- Were the legal fees documentation processes in place?

**5.0 seminar workshop and training sponsorship**

**i) Information deduced from the report.**

- County Executive was to spend Kshs 13,797,605 on foreign travels
- Spent Kshs 12,682,150; Balance 1,115,455 equivalent of 8% of budgeted amount.
- No documents were produced for audit to show the countries visited nature of visits and the officers involved.
- The propriety of the expenditure could not be confirmed.

**ii) The audit general recommendations**

- The management should have provided the required information for audit verifications
- Any amount not supported should be recovered appropriately

**iii) The committee review findings**

- There was no detailed explanations on the department that benefitted from the foreign trip e.g. report of travel, no. of officers went for the trip and departmental composition, boarding fee and tickets

**iv) Queries which arose in the committee review process**

- Why there were no documents regarding the foreign trip
- Which department benefitted and what benefits accrued from the trip for the officers and the different departments?

- Why there were no travel details?

## **6.0 Revenue**

### **6.1 Under Collection Revenue**

#### **i) Information deduced from the report.**

- County Government targeted a local revenue collection of Kshs 360,000,000 from local sources in the reporting period FY 2013/2014
- Kshs 125m (31.3%) of the targeted amount was collected
- Single collection of Kshs 84,772,849 from parks was realized against a targeted amount of Kshs 210,000,000

#### **ii) The audit general recommendations**

- The county Executive should set realistic targets for revenue collection to be able to implement the targeted projects
- Every effort should be made to ensure revenue collection is maximized
- All revenue leakages should be identified and sealed.
- Any revenue collected and not banked /accounted for should be recovered.

#### **iii) The committee review findings**

- The local revenue collection did not reflect a true picture of the broad numerous county local sources of revenue collection
- The amount realized from one single source of parks local revenue collection leaves queries to the rest of the sources collecting only Kshs 40,227,715 from the rest of entire other numerous county sources of revenue collection.

#### **iv) Queries which arose in the committee review process**

- Why there was under collection in the targeted reporting period?
- Why there were no appointed receivers of revenue as in reference of section 157(1) of Public Finance Act?
- Why there was no efforts appear to have been made to enhance local revenue

## **6.2** collection of revenue without contract agreement by KATO

### **i) Information deduced from the report.**

- Special audit covering March and June 2013 reported that Kenya Association of Tour Operators (KATO) was appointed as Sales agents for Buffalo Springs and Shaba National Reserves entry tickets through a contract signed with the defunct County Council of Isiolo in February 1995. KATO to stock tickets, vet the tour operators to whom tickets were sold, submit to the county council an analysis of tickets on a weekly basis. KATO to be paid 4% of the face value of all the tickets.
- The agreement was valid for 24 months up to 2<sup>nd</sup> February 1997.
- The agreement has not been renewed or any other service provider has not been identified. Further eight year later KATO is still collecting the said revenue without any agreement in place.
- During under the period of review KATO retained Kshs 2,733,327 being 4% of the collected revenue of Kshs 66,319,853 as their commission resulting to under banking and under reporting of County Government Revenue by 2,763,327.
- The revenue collected by KATO was directly banked and it was therefore not recorded in LAIFFOM system.

### **ii) The audit general recommendations**

- All revenue collections must be receipted and banked intact and no source deduction should be allowed
- The county executive should be have in place a valid agreement and any receiver of revenue should be designated by the county executive committee member for finance as required by section 157 of the Public Finance Management Act 2012
- All the collected revenue by KATO should be accorded accordingly

### **iii) The committee review findings**

- No records available for revenue collected in the period of unsigned provider agreement to the time of reporting period.
- It is not clear to ascertain whether a new provider was in place or not.

