COUNTY GOVERNMENT
OF BUNGOMA

COUNTY ASSEMBLY OF BUNGOMA

FINANCE POLICY AND PROCEDURES MANUAL

May, 2023

COUNTY ASSEMBLY SERVICE BOARD

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FOREWORD

The promulgation of the Constitution in the year 2010 brought about fundamental changes in the mode of governance in the Country. The change in governance structure saw the introduction of the County governments in line with Chapter 11 of the Constitution, which provides for recognition and formation of the county executives and county assemblies as the arms of a County Government.

The two arms of the Bungoma County Government, the Executive and the Assembly, rely heavily on National transfers as well as local revenue and development partners to fund their recurrent and development expenditures. The management of these funds requires a profound understanding of practices of handling public funds. This, therefore, calls for cascading down of the financial regulations and policies of the Government of Kenya.

Finance Policy and Procedures Manual of the County Assembly is expected to be a key reference guide for the practices, policies and procedures used in finance and accounting in Bungoma County Assembly. It will form an invaluable guide to the accounting and finance staff as they go about their day to day duties as well as providing guidance and information to other Assembly Departments in understanding the accounting and financial management policies and procedures.

This manual comes at a time when the Legislature, like all arms of Government is facing heightened scrutiny in its utilization of public resources. To that end, the policies and guidelines herein are anchored in the Constitution of Kenya 2010 with particular reference to Chapter 12 on Public Financial Management as well as the overarching principles expressed in the Public Finance Management Act (2012). These policies and procedures are therefore geared towards embedding accountability and transparency in financial management as well as ensuring that the Legislature attains its mandate as spelt out in the Constitution.

In its effort to ensure that the Bungoma County Assembly, in executing its mandate, complies with constitutional provisions as well as other relevant Acts with regard to finances, the Bungoma County Assembly Service Board has developed this Finance Policy and Procedures Manual with the aim to ensuring that those concerned with finances, directly or indirectly, professionally adhere to the financial procedures and policies set out by the Government of Kenya. In complete regard to this, those concerned with finances, directly or indirectly, must within or without the Assembly take cognizance of and strictly adhere to the object and the bearing of this Finance Policy and Procedures Manual.

HON. EMMANUEL M. SITUMA

SPEAKER OF THE COUNTY ASSEMBLY

PREAMBLE

In compliance with the provisions of Chapter 12 and pursuant to Articles 10 and 232 of the Constitution of Kenya, the Bungoma County Assembly Service Board has developed this Financial Manual that will guide the Assembly towards achieving the objects of the Constitution. The manual details Financial Procedures and Policies to be followed by the Assembly in executing its representation, oversight and legislative roles.

The scope of the manual takes cognizance of emerging issues in public finance management such as IFMIS and e-Procurement.

The Policy and Manual is subject to various provisions of the Constitution and the relevant Acts, and its major intention is to promote understanding and application of various government Policies and Regulations that not only have financial implications but also guide expenditure of monies under the recurrent and development votes of the Assembly. The Policy and Manual is also intended for use by external partners of the Assembly.

This manual has therefore been embedded in the Assembly guiding legislation including the Constitution of Kenya, 2010; the Public Procurement & Assets Disposal Act 2015 and critically the Public Finance Management Act of 2012. This manual covers key procedures and guidelines on financial management including:

i. Planning and Budgeting Policies
ii. Accounting policies
iii. Key accounting controls
iv. Revenue and expenditure management policies
v. Deposit management policies
vi. Description and mapping of processes and procedures
vii. Documents and records to be maintained
viii. Formats of the documents and records

Acknowledgement goes to Bungoma County Assembly Service Board for laying down fundamental financial infrastructure, which includes establishment of a team

of financial and accounting professionals and creation of an elaborate financial structure with an objective of promoting good financial management practices in line with Chapter six of the constitution.

I do acknowledge the efforts made and inputs given by the members of County Assembly and the entire staff establishment, especially the team of officers from the Finance, Accounts, Procurement and Audit departments, in the production of the document. They were instrumental in development and alignment of both the technical and non-technical aspects of the Finance policy and procedures manual.

To that end this Finance policy and procedures manual is intended for all finance, accounts and procurement staff in the County Assembly of Bungoma in carrying out their activities.

MR. CHARLES W. WAFULA

CLERK OF THE COUNTY ASSEMBLY

LIST OF ABBREVIATIONS AND ACRONYMS

AD	Accountable Document (S)
AIA	Appropriation In Aid
AIE	Authority To Incur Expenditure
AWP	Annual Work Plan
BIC	Budget Implementation Committee
BPS	Budget Policy Statement
CAMC	County Assembly Management Committee
CECM	County Executive Committee Member
CCS	Collection Control Sheet
CA	County Assembly
CARA	County Allocation of Revenue Act
COB	Controller Of Budget
DF	Head Of Finance
DSA	Daily Subsistence Allowance
EFT	Electronic Funds Transfer
GDL	General Deposits Ledger
GL	General Ledger
HR	Human Resource
HRD	Human Resource Department
IAD	Internal Audit Department
IAS	International Accounting Standards
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IPMAS	Integrated Performance Management And Accountability System
IPPD	Integrated Payroll and Personnel Database
KNADS	Kenya National Archives and Documentation Service
PAYE	Pay As You Earn

SRC	Salaries and Remuneration Commission
PPADA	Public Procurement and Asset Disposal Act
PSASB	Public Sector Accountants Standards Board

CHAPTER ONE

1.0 INTRODUCTION

Bungoma County Assembly like the other forty-six County Assemblies, exercises and executes its mandate, role and function by the sovereign power to participate in governance, delegated to them under Article 185 of Constitution of Kenya 2010.

On the basis of the current philosophies and practices of governance and from Constitution of Kenya 2010 and pertinent statutes, the mandate, role and function of the County Assemblies in Kenya are:

(i) They are the home of and executer of the legislative authority of a County by making laws to facilitate the due execution of the powers and functions of a County Government under existing statute.

