REPUBLIC OF KENYA

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS

OF

BUSIA COUNTY EXECUTIVE

FOR THE PERIOD
1 JULY 2013 TO 30 JUNE 2014

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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF BUSIA COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

Introduction

The Auditor-General has the mandate under Article 229 of the Constitution to audit and report on the financial operations and accounts of the County Government to Parliament annually.
According to Transition to Devolved Government Act, 2012 the County Government of Busia came into being after declaration of the election result in March 2013. The Government was to take over the Assets and Liabilities of the defunct Local Authorities under its jurisdiction and to carry out functions of devolved services.
Further, the County Government Act 2012, requires the County Treasury to enforce fiscal responsibility on the County financial operations

Audit Objectives and Scope

The objective of the audit was to review and ensure that proper systems for accountability of public resources are in place and are effective for management purposes.

The audit covered the operations of the County Executive and took into account transactions during the period 1 July 2013 up to the audit time in May 2014.

Terms of Reference

The Office of the Auditor-General is an independent office mandated by the constitution (Article 229) to audit the accounts of the National and County Government. In this regard the office planned an audit for the Busia County Executive with the following terms of reference:

- Verification of cash and bank transactions.
- Examination of transactions of the County Government.
- The procurement procedures as per procurement Act 2005 & 2006 and Construction Projects.
- Check Current debtors and suppliers records.
- Implementation of the IFMIS and G-Pay as opposed to manual system.
- IPPD Payrolls – Check for Ghost workers in payroll.
- Expenditure on Travel and Subsistence Allowances.
- Revenue Collection.
- Acquisition of Assets.

Key Audit Findings.

1.0 Unsupported Cash and Cash Balances

The certificate of bank balance for the development bank account maintained at Kenya Commercial Bank with a reported balance as at 30 June 2014 of Kshs.352,120,896.00 was not availed for audit review .

2.0 Non Remittance of Revenue

It was observed that since the County government took over on 4 March 2013 to the date of audit, the department of land, survey and mapping has never remitted its revenue of Kshs.15,721,286.00 to the County Revenue Fund Account.

3.0 Jobs Reserved to Youth, Women and Persons with Disabilities

Examination of payment vouchers together with related government guidelines showed that procurements reserved for the youth, women and people with disabilities were not reserved as required by the national government.

4.0 Allowances for Preparing Final Accounts

Officers were paid Kshs.457,000.00 travelling and accommodation allowance to prepare financial statements for the period March to June, 2013.

5.0 Unplanned/ un verified expenditure on procurement of agricultural inputs

Farm inputs worth Kshs.30,303,302 procured for Agriculture department were not included in the procurement plan.

5.1 Incomplete Accounting Records

i) Main Cash Books

Two (2) column cashbooks were maintained. However; payments were indicated leaving out the receipts side incomplete .It was also noted that the cash books were not balanced on a monthly basis and duly reconciled with bank statements.

ii) Vote Book

The county maintained manual vote book which was not fully completed as there were no commitments and payments recorded.

iii) Incomplete Payment Vouchers

Cases were noted where some of the payment vouchers did not have vote book certificates confirming availability of funds against the chargeable item. Further, most payment vouchers lacked serial numbers and were not certified by heads of departments as required.

iv) Local Purchase/Service Orders

There were no duplicates, triplicates and quadruplicates in the books. Only the original copies are available and their copies are used in the preparation of the payment vouchers. Increasing the risk of double payments through the use of the triplicates.

6.0 Issuance of Temporary Imprests for Procurement of Goods and Services

Officers were advanced imprests amounting to Kshs.7,124,473.00 for purchases of various items against the existing financial regulations.

7.0 Un-Surrendered Receipt Books

Scrutiny of the counterfoil receipt book register revealed that some revenue collection books issued as early as October 2013 had not been returned as of the time of concluding the audit in July 2014.

8.0 Over-Expenditure on Domestic Travel, Subsistence and other Transportation Cost

An amount of Kshs.127,698,568.00 was spent on domestic travel, subsistence and other transportation costs item, between July 2013 and June 2014 against a provision of Kshs.87,406, 238.00 resulting in an over-expenditure of Kshs.40,292,330.00.