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**iv) Queries which arose in the committee review process**

- Is KATO still collecting revenue from County Government?
- Is any new service provider, if not has the contract been renewed between the County Government on the related Parks and KATO?
- What is the total amount of revenue collected in over 18 years ( since 2<sup>nd</sup> February 1997)
- Did the CEC comply with section 157(1) of PFM act of 2012, if yes is there any evidence?
- Why there was no explanation given to the continued payment of commission to KATO despite the contract having expired in February

**6.3 Failure to recognize payroll processing revenue**

**i) Information deduced from the report.**

- County Government of Isiolo charged payroll processing fee to various banks for check off deductions but these charges were not receipted as county revenue.
- During the period July 2013 and March 2014 Kshs 39,744 had been deducted
- Although the payroll fee had been recognized as revenue between 1<sup>st</sup> April to 30<sup>th</sup> June 2014, the Kshs 39,744.15 collected earlier had not been receipted as at the time of the audit

**ii) The audit general recommendations**

- All payroll processing commissions should be receipted on a monthly basis.
- The uncollected fees of Kshs 39,744.15 should be accounted for appropriately.

**iii) The committee review findings**

- A total Kshs 39,744.15 alleged to be bank realized from various banks as revenue has not been receipted as revenue as by the time of the audit.

**iv) Queries which arose in the committee review process**

- Why there was no explanation given for failure to recognize the fees as revenue?

#### **6.4 Unremitted Liquor Licensing Fees**

##### **i) Information deduced from the report.**

- Receipts of books and records maintained at the Isiolo Deputy County Commissioner's office revealed that liquor Licensing Revenue amounting to KSHS 2,361,000 collected from businesses operating within Isiolo County between July 2013 and June 2014. Amount remitted directly to NACADA as revenue collected in respect of Licensing and implementing the Alcohol Drinks Control Act; 2010
- Licenses were issued by the National Government instead of County Government contrary to the constitution as this is a devolved function under section 4 (c) Part 2 of the Fourth schedule.
- The revenue collected by NACADA included application fees of Kshs 105,000 and Kshs 2, 2556,000.

##### **ii) The audit general recommendations**

- County Executive should follow up with NACADA to reimburse the revenue collected
- It should also start collecting the liquor licensing revenue.

##### **iii) The committee review findings**

- Failure of County Government to collect revenue

##### **iv) Queries which arose in the committee review process**

#### **6.5 long outstanding un-surrendered Receipt Books**

##### **i) Information deduced from the report**

- ii) County Executive should ensure that all receipt books issued are accounted for and returned once complete.

iii) Further the County Executive should ensure that there are strong internal controls to ensure that all receipts books are accounted for in good time

**iv) The audit general recommendations**

v) Examination of counterfoil receipt book registers (CRB's) made available for audit revealed that receipts books with value of Kshs 1,951,000 issued to revenue collectors had not been surrendered.

vi) The audit noted that the county continued using the receipt books printed by the defunct Isiolo County Council some of which were as printed as far back as 1996.

**vii) The committee review findings**

- County government had not printed any counterfoil receipts books registers.

**viii) Queries which arose in the committee review process**

- Why the county government was using receipts books of the defunct Isiolo County Council even some way back 2006?

**6.6 Cost sharing Revenue**

**i) Information deduced from the report.**

- In the fiscal year of Review County executive had not over the collection of cost sharing revenue at the Isiolo District Hospital.
- Kshs 25,943,982 was collected at the Hospital and spent through cost sharing system at district Treasury.
- No explanation was given for failure to collect the revenue at the hospital

**ii) The audit general recommendations**

- All revenue collections should be banked in the County Revenue Fund Account as required by the public Financial management Act,2012

- management should control the receipt books used to collect revenue to avoid revenue leakage

**iii) The committee review findings**

- The hospital management had no set controls measures of revenue collection in place.