(ii) They exercise oversight over all issues and matters of governance, especially, the operation of the County Executive Committee and all organs of the County Executive

(iii) They receive, deliberate on and approve: -
   a) All development plans, programs, policies and budget of a County Government; as set out in Article 207, 220 (2), 201 and 203 of CK 2010 and Part IV of the Public Finance Management Act, 2012;
   b) Vetting all nominees for appointment as County Secretary and Chief Officers of the County Public Service;
   c) The borrowing by a County Government in accordance with provisions of Article 212 of Constitution of Kenya 2010; and
   d) Appointment of a Clerk of a County Assembly (CCA) on recommendation of the County Assembly Service Board (CASB).

(iv) They represent the electorate of a County in the governance, including providing leadership in deliberation on all matters of concern and interest.

(v) However, Members of a County Assembly do not get directly involved in the Execution of functions of a County Government or in the delivery of services meant to be done by the County Public Service.

If a County Assembly fails to enact any particular legislation required to give further effect to any provision of the County Governments Act, corresponding national legislation, (if any) shall with necessary modification apply to the matters in question until the County Assembly enacts required legislation.

1.1 Objectives of Finance policy and Procedures Manual

The objective of this finance procedure manual is to:

(a) Provide a guide to handling the County Assembly financial and accounting processes, policies and practices to ensure consistency.

(b) Outline the role and responsibility of the finance and accounting function staff as well as the reporting relationships when carrying out detailed finance and accounting tasks;

(c) Detail the internal controls in each aspect of financial management and accounting to minimize risks in the finance and accounting activities;

(d) Provide a guide and reference to the leadership of the County Assembly and management in conducting day-to-day financial operations of the organization; and

(e) Ensure the policies and procedures used to handle financial management and accounting operations are based on best practices, principles and comply with the statutory regulations;

(f) Integrating emerging issues in public finance management in the County Assembly

1.2 Scope of Finance policy and procedures Manual

This finance policy and procedures manual will encompass all aspects of financial management and accounting in the County Assemblies, related to:

a) Development of annual work plans and budgets;
b) Monitoring, surveillance and reporting on budget execution;
c) Receipt and custody of funds from the Consolidated Fund;
d) Receipt, custody and accounting for revenue received
e) Receipt and disbursement of authority to incur expenditure (AIE);
f) Expenditure processing and reporting (all classes of expenditure including payment of suppliers, payroll, imprests and so on) and
g) Financial accounting and reporting;

1.3 Preparation of Finance Manual

While preparing this manual, the following key laws, rules, regulations, standards and legislations have been considered:

(i) The Constitution of Kenya, 2010, especially Chapter 12;
(ii) The Public Finance Management Act, 2012;
(iii) International Accounting Standards;
(iv) International Public Sector Accounting Standards (IPSAS) ;
(v) Government of Kenya Financial Regulations and Procedures;
(vi) Public Procurement and Asset Disposal Act, 2015
(vii) Institute of Internal Auditors standards;
(viii) Circulars issued by the National Treasury, SRC and in any other circular and
(ix) County Governments Act, 2012

1.4 Applicability of Finance Policy and procedures Manual

This Finance Policy and Procedure manual shall apply to all members of the County Assembly, permanent, contracted, casual and trainee employees of the County Assembly unless expressly provided either in this policy or where exception is authorized by the County Assembly Service Board

1.5 Custody and Issue of the Manual

(i) The user department is responsible for custody and dissemination of this manual.
(ii) This manual shall be available for all members of staff for reference purposes.
(iii) An electronic version of this manual shall be available on the Assembly Website for reference purposes.

1.6 Revision of the Manual

(i) This manual should be updated and revised, from time to time or any other time there are Public Financial Management, Accounting and Reporting (it should not restrict to PFM only) changes, to enhance the controls and efficiency of the day-to-day activities in the County Assembly.
(ii) Any member of staff through the Accounting officer may initiate changes to the finance policy and procedures manual by submitting written suggestions. All proposed changes must be submitted to the head of finance for consideration one month after the closure of financial year.

(iii) Once amendments are approved by CASB, they shall ensure they are implemented by issuing revisions to the Finance Policy and Procedures manual and ensuring dissemination of the approved amendments.

1.7 Confidentiality

This Finance Policy and Procedures manual is for **internal use only** and should not be copied or circulated to any outside party without written consent and approval of the County Assembly Service Board of Bungoma.

CHAPTER TWO

FINANCE AND ACCOUNTING FUNCTIONS

2.1 Accounting Officer

Under Section 17 of the County Assembly Services Act, 2017 provides that the Clerk of the County Assembly (CA) is the accounting officer for the County Assembly. For purposes of financial management, the accounting officer is responsible for the following key functions;

(i) Overall management and administration of the County Assembly;

(ii) Account for any services for which money has been appropriated by the County Assembly and issues made from the Exchequer; and

(iii) Plan, prepare, implement and monitor the budget, and

(iv) Collect, receive and account for revenues.

In addition, Section 149 of the PFM Act (2012) requires that subject to the Constitution, the accounting officer of the County Assembly shall monitor, evaluate and oversee the management of public finances in their respective entities, including:

(i) The promotion and enforcement of transparency, effective management and accountability with regard to the use of public finances;

(ii) Ensuring that accounting standards are applied;

(iii) The implementation of financial policies in relation to public finances;

(iv) Ensuring proper management and control of, and accounting for, their finances in order to promote the efficient and effective use of budgetary resources;

(v) The preparation of annual estimates of expenditures;

(vi) Acting as custodian of the entity's assets, except where provided otherwise by any other legislation or the Constitution;

(vii) Monitoring the management of public finances and their financial performance;

(viii) Making monthly, quarterly and annual reports to the County Assembly on the implementation of their budget; and

(ix) Taking such other actions, not inconsistent with the Constitution, as shall further the implementation of the PFM Act (2012).

Sections 149 of the PFM Act (2012) spells out in detail the obligations of the accounting officer in achieving the above. To meet these and other responsibilities, the Clerk of the Assembly shall require full support from the head of Finance and Accounts department and the management committee.