9.0 Unimplemented Projects

During the year under review, the County received funds for various projects. However, projects amounting to Kshs.293,637,700.00 had not been implemented as at 31 May 2014.

10.0 Failure to Update Fixed Assets Register

The County Government expended more than Kshs.289,753,786.00 on the procurement of non-current assets during the year among them vehicles, buildings and even furniture, the fixed assets register was not updated with the same.

11.0 Internal Controls

11.1 IT Internal Control Environment

Information Technology (IT) management was not supported by an established IT strategic committee and IT steering committee. Further, there were documented tested

emergency procedures to provide guidelines for emergency response nor any off-set ICT continuity and disaster recovery plan to cater for disaster management.

11.2 Internal Audit and Audit Committee

The internal audit function was not supported by an established audit committee and an approved risk management framework. Further, the internal audit department operated without an approved annual audit plan or audit charter. Internal audit work for the year covered a limited scope on unused receipt books, casual wages and rehabilitation of Matayos / Rakite Water Project, verification of Assets and Liabilities of the defunct local authorities.

12.0 Human Resource Management and Payroll

i) Salaries payments not included in the IPPD Payroll – Kshs.16,531,593.00

One hundred and twenty (120) officers of the County Government of Busia were not included in the IPPD program during the year and thus were paid salaries through vouchers totaling Kshs.16,531,593.00. The payments were effected for six (6) months from January 2014 to June 2014.
The officers had not been allocated IPPD Payroll Identification numbers. Personal files for the officers were also not provided for audit review. Hence, it was not possible to examine their respective terms of engagement.

ii) Performance Management

The county government had not established the required performance management plan. Further, there was no evidence of staff performance appraisal reports during the year.

Conclusion

This report should be read in conjunction with the detailed report herein under appended.

Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 May 2015

DETAILED AUDIT REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF BUSIA COUNTY EXECUTIVE FOR THE PERIOD ENDED 3I JULY 2013 TO 30 JUNE 2014

Detailed Audit Findings and Recommendations

1.0 Unsupported Cash and Bank Balances

Certificate for bank balances as at 30 June 2014 of Kshs.352,120,896.00 for the Development account number 1000171138 at Kenya Commercial Bank were not availed for audit review.

2.0 Non Remittance of Revenue

As per the Fourth Schedule part 2, number 8 of the Constitution under County Planning and Development Land Survey and Mapping is one of its a devolved functions. Article 207 (1) of the Constitution of Kenya, 2010,``There shall be established a revenue fund for each County Government, into which shall be paid all money raised or received by or on behalf of the county government, except money reasonably excluded by an Act of parliament.

It was observed that since the County government took over on 4 March 2013 to the date of audit, the department of land, survey and mapping has never remitted its revenue of Kshs.15,721,286.00 to the County Revenue Fund Account.

Recommendations

- The County Executive should ensure that the land survey and mapping department receipts of Kshs.15,721,286 are remitted to the County Revenue Fund Account.
- Revenue receipts should be accounted for promptly.

2.1 Airtime Cards Not Accounted for

According to paragraph C (2) of Salaries and Remuneration Commission circular ref: SRC/HRCOH/3/25 of 27 May, 2013, airtime shall be provided as follows: Governor - Kshs10,000 per month, Deputy Governor- Kshs.7,500 per month and County Assembly Speaker-Kshs.5,000 per month. Other officers are entitled to airtime in accordance with government guidelines issued from time to time. The County bought airtime cards worth Kshs.778,000.00. However, it was not possible to tell who the recipients/beneficiaries

were. Apart from payment vouchers, no other records or information were availed to show how the cards were utilized. The cards bought were as tabulated below;

Airtime Cards Purchased – Dec 2013 to May 2014

Date	Payee	PV No.	Cash sale Number	Details	Amount (Ksh)
11/12/13	Tesia Supermarket.	Not numbered.	19686 of 10/12/13	110 pcs x sh 1,000 and 54 pcs x 500	172,000.00
09/01/14	``	``	19706 of 09/01/14	125 pcs x sh 1,000.00 and 30 pcs x sh 500	140,000.00
17/03/14	``	2709	19735 of 14/03/14	110 pcs x sh 1,000 and 54 pcs x sh 500	137,000.00
11/04/14	``	4227	19744 of 08/04/14	100 pcs xsh I,000 and 74 pcs x sh 500	137,000.00
15/04/14	``	4247	19772 of 15/04/14	50 pcs x sh 500	25,000.00
08/05/14	``	6483	19751	100 pcs x Ksh.1,000 100 pcs x Ksh.100 50 pcs x Ksh.500 48 pcs x Ksh.250 3 pcs x Ksh.1,000 4 pcs x sh 500 30 pcs x sh 500	167,000.00
TOTAL					**778,000.00**