**iv) Queries which arose in the committee review process**

- why there was no explanation given for failure to collect the revenue at the hospital

**6.7 Uncollected Revenue**

**i) Information deduced from the report.**

- examination of credit sales register at the Isiolo District Hospital disclosed that the hospital credit sales were not promptly leading to revenue under collections which amounted to Kshs 593,805 as at 30 June 2014
- No explanation was given for failure to collect the amount

**ii) The audit general recommendations**

- All hospital credit sales should be recorded and payment followed up to ensure that all revenue due is collected
- The County Executive should automate the revenue collection system

**iii) The committee review findings**

- The hospital credit sales were not collected promptly.

**iv) Queries which arose in the committee review process**

- Why there no explanation given for failure to collect the amount.

**7.0 cash and bank Balances**

**i) Information deduced from the report.**

- In the period under review, the County Executive operated five Bank Accounts at Kenya Commercial Bank, consolidated Bank- Isiolo Branch
- Three at Central Bank of Kenya
- No monthly reconciliation statements were prepared for the three accounts at Central Bank of Kenya(CBK)
- No explanation was given for failure to prepare reconciliation statements for all the three accounts maintained at the (CBK)

**ii) The audit general recommendations**

- iii) The County Executive should prepare monthly bank reconciliation statement for all the accounts maintained .

**iv) The committee review findings**

- The number of bank accounts maintained is a question to be explained.

**v) Queries which arose in the committee review process**

- Why monthly reconciliation statements of all accounts were not kept?

**8.0 Non Establishment of Emergency Fund**

**i) Information deduced from the report.**

- The county Government did not create an emergency Fund as required by the public Finance Management Act, 2012
- no explanation was given for failure to establish an Emergency Fund.

**ii) The audit general recommendations**

- Management should create an Emergency Fund in compliance with section 110 of the Public Finance Act 2012.



- The county Government should ensure Emergency Funds are used appropriately.

### iii) **The committee review findings**

- Management should create an Emergency Fund in compliance with section 110 of the Public Finance Act 2012

### iv) **Queries which arose in the committee review process**

- Fail to understand why County Government did not create an Emergency Fund

## 9.0 **Human resources**

### 9.1 **Non Reimbursement of salaries paid by the National Government**

#### i) **Information deduced from the report.**

- The county executive was required to reimburse from its allocated funds salaries for 735 officers in devolved functions paid by the national Government.
- The national treasury circular ref. CONF/MOF.51/08'C'/(72) dated 4 April 2014 indicated the balance due is Kshs 251659,813.
- The list made available for audit by the County Government revealed an outstanding reimbursement of Kshs 362,501,029 as at 30 June 2014 thereby creating un-reconciled difference of Kshs 110,891,215 between the amount demanded by the National Treasury and the amount calculated by the County Government.
- Further , the County only made a payment of Kshs 121,315,311 on 22 April 2014 not acknowledged by the following ministries enlisted as follows:

Ministry	Name
<b>Amount (Kshs)</b>	
1. Agriculture Livestock and Fisheries	19,565,767
2. Health	89,138,625
3. Youth	1,934,067
4. Water	5,423,392
5. Planning	555,291
6. Cooperative	1,228,674
7. Housing	220,170

8. Trade	274,630
9. Labour	1,529,790
10. Lands	<u>1,444,905</u>
<b>Total</b>	<b><u>121,315,311</u></b>

**ii) The audit general recommendations**

- The county management should reconcile the balances for salaries paid by the National Government for the devolved function staff and reimburse the amount due to the National Government.
- All payments recorded the National Government Ministries should be acknowledged appropriately.

**iii) The committee review findings**

- There was difference between the amount demanded and the records at the Isiolo County Government

**iv) Queries which arose in the committee review process**

- Why didn't the National Treasury pay the ministries direct other paying the county treasury.
- Why didn't the ministries acknowledge the payment of **Kshs 121,315,311** paid to them by the county executive

**9.2 Non remittance of Staff deduction to the National Government**

**i) Information deduced from the report.**

- Between January and June 2014, the Isiolo Executive deducted rent totaling Kshs 849, 325 from officers who were in occupation of Government houses.
- The amounts were not remitted to the National Government or receipted as part of the County Government revenue
- No evidence that the National Government to justify the current had surrendered its buildings or its revenue to the county Government to justify the current situation.