2.2 Holders of Authority to Incur Expenditure

The PFM Act, 2012 allows the Accounting Officer of a National Government entity to delegate powers to a public officer within their entity, in writing, any of the powers under the PFM Act. Accordingly, within the Assembly, the accounting officer has the legal capacity to delegate financial management powers and functions. This delegation may include the authority to incur expenditure (AIE) in accordance with limits prescribed by the PFM Act (2012), subject to the following:

(i) In exercising the delegated powers and functions, the AIE holder will comply with any lawful directions issued by the Accounting Officer.

(ii) The designation of AIE holder shall be in writing.

(iii) The warrant to designate an AIE Holder shall lapse on the last day of the specified period or of the financial year for which it was issued.

(iv) The accounting officer will maintain a register of all current AIE holders designated within the County assembly at any given time.

(v) Delegation of power does not take away the accountability from the Accounting Officer who remains responsible for any expenditure incurred as a result of that delegation.

For officers who are not AIE holders, it is important to bring to their attention the provisions of Section 79 of the PFM Act, 2012 which applies to all public officers.

2.3 Obligations of Public Officers

All public officers working in County Government organs or entities have responsibility to comply with all laws and,

i. Comply with PFM Act (2012) and ensure resources under their responsibility are used, lawfully, in an efficient, effective, economic and transparent manner

ii. Within their areas of responsibility ensure adequate arrangements are put in place for proper use, custody, safeguard and maintenance of public property and use best efforts to prevent damage to public financial interests

iii. The accounting officer and holders of AIE should bring these requirements to officers working under them.

2.4 Finance and Accounting Functional Structures and Sections

In order to manage the County Assembly financial management functions, organizational units have been established to oversee various aspects of the financial management cycle. There are two distinct financial management functions i.e. Finance function; and Accounts function. The two units are both under the general supervision of the Principal Finance Officer.

2.5 Core Responsibilities of the Finance and Accounting Functions

The core responsibilities for each of these functional areas are outlined below:

2.5.1 Finance Section

The Finance Function, headed by the Senior Finance Officer has the following key responsibilities related to planning and budgeting:

- Assisting Spending Units in developing their annual work plans;
- Supporting consolidation of the Assembly's overall work plan;
- Development of County Assembly planning documents including and not limited to CIDP, ADP, CBROP and CFSP/MTEF
- Development of County Assembly annual and supplementary budgets based on the work plans, including coordinating of Spending Unit budgets and subsequent consolidation;
- Monitoring and evaluating actual expenditures against budget; and
- Reporting on budget implementation.

2.5.2 Accounts Section

The Accounts Function, headed by the Senior Accountant, is responsible for financial accounting and reporting function of the Assembly which entails the following key responsibilities:

1. Processing transactions:
   (a) Maintain and continuously improve the accounting and reporting systems to effectively and efficiently meet requirements of the County Assembly.
   (b) Manage day-to-day receipts, payments and treasury operations (bank and cash balances) transactions processing.
2. Maintaining integrity, accuracy and sufficiency of the County Assembly financial information including:

(a) Complying with all statutory and regulatory reporting requirements;
(b) Satisfying internal financial and management information needs; and
(c) Being responsible for the key processes and systems by which financial information is generated and distributed.
(d) Overseeing financial reporting activities of the County Assembly;

3. Liaising with external and internal auditors on matters relating to audit.
4. Preparing statutory reports as required including tax returns and payroll returns

2.6 Accounting Principles and Concepts

The following are the financial accounting principles and concepts that are used in the financial management activities of the County Assembly:

(i) **Cash and Accrual basis:** The County Assembly financial statements shall be prepared on cash basis while funds shall be prepared on accrual basis of accounting or as may be prescribed by PSASB through circulars issued by the National Treasury from time to time.

(ii) **Fair presentation and compliance to accounting standards:** Financial statements are required to present fairly the financial position, financial performance and cash flows of the County Assembly. Such fair presentation will generally be achieved by compliance with accounting standards as prescribed by the Public Sector Accounting Standards Board (PSASB). PSASB is established under Sections 192 to 195 of the PFM Act (2012). The Public Sector Accounting Standards Board is required to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all State organs and public entities including the County Assembly.

(iii) **Reporting period:** Financial statements will be prepared annually; however, quarterly financial statements shall be prepared in line with the provisions of the PFM Act, 2012. The CA fiscal year is in line with the National Government financial year, which runs from July 1 to June 30 of each year.

(iv) **Functional currency:** the functional currency of the CA is the Kenya Shilling (Ksh.)

(v) **Translation of foreign currencies:** Assets and liabilities, at the balance sheet date, that are expressed in foreign currencies should be translated into Kenya shillings at ruling rates as at that date. The resulting differences from conversion and translation are dealt with in the income and expenditure account in the year in which they arise.

(vi) **Materiality:** Each material item should be presented separately in the Financial statements and immaterial items aggregated with amounts of a similar nature.

CHAPTER THREE

PLANNING AND BUDGETING

3.1 Overview of Budgeting

Section 129 (3) of the PFM Act (2012) requires the County Assembly Clerk to prepare and submit to the County Assembly the budget estimates for the County Assembly and a copy be submitted to the County Executive Committee member for finance.

3.2 Planning and Budget Preparation

The County Assembly planning and budgeting process commences with the development of annual Departmental and committee work plans. The objectives of the work plans are to prioritize resource allocation in accordance with the Medium term expenditure framework (MTEF). The Clerk of the County Assembly shall give guidelines to the respective heads of department setting out key priority areas to be captured in the work plans.
All heads of department should submit their respective work plans to the office of the Clerk by 30th of August every year.

The Head of Finance shall compile all the departmental and committee work plans into Annual County Assembly work plan. The County Assembly annual work plan will form part of the County Annual development plan.

The Clerk of County Assembly shall convene the Management committee meeting to discuss, amend and adopt the County Assembly Annual work plan by 30th September every year.

Upon submission of the County Fiscal Strategy Paper, the County Assembly Clerk shall instruct the finance office to draft the budget estimates in line with the approved ceilings as provided in County Fiscal Strategy Paper. The recurrent ceilings as contained in the County Allocation of Revenue Act for the respective year, shall be put into consideration when finalizing the budget estimates.