Recommendations

- The County Executive should provide details showing who the recipients of the airtime cards were.
- Account for the use of the airtime purchased or recover it appropriately.

3.0 Jobs Reserved for Youth, Women and Persons with Disabilities - Kshs.1,097,278.00.

Paragraph 2-Reservations and preferences for the youth, women and persons with disabilities-of Treasury Circular No.14/2014 of 25 September, 2013, requires certain procurements to be reserved for the Youth, Women and Persons with Disabilities. This is in line with the national government policy to reserve 30% of all the annual procurements to special groups.

Examination of payment vouchers together with related government guidelines showed that some procurement reserved for the youth, women and people with disabilities were not reserved and awarded as required by the National Government.

Recommendation

- Ensure compliance with the regulations on reservation of 30% of annual procurement opportunities for special groups in line with the national government policy.

4.0 Allowances for Preparing Final Accounts

According to best practices of financial management in the public service, an officer should not draw extra pay or allowances when carrying out his/her normal duties which are supposed to be done within the designated duty station.

Officers were paid Kshs.457,000 as travelling and accommodation allowances to prepare financial statements for the period March to June 2013. There was no direction to these entities. The Public Sector Accounting Standards Board at the Ministry of Finance had not given the required guidelines.

Recommendations

- No extra pay should be incurred when an officer is carrying out his/her normal duties.
- The County Government should not engage a consultant to prepare the financial statements when staff can be trained on the job.
- The management should make use of the accounts staff within the organization. Duties that can be carried out within the work station should not be transferred and carried out elsewhere in order to get travelling and accommodation allowances.
- All unsupported payments should be recovered from the responsible officers.

4.1 Liabilities Not Qualifying for Payment

According to Section 130(1) (c) of The Public Finance Management Act, 2012, ``The County Executive Member for Finance shall submit to the County Assembly the following documents in respect of the budget for every financial year - information regarding any payments and liabilities to be made or incurred by the County Government for which an appropriation is not included in an Appropriation Account, together with the Constitutional or National Legislative Authority for any such payments or liabilities.

The County Government paid Kshs.6,375,000.00 towards settling liabilities that belonged to the defunct local authorities. These were casual salary arrears amounting to Kshs.3,375,000.00 and Pay As You Earn (PAYE) arrears amounting to Kshs.3,000,000. The handing over of assets and liabilities of the former Local Authorities had not been

finalized. No budgetary allocation was availed for the same. Also, no legal provision was stated to show the basis of making such payments.

Payments were made as shown in the table below;

Date	Payee	PV No.	Cheque No.	Narration	Amount Kshs.
02/12/13	Kenya Commercial Bank Limited.	004	Not indicated	Being payment for the defunct Busia County Council casual wages arrears.	3,375,000.00
19/12/13	K. R. A.(Kenya Revenue Authority)	Not numbered	Not indicated	Being payment of arrears accrued by defunct local authorities.	3,000,000.00
TOTAL					**6,375,000.00**

Recommendations

- The County Government should avoid disregarding the existing budgetary regulations and pay for clearly supported liabilities
- Only those liabilities which have been properly handed over from the defunct local authorities to the County Government should be settled.

5.0 Department of Agriculture, Fisheries and Livestock

i) Funds Not Accounted for

According to Section 162(2) (i)-(ii) of The Public Finance Management Act, 2012, `` Every public officer shall also ensure that the resources within the officer`s area of responsibility are used in a way that is lawful and authorized; and effective, efficient, economical and transparent.

The Acting Chief Officer in the department of Agriculture, Fisheries and Livestock was advanced Kshs.1,352,622.00 in his capacity as chief officer. The amount remained unaccounted for.