**ii) The audit general recommendations**

- All revenue due to National Government should be remitted to National Treasury
- All revenue for county Government should be recognized and deposited in the County Revenue Fund Account
- The deduction of Kshs 849,325 should be accounted for appropriately

**iii) The committee review findings**

- The accountability of the deducted amount could not be confirmed

**iv) Queries which arose in the committee review process**

- Why revenue of Kshs 849,325 collected /deducted were not remitted to National Treasury
- Was the money accounted for as recommended in the audit report?

**9.3 Operations without an Approved staff establishment**

**i) Information deduced from the report.**

- 2015/16 the County Executive recruited County Chief Officer as required by the County Government, Act 2012 and proposed budget.
- The County Government did not prepare or approve its personnel establishment making it to manage its Human resource without an approved establishment.

**ii) The audit general recommendations**

- The County Government should prepare its approved staff establishment as a guide on the Issues that affect the County Staff.

**iii) The committee review findings**

- The adequacy, appropriateness, existence and the necessity to fill the vacancies or possibility of staff progression was not ascertained.

**iv) Queries which arose in the committee review process**

Why there was no explanation given for failure to have an approved staff establishment in place?

#### 9.4 Management of personnel records

##### **i) Information deduced from the report.**

- Audit of Humana resources records revealed that the County Executive had not established a personnel registry or opened files for all seconded Staff.
- There were no last pay certificates for employees who were seconded from the devolved departments and are in the County Executive payroll.

##### **ii) The audit general recommendations**

- The County Executive should establish a personnel registry and develop policies on the access, use and retention records

##### **iii) The committee review findings**

- All personnel records both open and confidential were kept in an open office with unlimited access.

##### **iv) Queries which arose in the committee review process**

- Why there was no established personnel registry and files for seconded staff?
- Why there no personnel records

#### 9.5 Unpaid and Unbudgeted for staff Salaries

##### **i) Information deduced from the report.**

- The implementation of a new collective Bargaining agreement effected on 1<sup>st</sup> September 2012 by the defunct County Council, there arose salary arrears and unremitted pension deductions that could not be paid as a result of being budgeted for during the year 2012/2013 of Kshs 50,211, 728.

##### **ii) The audit general recommendations**

- The County Executive should Audit and budget for unpaid staff salaries and other liabilities to ensure that the arrears are cleared.

##### **iii) The committee review findings**

- There was huge unpaid salary arrears, statutory deductions and liabilities totaling Kshs 50,211,728

**iv) Queries which arose in the committee review process**

- Why there was failure to pay arrears m statutory deductions and other liabilities totaling Kshs 50,211, 728
- What progress made so far to clear staff arrears, statutory deductions and other liabilities?

9.6 Irregular payment of locum allowances

**i) Information deduced from the report.**

- Examination of payments made by Isiolo District Hospital revealed that an amount totaling Kshs 770,000 was paid to various staff in form of locum allowances to Health workers for working overtime without an approval of the County Executive or the Hospital Management Committee.

**ii) The audit general recommendations**

- The allowances paid should be recovered from the salaries of the payees as they are irregular.

**iii) The committee review findings**

- The payment of Kshs 770,000 was irregularly paid to the various staff in form of locum allowances

**iv) Queries which arose in the committee review process**

- Why and how the irregular locum allowances were made?
- What or whether any steps have been taken to recover the irregular locum allowances?

9.7 Doubtful appointments

**i) Information deduced from the report.**

- Records held in the Human Resources Department indicated that an Economic Advisor was Formerly employed by the teachers Service Commission (TSC) before his current assignment

- No records were maintained to show whether he resigned as an employee of the TSC upon his appointment as Economic Advisor.

**ii) The audit general recommendations**

- The County Executive should confirm from TSC that the officer is no longer on its payroll.