The budget estimates shall be submitted to County Assembly Service Board by the County Assembly Clerk for approval by 1st April. After approval by CASB the estimates shall be submitted to the County Assembly and a copy to the CECM-Finance and Economic Planning.

3.3 County Government Planning and Budget Preparation Process

The County Government planning and budgeting process is anchored under the Medium Term Expenditure Framework (MTEF). Section 117 of the PFM Act, 2012 requires the County Treasury to develop the County Fiscal Strategy paper, indicating the strategic priorities, covering all Departments of County Government including the County Assembly (CA). The CA should therefore be actively involved in the development of both the planning framework which subsequently forms the basis for its own annual planning and budgeting.

Under the PFM Act section 128, the CEC Member for Finance and Economic Planning is required to provide a circular to all County Government departments on the budget process including the budget circular which must be issued not later than August 30th of each year. The circular covers the following:

(a) Schedule of preparation of the budget indicating the timelines and key dates for completion of key exercises.
(b) Procedures for the review and projection of revenues and expenditures.
(c) Key policy areas to be considered in preparing the budget.
(d) Public participation procedures.
(e) Format of the budget information and documents.
(f) Formation of sector working groups

The Budget Circular forms an important part of the County Assembly's own budget guidelines and policies as described in the next section of this finance policy and procedures manual

3.3.1 Annual Work Planning

The objective of development of the County Assembly's Annual Work Plan (AWP),is to provide the framework outlining the activities to be undertaken during the financial year. These activities form the basis of estimates of expenditures that are included in the budget. Development of the AWP is driven by the head of Finance and Accounting in close collaboration with other Departments in a process that includes the following:

a) The head of Finance and Accounting develops the AWP guiding documents consisting of:
   i. AWP templates that provide a standardized AWP format for the spending units which should include details of: activities, strategic goals and objectives, target outputs, key performance indicators, responsibility and timing of all activities.
   ii. Guidelines on completion of the activities in the AWP which include: the timelines, expected inputs, responsibility for completion of the activity. The objective of these guidelines is to ensure that the AWP is completed appropriately and is consistent with expected quality at the initial stage.
   iii. Costing guidelines for the development of the expenditure estimates included in the AWP including: ceilings for each of the expenditure categories, development and recurrent budgets and standard costing of inputs,
   iv. The Spending Units prepare the first draft of the AWP with technical support from the Head of Finance.
   v. AWP workshop will then be held to review the AWPs presented by each Department and make any amendments.
   vi. The revised AWPs, including the budget estimates will then be submitted, via the department to the Head of Finance for consolidation into one County Assembly AWP.

3.3.2 Budget Preparation Statutory Timelines

Preparation of the CA's budget is guided by various statutory acts requirements which include:

a) Section 128 of the PFM Act, 2012 provides for submission of budget Circular which sets out guidelines for the budget process by 30th August each year.
b) Section 126 of the PFM act, 2012 provides for the preparation and submission of the Annual Development Plan by 1st September of each year.
c) The Act under Section 118 provides for the preparation and submission of CBROP by 30th September
d) The Act stipulates the submission of the County Fiscal Strategy Paper (CFSP) to the County Assembly by 28th February every year. The CFSP gives the county assembly Development budget ceilings and also the indicative recurrent Budget ceilings. Actual recurrent ceilings are contained in the County Allocation of Revenue Act (CARA) once it's in place.
e) Section 129-131 stipulates submission of the budget estimates by the Clerk to the County assembly and a copy to the CEC-M for finance before 30th April each year.
f) Section 131 provides for consideration and approval in time of the appropriation law before 30th June every year.
g) Section 133 provides that not later than ninety days after approval of the Appropriation Act the County Assembly shall approve the Finance Bill with or without amendments.

3.3.3 County Assembly Budget Preparation Calendar

To comply with the above statutory timelines, the CA shall develop its own internal budget calendar, outlining the key milestones, responsibilities and due dates for budget preparation process. This calendar must be adhered to, by all County Assembly staff involved in the budget preparation in order to achieve the statutory requirements.

3.3.4 Supplementary Budgets

Under Section 135 of the PFM Act, the County Government entities including the County assembly must submit a supplementary budget to support any money spent on some items but outside the budget. Any item reallocation that was approved and spent outside the approved budget shall be regularized in the supplementary budgets.

3.4 Budget Reallocations

Under Section 43 of the PFM Act, 2012, the CA is empowered to reallocate appropriated funds under certain circumstances.

3.4.1 Budget Reallocation Policies

Section 154 of the PFM Act, 2012 spells out the circumstances under which fundsmay not be reallocated, specifically, no budget reallocations may occur where:

a) The funds are appropriated for transfer to another government entity or person;
b) The funds are appropriated for capital expenditure except to defray other capital expenditure;
c) The reallocation of funds is from wages to non-wages expenditure; or
d) The transfer of funds may result in contravention of fiscal responsibility principles.

The CA is permitted to reallocate funds between programs or between Sub-Votes in the budget for a financial year if:

a) There are provisions in the budget of a program or Sub-Vote which are unlikely to be utilized;
b) A request for the reallocation has been made to the County Treasury explaining the reasons for the reallocation and the County Treasury has approved the request; and
c) The total sum of all reallocations made to or from a program or Sub-Vote does not exceed 10 percent of the total expenditure approved for that program or Sub-Vote for that financial year.

3.4.2 Budget Reallocation Procedures

a) The Spending department develops the actual vs. budget performance analysis and prepares a report, no later than November 30th of each year outlining sub-votes for reallocation. These are reviewed by the departments and forwarded to the Head of Finance for review and approval.
b) The consolidated reallocation request, consisting of all the requests for reallocations from the various Spending departments is reviewed by the Head of Finance and submitted to the Clerk for further review.

c) The County Assembly clerk shall then forward the requested reallocations, for approval to the CEC-M for Finance and Economic Planning for approval.
d) On approval by CEC-M for Finance and Economic planning, the Head of Finance prepares the Supplementary Budget, including the reallocations.