The payment was as in table below:

Date	PV No	Payee	Details	Amount (Kshs)
15/10/13	Not numbered	Nyongesa B. Wafula	Transfer of funds for the month of September 2013	1,325,622.00
Total				**1,325,622.00**

Recommendations

- The County Government should recover the amount and provide documentary evidence to support recovery funds.
- Ensure funds disbursed are used for the intended services or procurement of goods.

ii) Procurements Not Planned for or Vouched

According to Section 26(3) (a) and (c), ``All procurement shall be-(a) within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan and (b) handled by different offices in respect of procurement initiation, processing and receipt of goods and services.``

Farm inputs worth Kshs.30,303,302.00 were procured for the department of Agriculture, Fisheries and Livestock. However, there was no detailed annual procurement plan showing what the department intended to do during the financial year. Also, it was not possible to vouch all the stages of the procurement process including invitation for bids, buying and returning of documents, evaluation and finally award of contracts as not all information was made available for audit review.

Recommendations

- Ensure compliance with the public procurement law and regulations in all procurements
- Only those procurements covered under the annual procurement plan should be funded, except in case(s) of emergency.

iii) Procurement of Tractors and Ploughs

According to Section 26 (3) (c) of The Public Procurement and Disposal Act, 2005, ``All procurement shall be-handled by different offices in respect of procurement initiation, processing and receipt of goods, works and services.`` Further, Section 34 (1) –(4) of the Act requires the procuring entity to prepare specific requirements of what is to be procured based on performance rather than design, trademark, name, design, type, producer or service unless there is no other way of describing the requirement or the description allows the equivalent of what is required.``

The County Government of Busia procured seven tractors and ploughs at Ksh.48,335,571 from Cooper Motors Corporation (CMC). Although government tender prices were used to do the procurement, it was not possible to tell specifications of the user requirements and whether there was a budget for the same. There was no annual procurement plan so as to tell of the user needs, the procurement method to be used, the budgetary allocation for the same and the quarter of the financial year when it was to be done.

The unit prices obtained from the letter of offer from Ministry of Public Works to the Sales Manager, M/s CMC Motors Group Limited, did not include Value Added Tax (VAT). As a result, the county government ended up paying VAT of Kshs.6,176,000.00.

Only five (5) logbooks out of seven (7) were availed at the time of audit as listed:

Registration Number	Make/Model	Engine number	Chassis number	Registration Certificate No.
KBY 809 C	New Holland/ TS6000	844077346091340	ZCCE02407	K 457998 J
KBY 810 C	``	844077346096471	ZCCE02328	K 457999 I
KBY 811 C	``	844077346081246	ZCCE03418	K 458000 I
KBY 812 C	``	844077346103273	ZCCE05917	K 459001 I
KBY 813 C	New Holland/ TS6000/4WD	844077346098304	ZCCE04727	K 459002 F

The fixed assets register was not maintained to record the acquisition of tractors.

Payments were made as shown in the Table below;

Table 5: Payments towards purchase of tractors:-

Date	PV No.	Payee	Details	Amount (Kshs)
07/03/14	2461	CMC Motors Group Limited.	50% payment for purchase and service of Tractors (3 X New Holland).	24,000,000.00
22/05/14	6817	``	Purchase of tractors.	22,000,000.00
27/05/14	6696	``	Final payment for purchase of tractors.	2,335,571.00
TOTAL				**48,335,571.00**

KBY 883C Holland tractor at Matayos Sub County was verified during the audit.

Recommendations

- The County Government should avail all the outstanding information/documents to support the acquisition of the tractors and ploughs.
- Ensure preparation of annual procurement plan including purchase of assets.
- Maintain an updated Fixed Assets Register.

iv) Tree Planting Project- Kshs.7,000,000.00

(a) According to Ministry of Youth Affairs and Sports Circular No.10 of 2009/10, before funding, the following preliminary activities should be carried out i.e. identification of land for planting trees which must be for public utility, identify appropriate species with the help

of forest offices and identify the youth groups to be engaged in the tree planting programme.