**iii) The committee review findings**

- iv) It was not possible to confirm whether the Officer was still holding his former position in addition to the new appointment.

**v) Queries which arose in the committee review process**

- Was the letter written to TSC to confirm whether the Economic Advisor resigned if so where is the letter?

10.0 Information technology Environment

**i) Information deduced from the report.**

- The County Executive of Isiolo adopted the use of IFMIS and G-PAY in November 2013.
- Noted that direct banking from KATO was not captured in the LAIFOM system creating differences between collections in the LAIFOM system and Banking.
- No evidence of back up of all the transactions in IT systems, LAIFOM, GPAY, IFMIS or IPPD.

**ii) The audit general recommendations**

- The County Executive should adequately protect and back up all IT systems
- The County Executive should develop an IT strategic plan, an IT steering committee and disaster management plans to enhance data integrity.

**iii) The committee review findings**

No explanation given why IT systems were not adequately protected and backed up as required.

**iv) Queries which arose in the committee review process**

- Why the IT data information is not secured and protected?
- What period is the IT information updated?
- Has any strategic plan been submitted, if there is when?

11.0 Non Current Assets

**i) Information deduced from the report.**

- The county executive did not maintain a fixed assets register; relied on the asset register previously used by the defunct Isiolo County Council
- The value of fixed assets of the defunct local authority as at 28th February 2013 amounted to **Kshs 14,155,106,914** as per audited accounts. It was noted that;-
- The County Executive does not have in place policies and procedures relating to Asset Management.
- The assets are not coded
- Non-current assets are physically inspected on a regular basis
- Ownership documents for land whose acreage is unknown were not made available for audit
- There was no sharing of assets between the County Assembly and the County Executive.
- It was not possible to establish which assets belonged to the County Executive and which to County Assembly as both the County Executive and County Assembly are housed in one building
- The following assets valued at Kshs 220,322,700 were procured during the period under review but not recorded in the fixed assets register;

<b>Asset Amount (Kshs )</b>	<b>Item</b>
Purchase of Furniture and other Equipment 35,530,053	Kshs
Purchase of motor Vehicles and other equipment 155,910,319	Kshs

Construction of buildings	Kshs
4,427,508	
Purchase of specialized plant, equipment and machinery	<u>Kshs</u>
24,424,820	
<hr/>	
<b><u>220,322,700</u></b>	<b><u>Kshs</u></b>

**ii) The audit general recommendations**

- The county Executive should put in place adequate systems and processes to plan for, procure for, maintain, store and disposal of assets. Including an asset register that is current, accurate and available in compliance with section 149(2) Of the Public Finance Management Act, 2012.

**iii) The committee review findings**

- The committee required details of valued Kshs 14,155,106,914 of fixed assets

**iv) Queries which arose in the committee review process**

- Are policies on noncurrent Assets been in place?
- Has coding been done to the noncurrent assets?
- Has the County Executive been put in place?
- What are the adequate systems and processes in place to secure noncurrent and fixed assets?
- Were the assets listed belonged to the County Executive or to the County Assembly?
- Were the public procurement procedures followed and the physical availability of the assets valued Kshs 220,322,700
- Where is the details of the Kshs 14,155, 106,914 value of fixed assets (9 evidence to be tabled)

12.0 creditors and payables

**i) Information deduced from the report.**

- The County Executive did not maintain any record of creditors such as creditors' ledger or register.



- As earlier reported, the statement of assets and liabilities as at 28 February 2013 prepared by the defunct Isiolo County Council reflected creditors totaling Kshs 165,878,929.
- As at 30 June 2013 the creditors' balances had increased to Kshs 195,229,710 as per schedule made available for audit.

#### **ii) The audit general recommendations**

- The county treasury should maintain creditors' ledgers and registers to record creditors' transactions and carry out regular reconciliations between County records and creditors records.
- Creditors balances inherited from the defunct County Council should be verified before any payment is made.