3.5 Budget Implementation

The annual budget, approved by the County Assembly, is uploaded into the IFMIS Budget Module by the Finance Directorate in the National Treasury by July 1st of each financial year, following which budgeted activities may commence implementation.

3.6 Budget Reporting

On Budget approval, all expenditure must be approved against a specific budget line in the Vote-book prior to commitment and actual spending. The Head of Finance must provide to the Clerk a monthly expenditure report, reviewed by the spending departments outlining the actual expenditures incurred vs. budget.
Budget implementation reports to be submitted include:

a) Monthly expenditure report indicating the month's expenditures vs. the budget which is done by the Head of Finance.
b) Quarterly expenditure report indicating the quarter's expenditure, performance against budget as well as narrative description of key factors impacting on implementation of the budget.

These reports are submitted to Public Finance Management Standing committee for deliberation before tabling to the CAMC for review and subsequently submission to CASB.

3.7 Unutilized Funds

Section 136(1) of the PFM Act, 2012 provides that Subject to any other legislation, an appropriation that has not been spent at the end of the financial year for which it was appropriated lapses immediately at the end of that financial year.

Section 136(2); If, at the end of a financial year, a County Government entity is holding appropriated money that was withdrawn from the County Exchequer Account but has not been spent, it shall repay the unspent money to the County

Exchequer Account and prepare a refund statement which shall be forwarded to the Controller of Budget.

3.8 Donor / Special Projects Planning and Budgeting

Funds from donors should be included in the Annual and Supplementary Budgets. Donor funds for special projects or other programmes may only be received and utilized according to the conditions specified in Section 138 of the PFM Act.

CHAPTER FOUR

PROCUREMENT

4.1 Overview of Public Procurement

The procurement cycle relates to the processes and procedures utilized in the acquisition of goods and services by the County Assembly. Detailed procurement policies and procedures are provided in the Government Procurement Policy, the Public Procurement and Disposal General Manual and the County Assembly Procurement Policy Manual which guides the process. This Finance and Accounting manual provides an overview of the procedures as well as detailed payment procedures.

4.2 Procurement Policy

Public procurement is subject to provisions of the Constitution, the Public Procurement and Asset Disposal Act, 2015 (PPADA), Regulations, 2020 together with the PFM Act 2012,

a) The Accounting Officer is responsible for ensuring that the County Assembly is complying with the necessary requirements, particularly in the PPDA, 2015 and the PPDR, 2020

b) Detailed procurement guidelines are as outlined in the PPDA (2015) and its regulations.

c) Procurement including all acquisitions and disposals in the County Assembly is under the oversight of the head of procurement.

d) All procurement is conditional to budgetary provisions and the Procurement Plan that includes a cash-flow plan.

4.3 Types of Goods and Services

The County Assembly procures various goods and services including:

a) Consultancy services;

b) Capital goods and services for utilization in capital expenditure programs or projects;

c) Utilities and other recurrent goods and services; and

d) Goods that are not related to capital expenditure;

4.4 Procurement Planning

In order to ensure the County Assembly acquires the expected resources to enable it achieve its objectives, procurement planning must be part of the annual work planning, cash flow planning and budgeting process.

To that end, with technical support from the head of procurement, each Spending Department develops a procurement plan in accordance with section 53(5). The procurement plan is prepared alongside the work plans and budgets, identifies the goods and services that need to be acquired and when needed, for successful completion of the identified activities.

A consolidated procurement plan is developed for the entire County Assembly detailing:

(a) the goods, works and services to be procured;
(b) the procurement method to be utilized and the timing.
(c) the target groups i.e. youth, women, PLWDs and Citizen Contractors.

The consolidated procurement plan aims to ensure cost efficiency and value for money by identifying items that can be centrally procured to secure economies of scale, eliminating any unnecessary duplication. It also helps distinguish between capital and recurrent resource requirements. The procurement plan must be tabled at the CAMC for review and recommendation to the Clerk for approval. After approval, the Clerk then submits it to the National treasury for uploading into the IFMIS prior to commencement of implementation.

Changes to the procurement plan may be made due to emerging issues such as delays due to appeals and other implementation realities permitted in accordance to outlined PPDA, 2015 and its Regulations. These must be supported by changes in the budget and annual work plans. Such amendments will need to be approved and included in the Supplementary Budget.

4.5 Procurement Requisition and Selection of Suppliers

Users in the County Assembly requiring items or services included in the approved procurement plan must use the approved procurement requisition procedures and policies summarized below:

(a) Users identify the required items or services and complete a procurement requisition form outlining specifications of the goods, works or services to be acquired for approval by their Head of Department. The completed PR must reference the procurement plan and ensure only items in the procurement plan are being procured. In addition, the requisition requires approval by the AIE holder who should ensure availability of funds prior to commencing the procurement process.

(b) The Supply Chain Head receives the PR and determines the type of procurement to be used in line with the procurement plan as guided by the PPDA 2015 and its subsequent regulations. This is based on the type of goods, works or services being procured as well as the procurement methods as outlined in the Procurement Act.

(c) In coordination with the users, the Supply Chain Department undertakes the Evaluation of the bids for compliance with the mandatory and technical requirements, before the actual selection of a vendor or supplier is determined depending on the procurement process used. Users are required to, participate in the Adhoc Procurement committees and so on, as may be required. Successful and the unsuccessful bidders are notified on the tender results. The County Assembly agrees with the successful bidder on the final terms and conditions of the contract.

(d) The County Assembly enters into written contracts for the supply of the specified goods, works or services with the successful bidder based on the agreed terms and conditions. Once the contract is agreed, the County Assembly issues a Local Purchase Order (LPO) for goods and a Local Service Order (LSO) in the case of services.

4.6 Commitment

The amounts of the LPO / LSO are committed against the specific budget line in the Vote-book to ensure that budgeted funds are not over-spent. The LPOs and LSOs must be approved by the AIE holder.