A work plan was prepared and Kshs.7,000,000 advanced against the same. However, no entry was made in the departmental cash book to receive the same. There was no evidence of having first identified the sites where the seedlings were to be planted. Also there was no involvement of the forestry department in identifying suitable tree species. A visit to some sites within Matayos sub-county showed most of the seedlings were of blue gum species. They were not doing well since the area is dry. Some were being destroyed by termites and domestic animals.

Recommendations

- The Government guidelines used in implementing the Kazi kwa Vijana Programme should always be followed when implementing similar projects as the objective(s) remain(s) the same.
- The County Government should ensure technical guidelines are followed for the success of the tree planting programme.
- Resources should always be used to give value for money and service delivery to the public.

(b) Implementation Stage

According to paragraph 7.0 of Ministry of Youth Affairs and Sports Circular No.8 of 2009/2010, the role of the Youth Officers was to ``monitor and evaluate the project for implementation and sustainability.

There was no evidence of supervision by the county staff, despite having incurred a cost of Kshs.185,000.00 which was paid as detailed below;

Date	PV No.	Payee	Details	Amount (Kshs)
31/03/14	064	Vincent Okeya	Monitoring and evaluation of KKV (Trees for jobs) in sub-counties.	40,000.00
16/06/14	087	Vincent Okeya	Implementation of KKV Programme Monitoring and evaluation.	145,000.00
TOTAL				**185,000.00**

Recommendations

- Supervision reports should be made at every level of supervision.
- Doubtful supervision costs of Kshs.185,000 should be recovered from responsible officers.

- County level staff should supervise sub-county level staff.

(c) Payments and Supervisions

- The County Government should recover any monies paid for tree seedlings not delivered.

Further to the above reference, Youth Officers were to make payments to the youth and keep proper records. They were also to monitor and supervise the works to ensure that the trees are surviving.

Local purchase orders (LPOs) were raised for assorted tree seedlings. Tree seedlings were paid for before being certified as received in good order and condition.

No muster rolls were maintained to show the number of days each youth worked to support payments.

Recommendation

- Such projects should always be done in line with the government guidelines issued for the Kazi kwa Vijana project, unless otherwise specifically stated.

- Casual work payments should be supported by muster rolls of individuals who worked

(v) Kenya Inter-Counties Sports and Cultural Association (KICOSCA) Games

According to practice of organizing events like KICOSCA, there should be a time table or programme from the organizers to the concerned parties showing when the event will take place, the cost to be incurred and who to meet the cost.

However, only the departmental cash book together with bank statement and payment vouchers were availed for audit review. All other information relating to the schedule of the games and related costs was not made available for audit review. As a result, the scope of the audit was limited. Payments of Kshs.16,709,750 were made.

Recommendation

- Provide all the information (budgetary allocation and timetable/program) pertaining to organization of the KICOSCA event.

- Audit scope should not be limited by denial of access to information as this is contrary to Article 35 of the constitution.

- Any unsupported payments should be recovered appropriately.

5.1 Accounting Records

i) Main Cash Books

Two (2) column cashbooks were maintained. However; payments were indicated leaving out the receipts side incomplete. It was also noted that the cash books were not balanced on monthly basis and reconciled with the bank statements.

ii) Vote Book

The county maintained manual vote book which was not fully completed as there were no commitments and payments recorded.

iii) Payment Vouchers

Cases were noted where payment vouchers did not have vote book certificates confirming availability of funds against the chargeable item. Further, most payment vouchers lacked serial numbers and were not certified by heads of departments as required by the existing financial regulations.

iv) Local Purchase Service Orders

There were no duplicates, triplicates and quadruplicates in the books. Only the original copies are available and their copies are used in the preparation of the payment vouchers.

Recommendations

- Ensure that all the necessary entries are done in the books of account and support documents.
- Obtain standard local purchase/service orders for all suppliers services and goods procured.
- Enhance the use of the two column cashbooks and have them balanced and reconciled on a monthly basis.

6.0 Imprest Management

Government Financial regulations and procedures require holders of temporary imprests to surrender or account for imprests within 48(forty eight) hours after returning to duty station. Further, the regulations require Accounting officers to recover the full amount from salary of the imprest holder in the event that the officer fails to account for the imprest on due date.