#### **iii) The committee review findings**

- It was not possible to establish the completeness and accuracy of the creditors balance due to absence of creditors' ledger or register.
- The schedules of Kshs 165,878,929 and Kshs 195,229,710

#### **iv) Queries which arose in the committee review process**

- Do we have creditors ledger book or register or records in place
- What has been done so far to effect the creditors and payables.

### 13.0 Non establishment of Audit Committee

#### **i) Information deduced from the report.**

- During the period under review, the County Executive did establish an internal audit committee as required by the Public Finance management Act. 2012 which could have performed the following roles which includes;
- Understanding and assessing the overall risks the entity is facing
- Reviewing the adequacy of internal controls that management has put in place regarding financial control, accounting system and reporting
- Reviewing the entities compliance with all relevant legislation and statutory requirements,

- Regular communications with the external auditors and the review of management letter and other reports
- Review of any significant findings of internal investigation and management response thereto, including the report of the internal audit
- Overseeing the proper functioning of internal audit in terms of resources, independence; and adequacy of audit procedures
- Evaluating whether management appropriately addressed material weakness in internal controls, identified during the year, by internal and external audit.
- Review of the design and implementation of internal control procedures in the entity for major areas including asset, expenditure and revenue management
- Review of the risk management and related policies
- Review and approve of the scope and the implementation of the internal audit plan.

**ii) The audit general recommendations**

The county government should establish an internal audit committee in compliance with section 155(5) of the Public Finance management Act 2012

**iii) The committee review findings**

- The County Executive did establish an internal audit committee as required by the Public Finance management Act. 2012 in the review year

**iv) Queries which arose in the committee review process**

- Has the county established an internal audit committee to manage internal assets control, audit, and risks?

14.0 Failure to take Over Assets and Liability

**i) Information deduced from the report.**

- As previously reported during the special audit covering the period between March 2013 and June 2013 the county executive of Isiolo had not officially taken over the assets of the defunct county council of Isiolo as at the time of audit
- The value of assets and liabilities of the defunct local authority as at 28 February 2013 amounted to KSH 14,155,106,914 and KSH 151,880,458 respectively as per the audited accounts

**ii) The audit general recommendations**

- Arrangement should be made by transition authority to have assets and liabilities of the defunct county council handed over to the county government

**iii) The committee review findings**

- There was failure to take over the assets and liability of the defunct Isiolo county council

**iv) Queries which arose in the committee review process**

- Why there was no explanation given for failure to take over the assets and liabilities of the defunct local authority?

15.0 Debtors

**i) Information deduced from the report.**

- The receivables/ debtors balances as at 30 June 2014 were Kshs 38,804,166 as per LAIFOM schedule, being plot rates and outstanding rents, examination of debtors balances disclosed the following:
  - The county executive did not age its debtors
  - There were no demand notes issued to the rent and rate payers.
  - The county executive does not have a policy for debtors.
  - There were no mechanisms in place to ensure that all debtors pay outstanding amount totaling Kshs 38,804,166 as at 30 June 2014

**ii) The audit general recommendations**

- Management should age its debtors and a provision for bad and doubtful debts where necessary.
- It is important to circularize debtors as at the end of a financial year to confirm the balances.

**iii) The committee review findings**

- There were no mechanisms in place to ensure that all debtors paid outstanding amount totaling Ksh38,804,166 as at 30 June 2014

**iv) Queries which arose in the committee review process**

- Why there were no mechanisms in place to ensure that all debtors paid outstanding amount?
- Has the county executive put debtors' policy in place?

16.0 Creditors

**i) Information deduced from the report.**

- An expenditure totaling Kshs 166,046,039 incurred by the county executive was examined as the records relating to the expenditure were taken by the ethics and anti corruption commission for investigation on 20 and 21 August 2014 and 18 and 26 September 2014
- The records have not been returned at the time of audit.

**ii) The audit general recommendations**

- Management should provide the expenditure details for audit verification.