4.7 Receiving and inspection of goods and services

The County Assembly monitors performance of the supplier of the contracted goods, works or services which requires:

a) On its part, the County Assembly should adhere to the inspection procedures, outlined in the Government's procurement policy and the public procurement and disposal general manual, prior to accepting any goods or certifying services as complete. This requires appropriate technical skills to certify delivery and / or completion of services or works. This process provides critical evidence that is used for any payments to suppliers. For on-going projects, periodic certificates of completion may be issued to facilitate processing of payments.

b) The completion of key accounting documents to certify receipt and inspection.

   i. For goods, a goods received note (GRN) must be completed when goods are received and for services and works a certificate of completion is issued periodically when key milestones are achieved.

   ii. The Government's Procurement Policy and the Public Procurement and Disposal general Manual provide the specific details of the accountable documents.

c) Allocation of contract management responsibilities in the user department including appointment of a specific user or officer to monitor the performance of a supplier. This is necessary to ensure the County Assembly is receiving the expected goods, works or services under the contractual terms. For complex and specialized contracts, a contract implementation team comprising of members from procurement function, requisitioner, relevant technical department and a consultant shall be appointed for the purpose of monitoring performance of the contract (PPDA sec 151).

d) Goods are received and stored in a centralized store and managed based on the inventory and stores management policies and procedures outlined in the Government's Procurement Policy and the Public Procurement and Disposal general manual related to the receipt, issue and inventory management of goods.

4.8 Procurement of Building and Construction services

The contract for refurbishment and construction projects requires planning and implementation of every aspect of projects at every phase including;

(i) Feasibility studies; (ii) acquisition of sites; (ii) the drawing of technical designs; (iv) bills of quantities; (v) project budgeting and procurement of works.

(a) In implementing the projects, the Accounting Officer will use the Technical services of the appropriate Government agency/ministry of public works/County Works to plan, supervise the works and certify the contract payments certificates.

(b) A Project Manager (Registered with professional body) shall be appointed for each project and is responsible for:

i. Advising on standards of design and construction of County Assembly buildings. The Governments architect is the adviser on all building matters and is responsible for determining the standards to which the building is constructed.

ii. Providing Accounting Officer with estimates of costs of buildings and structural works

iii. Preparing designs for the projects or use A consultant whom the County assembly will appoint as necessary

iv. Supervise the works of contractors on site and evaluate the progress achieved for purposes of determining payments that may be made to contractors.

The Project Manager shall have legal liability for negligence in providing these professional services and the Accounting Officer may seek for damages for any losses arising from project Implementation

The Project Manager appointed for a project shall not be involved in evaluation of contractors in procurement of works.

Whenever, it becomes necessary for a consultant to be appointed to prepare design and bills of quantities works for a project the County Assembly will seek advice from the Government Agency/ Ministry of Public works/ County Works and the resultant cost will be met from project cost.

Acquisition of project sites and building:

i. The Accounting Officer is responsible for identification of suitable site for construction of new building/purchase of building.

ii. Since the allocation and reservation of Government Land is the responsibility of the County and National Lands Commission a letter/Allotment/Title must be obtained before any Project is considered by Project Architect/Project manager.

iii. If privately owned land is to be purchased or acquired then procurement process will be followed. The Estimates of valuation or purchase of such land would be carried out by National land Commission/Ministry of Lands.

iv. The Contract for purchase should provide for transfer of property before the release of payments. Since the process of registering property transfer require passage of time the funds may be held retained. Once the National Land Commission confirms the validity of the transfer of Title or the right to ownership substantially relinquished.

v. Renting and hiring of buildings: Renting, hiring, letting or subletting shall be done through open tenders or quotations and their adjudication are done by the Accounting Officer. The technical evaluation shall include recommendations by Government Chief Valuer.

4.9 Supplier payments

Supplier payments can only be initiated based on evidence of provision of goods, works and services. Detailed procedures on processing of supplier payments are provided in the County Assembly Procurement Policy.

4.10 Procurement monitoring and reporting

In order to ensure that the procurement processes and procedures are adequately controlled, the County Assembly has identified a number of monitoring processes that include:

(a) Segregation of duties: the review of procurement requisitions, approval of LPOs and processing of payments is segregated between the Finance, Accounts and Supply Chain functions. This ensures that various tasks and activities are independently reviewed and monitored.

(b) Procurement is only approved based on evidence of funds in approved budget line and procurement plan.

(c) All payments must be supported by the relevant procurement documentation in order to be processed. These are the:

(i) Approved requisition from user department

(ii) Appointment Letters and Minutes of the tender opening committee

(iii) Appointment letters and report of the Evaluation committee
(iv) A copy of Notification of tender award letter to supplier or contractor
(v) Contractor's or service provider's contract award acceptance letter
(vi) Copy of duly signed Contract agreement
(vii) Duly authorized duplicate of LPOs/LSOs
(viii) Duly authorized GRN and or certificate of completion for services/ works
(ix) Appointment letters and report of the Inspection and acceptance committee
(x) Contract implementation team report where applicable
(xi) Motor vehicle inspection and re-inspection report from Ministry of Roads-Mechanical and Transport Division.
(xii) Original copies of supplier invoices.
(xiii) Original copies of supplier delivery notes
(xiv) Duplicate of S13 form.

4.11 The procurement reporting process:

(a) Performance reports: Quarterly performance reports of the actual vs. the planned procurement based on the procurement plan. These are prepared by the Supply Chain Head/Senior Procurement Officer/Head of Procurement.
(b) Annual reports on application of preference and reservation schemes to PPRA.
(c) Annual Procurement plan.

CHAPTER FIVE

BANK AND CASH OPERATIONS

5.1 Introduction

This section provides the procedures governing the operation of the County Assembly's bank accounts and is guided by the PFM Act, 2012.

5.2 Opening and Operating bank accounts

The County Assembly may open bank accounts to manage its financial operations as per the Treasury Circular No. 14, dated 9th September 2015 and the PFM Act (2012) and its regulations.

5.3 Classification of Bank Accounts

The County Assembly's bank accounts will be held at the CBK.