(i) Temporary Imprest amounting to Kshs.18,317,913.00 issued to various officers among them members of the County Executive had not been surrendered by 30 June 2014. The audit also revealed that officers were issued additional imprest before surrender of previous issues ending up with individuals holding several imprest un-surrendered which is against the regulations among other irregularities as detailed below;

(ii) Issuance of Temporary Imprests for Procurement of Goods and Services

Treasury Circular No. 3/2010 of 7 May 2010 provides that temporary imprests should not be used for procurement of goods and services.

Officers were advanced imprests amounting to Kshs.7,124,473.00 for purchases of various items against financial regulations.

Procurement of goods and services in cash denies the Government the benefits of value for money through competitive bidding process.

Recommendation

- The Head of Procurement should take charge to ensure that there is compliance with the Public Procurement and Disposal Act, 2005 and Regulations, 2006.

(iii) Unaccounted for Imprests

According to Section 52(3) of The Public Finance Management Act, 2012, "A Public Officer to whom a cash advance is made shall account for the use of the advance within a reasonable time." It was observed that imprests totalling to Kshs.5,919,500.00 which should have been accounted for on or before 30 June 2014 were still outstanding as at July 2014. Records further show that officers were issued with multiple imprests prior to accounting for the previous ones.

Recommendations

- Properly supported payment vouchers to be availed to show how the amount advanced was utilized
- Recover all unaccounted for imprests that are overdue from the responsible officers

7.0 Un-Surrendered Receipt Books

Scrutiny of the counterfoil receipt book register revealed that some revenue collection books issued as early as October 2013 had not been returned as of the time of concluding the audit in July 2014. Revenue collected through such books may not have been accounted for satisfactorily.

Recommendations

- Account for all the outstanding revenue books.
- Receipt books issued to revenue collectors should be accounted for and returned on completion.
- All revenue collected through the missing receipt books should be accounted for by the responsible officers.

8.0 Over-Expenditure on Domestic Travel, Subsistence and other Transportation Costs Kshs.40,292, 330.00

An amount of Kshs.127, 698, 568.00 was spent on domestic travel, subsistence and other transportation costs item, between July 2013 and June 2014 against a provision of Kshs.87, 406, 238.00 resulting in an over expenditure of Kshs.40,292,330.00 or 46.1% of the approved expenditure budget.

Recommendations

- Make adequate and realistic budgetary provisions to cover any unanticipated trips during the year.
- No expenditure shall be incurred except in accordance to the annual approved estimates**.**
- Incur expenditure on items as approved by the Controller of Budget**.**

9.0 Unimplemented Projects - Kshs.293,637,700.00

According to Regulation 21(1) (b) of the Public Procurement and Disposal Regulations, 2006, 'The Annual Procurement Plan for each procuring entity shall include schedule of the planned delivery time of implementation dates for all goods, works or services required.

During the year under review, the County received funds for various projects. However, projects amounting to Kshs.293,637,700.00 had not been implemented as at 30 June 2014. Projects for the previous year were not done hence delaying the service delivery for which they were intended to fulfil.

Recommendations

- Enforce the implementation of the projects as per the approved budget.
- Project implementation should start early in the fiscal year.

10.0 Un- Updated Fixed Assets Register

Government controls over noncurrent assets require all Public Entities to maintain a fixed assets register to help in protecting /safeguarding its assets.

During the year under review, fixed assets worth Kshs.863,929,779.00 were acquired as per details extracted from the 2013/2014 Financial Statements

Item Description	Estimated value (Kshs)
Refurbishment of Buildings	116,142,923.00
Construction	49,982,080.00
Motor vehicles	25,022,000.00

Furniture and Equipment	14,958,189.00
Plant and Equipment	53,866,000.00
Land	5,210,000.00
ICT assets	24,574,594.00
Total	**289,753,786.00**

Although the County Government had opened a fixed assets register to record assets, the register was not updated with the additional purchase of land ,buildings, furniture and equipment .Further, no motor vehicles details like date of acquisition, invoice and payment voucher number were indicated in the asset register.

Recommendations

- Update the asset register for all assets acquired in the year and taken over from the defunct local authorities.