Separate bank accounts may be operated for the following specific purposes:

a) Recurrent expenditure account: for receipt and disbursement of AIE funds.
b) Development account: for receipt and disbursement of funds for the County Assembly's capital expenditure projects.
c) Project accounts: for donor funded projects that may require separate accounting of their funds per the funding agreements.
d) County Assembly accounts opened at commercial banks will require authorization of the CECM for Finance and Economic Planning. Each account may only be operated and used for its specific purpose only. Funds will not be used for a purpose that is not in line with its classification.

5.4 Opening and Operating Bank Accounts

The following will be the procedure for Opening and Operating Bank Accounts:

(a) The County Assembly will make written request to the CECM- finance and Economic Planning for authorization to open a bank account with details and justification for the need and the purpose of the bank account as required under Section 119 of the PFM Act, 2012

(b) The County Assembly Service Board will, in writing, designate the signatories to each bank account which must have at least 2 signatories. The County Assembly will also design the account name to be used to ensure consistency and ease of reference for the users. Any changes in signatories must be authorized by CASB and thereafter communicated in writing to the bankers by the Clerk through the CECM-Finance and Economic Planning.

(c) The County Assembly will at all times maintain a complete and updated register of all the County Assembly's active bank accounts indicating details of the account such as, the bank, signatories, branch location and the purpose of the account.

(d) The County Assembly operating a bank account will be required to collect and file a monthly bank statement and where possible daily and/weekly electronic bank statements. This will ensure the County Assembly has timely and up to date records on its bank balances which are necessary for efficient cash management.

(e) At the end of each financial year, the County assembly accountant must collect the certificate of balance for each bank account. This is through instructions issued to the Bank by the account signatories to provide the certificates of balance. These certificates of balance must be filed along with the other bank statements for the bank account.

(f) A request to close a bank account must be made in writing to the CEC-Member Finance and Economic Planning by the Clerk for authorization. The approved bank account closing instructions will be transmitted to the bank in which the account is held. Accounts that are closed must have their mandates withdrawn from the records, the bank account register updated to reflect the closure and balances transferred as directed.

(h) Account signatories may identify designated *bank agents* within the Assembly. Bank agents must be appointed in writing by the Account Signatories with a letter/ form providing details of: the bank agent's name, bank account number for the account for which they are appointed as agents, designation/ position, ID Number and photograph. The Bank will be requested to issue the designated bank agent with an agent identification card. Bank agents may be authorized to:

   a) Collect bank statements and cheques or any other documentation from Bank related to the Account on behalf of the signatories;
   b) Withdraw cash from the bank account; and

c) Convey instructions to the bank from the signatories;

Account signatories must also inform the bank in writing when an officer ceases to be a designated bank agent and return the agent identification card to the bank for destruction.

5.5 Cheque Management/Control of Cheque Books

(a) Where a bank account has cheque books, these must be held securely at the Assembly in lockable safes.

(b) The Accounting Officer will designate officers, in writing, to be responsible for the custody of cheque books in the Assembly.

(c) A register of the cheque books indicating cheque book series, date received and the bank account they relate to will be maintained.

(d) Only one cheque book may be issued to Accountants responsible for preparing payments at any given time.

(e) Cheque signatories are required to sign the cheque and the cheque signing register as well when approving payments.

(f) Used up cheque books will be surrendered to their custodian and recorded in the cheque book register.

5.5.1 Preparation and Signing of Cheques

(a) When cheques are required for payment purposes, the payment will be prepared by the designated accountant.

(b) Cheques will be completed with details from the authorized payment voucher including the payee, the date and other relevant details in readiness for signing by the authorized signatories.

(c) A cheque signing register shall accompany the cheques for signing. This register outlines the cheque details including: payee, cheque number, date and authorized signatures and is intended to track cheque signing procedures.

(d) Cheques, together with all supporting documentation, will be reviewed by a designated examination officer to confirm that they are correctly prepared prior to signing.

(e) Examined cheques will be presented to the authorized signatories for signing who are required to confirm the cheque amounts against the supporting documentation including the authorized payment voucher. Authorized signatories are also required to sign the cheque signing register when they have signed the cheque.

(f) Signed cheques should be recorded serially in the outgoing cheques register with details of the payee, date and amount. On collection of the cheques, the collector should sign the outgoing cheques register to confirm collection.

5.5.2 Stale and cancelled cheques

The following will be applicable to stale and cancelled cheques:

(a) Cheques that are cancelled prior to signature and not issued should be recorded in the cheque book register and subsequently perforated to prevent any malpractices.

(b) Cheques that are cancelled after signature should be destroyed by perforating the signature part and stored securely and disposed of per the accountable document disposal guidelines

(c) Cheques that remain uncollected or unbanked and become stale (that is unbanked for longer than 6 months) should be cancelled and indicated as cancelled in the cheque register. Cancelled cheques should also be perforated to prevent reuse.

5.5.3 Loss of Cheques / Cheque Books

In the event that a cheque book / cheque leaf is lost:

a) The officer in whose custody this occurs must inform the Accounting Officer and the account signatories in writing.

b) The account signatories must immediately write to the bank to report the loss indicating the serial numbers of cheque leaf/leaves lost and request the Bank to cancel the lost cheque leaves or book.

5.5.4 Requisitioning of new Cheque Books

(a) In the event that the stock of cheque books runs out, the Account Signatory may request the bank for a stock of new cheque books.

(b) The accountant in custody provides a summary of the cheque books indicating the “used” or “lost” series to support the request for new cheque books. This is provided to the Account Signatories.

(c) A letter is prepared, by the accountant for the Account Signatories to sign requesting new cheque books from the relevant bank.
(d) The duly signed request for new cheque books is submitted to the Bank by the agent who is also duly instructed to collect the new cheque books.
(e) New cheque books are received by the officer designated by the Account Signatories to store the cheque books and details of the cheque number series are recorded in the cheque register.