11.0 Internal Controls

11.1 IT Internal Control Environment

The Control Objectives of Information Technology (COBIT) business processes require organizations to perform the following in respect of their IT internal control environment:

- Manage the IT investment;
- Communicate management aims and direction;
- Manage IT Human resources;
- Manage quality;
- Manage projects;
- Manage changes;
- Define and manage service levels;
- Manage third party services; and
- Monitor and evaluate IT performance.

Information Technology (IT) management was not supported by an established IT strategic committee and IT steering committees. Further, there were neither documented tested emergency procedures to provide guidelines for emergency response nor any off-set ICT continuity and disaster recovery plan to cater for disaster management.
The county government is in the process of establishing its own IT strategic committee and IT steering committees to help in the governance of IT. This will set out the IT strategic plan and policies and procedures.

Recommendations

- The County Government of Busia should establish an IT strategic committee and IT steering committee to be responsible for the IT governance.

- The entity should also establish a documented tested emergency procedure to provide guidelines for emergency response

11.2 Internal Audit and Audit Committees

Treasury Circular No. 16/2005 of Ref: No. MOF/IAG/GEN/055/(16) dated 4 October, 2005 and Circular No. 3/2009 of Ref: No. MOF/IAG/033/(75) dated 23 February, 2009 provided guidelines for the development of an efficient and effective internal audit functions in the public service through sound Risk Management Policy Framework and a competent audit committee with oversight role.

The internal audit function was not supported by an established audit committee and an approved risk management framework. Further, the internal audit department operated without an approved annual audit neither plan nor audit charter.

Internal audit work for the year covered a limited scope on unused receipt books, casual wages and rehabilitation of Matayos/Rakite Water Project, verification of Assets and Liabilities of the defunct local authorities.

Recommendations

- The County Government of Busia should establish an audit committee as required.

- Develop and implement an Institutional Risk Management Policy Framework (IRMPF) in accordance with the guidelines provided in the Treasury Circular No. 3/2009 of Ref: No. MOF/IAG/033/(75) dated 23 February, 2009.

- The County Government should establish an internal audit annual plan and service charter for effective functioning of the unit.

12.0 Human Resource Management and Payroll

12.1 Salaries payments not included in the IPPD Payroll – Kshs.16,531, 593.00

Section 5.10 of Government Financial Regulations and Procedures provides the criteria for the processing of computerised payrolls. All the payments of salaries for all officers other than casuals and works paid staff should be processed through Integrated Personnel Payroll Data (IPPD) program.
One hundred and twenty (120) officers of the County Government of Busia were not included in the IPPD program during the year and thus were paid salaries through vouchers. The payments were effected for six (6) months from January 2014 to June 2014.

The officers had not been allocated IPPD Payroll Identification numbers. Personal files for the officers were also not provided thus it was not possible to examine their respective terms of engagement.

Recommendations

- Corporate governance principles require cost effectiveness and efficiency in human resource management.

- Maintain complete and accurate personnel data for all staff under the county Government to avoid paying for ghost workers.

- Any salaries payments not supported should be recovered approved.

12.2 Performance Management

Section C of the County Public Service Human Resource Manual of May, 2013 requires the County Executive Committee to design a performance management plan to evaluate performance of the county public service and the implementation of county policies as provided for in Section 47 of the County Government Act, 2012. The plan sets out the criteria for performance appraisal.

The County Government had not established the required performance management plan. Further, there was no evidence of staff performance appraisal reports during the year to assess as comprehensively and objectively as possible the officer's performance against set targets and is aimed at the realization of the overall departmental objective.
The management concurred with the finding and advised the plan was in the process of development. Staff performance appraisal was yet to be carried out as the financial year had not ended by the time of audit.

Recommendations

- The County Government should establish performance management plan to evaluate performance of the county public service and the implementation of county policies as provided for in Section 47 of the County Government Act, 2012.

- The County Government should efficiently manage and improve performance in the county public service

Conclusion

The above matters clearly indicate that the County Government faced several challenges in the first year of operation. The taking over of assets and liabilities has not been finalized. The setting up of structure, systems of governance and staffing took long and was slow. The County Government should however ensure full control of functions, enhanced revenue collection, competitive staffing and strengthen the Internal control mechanism for proper and effective accountability of resources.

I wish to thank the County Government staff for the support and cooperation during the audit.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 May 2015