5.6 Electronic Transfers

Where the County Assembly opts to use electronic funds transfers instead of cheque payments:

(a) Schedules of electronic transfers (outlining the amounts, transfer instructions, bank account details and all necessary electronic transfer details) shall be maintained and filed serially.
(b) The funds transfer instructions will be prepared, examined and authorized in a similar manner to cheques.
(c) Authorization of the funds transfer instructions will be by the authorized bank account signatories.
(d) The duly approved instructions will be conveyed to the bank for effecting the transfer.
(e) In the event of electronic transfers using online banking: the authorization will only be by the designated bank account signatories who will also be required to safely store any authorization tokens or passwords for the bank accounts. For electronic transfers, authorization should only be done on receipt of duly approved payment vouchers, following which the transaction details will be recorded on the payment voucher.

5.7 Bank Statements

(a) Every month the bank account signatories will receive or have online access to bank account statements.
(b) Bank statements should be filed and retained in line with the document retention policy.

(c) The County Assembly shall aim to have real time access to its bank account statements through electronic banking platforms to allow constant monitoring of bank balances.

(d) Any issues arising from the bank reconciliation must be referred to the Bank Manager, as soon as possible but not later than the next reconciliation report, by the head of finance and accounting.

5.8 Cash Withdrawals

The County Assembly does not encourage cash transactions (i.e. withdrawals of large amounts of cash). To that end, it is expected that these cash withdrawals are an exception and not the norm.

Where cash withdrawal must be made, key procedures include:

(a) Where cash is to be withdrawn from any bank account, a cash withdrawal advice must be approved by the bank account's authorized signatories.

(b) The cash withdrawal advice form is prepared once the payment voucher is approved. A separate designated officer examines the cash withdrawal advice and a separate officer approves it for signature.

(c) Approved cash withdrawal advice forms are submitted to the authorized bank account signatories for signing along with all the supporting payment documentation.

(d) Instructions signed by the bank account signatories shall be prepared to allow the bank to release the cash to the designated bank agent.

5.9 Cash Book Management

(a) Designated Accountants maintains cash books, for every account held by the County Assembly, in which details of all payments and receipts for each bank account will be recorded and updated. All receipts shall be debited in the respective cash book and any withdrawals/banking's credited in the cash book.

(b) On a daily basis, the senior accountant in the County assembly will review and examine the cashbook and indicate this examination by signing.

(c) Monthly Bank reconciliations will be prepared for all the bank accounts held by the County Assembly.

5.10 Cash in Hand

(a) The County Assembly shall endeavor to ensure that minimal cash balances are held in cash. Cash received should be deposited in the bank accounts within 24 hours and petty cash balances should be minimal. Assembly shall define the minimum petty cash limit of Kshs. 700,000.

(b) Cash held at the Assembly should be properly secured in a safe.

(c) Cash in transit security arrangements should be made to safeguard it during the transfer. The Chief Serjeant At Arms in liaison with the head of Finance should arrange, where necessary, to provide for police escort for cash in transit services.

5.12 Cash flow Management

(a) On an annual basis, the County Assembly is required to present a cash flow statement to the Controller of Budget and to the County Treasury (Section 120 of the PFM Act), 2012. This cash flow statement shall provide for the cash plan and forecast for the year.

(b) The cash flow plan needs to be accurate, reflect the pace and timing of the budget implementation as it forms the basis of request for release of funds from Exchequer or the Consolidated Fund.

(c) On a quarterly basis, the head of Finance and Accounting should prepare for the CA a report on cash flow status indicating the actual vs. the projected. Any significant variances should be supported by explanations.

5.13 Bank Reconciliation

(a) Bank reconciliation shall be prepared on monthly basis for all bank accounts held by the Assembly using standard forms.

(b) The reconciliation shall be done by one officer, reviewed and examined by another. It should reconcile the County Assembly" s respective cashbook balance and the balances from the bank statements. Any outstanding items should be noted and explanations sought.

(c) The bank reconciliation must be submitted to the Head of Finance for review and approval every month.

(d) Any variances and outstanding items should be followed up within 30 days and should not recur on the bank reconciliation for longer than 3 months.

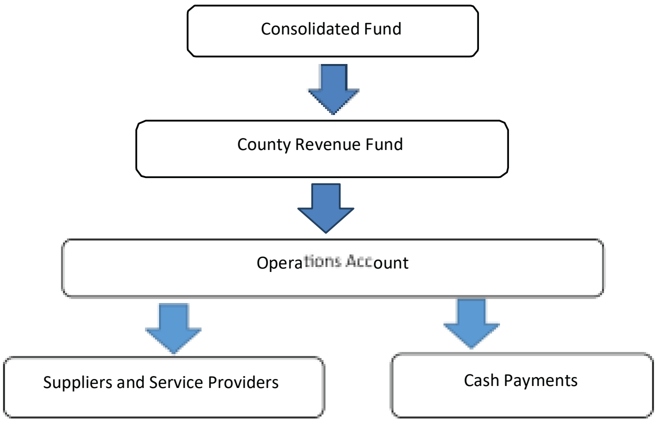
5.14 Revenue Mobilization.

The County Assembly of Bungoma funds its activities with money from the National government allocation channeled through the County Treasury. However, the Assembly may mobilize external financing to supplement the same. The main source of revenue shall be the exchequer as approved and appropriated by the County Assembly following the recommendations of the Commission on Revenue Allocation and approval by the Senate on funds utilized on recurrent operations.

Any monies received outside the County Revenue Fund shall be deposited in an account with commercial banks as approved by CASB.

The law has set the manner in which funds shall move from the consolidated fund for use by the Assembly as illustrated below.

Flow of Funds



The consolidated fund account receives all the government revenue. Management of outflow funds requires an act of parliament.

The County Revenue Fund receives all the County Government revenue, which includes transfers from the national government and local revenue. The Controller of Budget must approve any withdraws from this account upon receiving requisition from the county government accompanied with pre-requisite report. With the approval by the COB funds are transferred to county operations account where suppliers and service providers are paid directly through the IFMIS. Transfers for cash payments and impressts may be done to commercial banks.

5.15 Revenue from investment

The County Assembly may generate revenue from investing activities which may include fixed deposit accounts or any other investing activities as prescribed by the County Assembly Service Board.

5.16 Income from disposal of Assets

The County Assembly may generate revenue from the disposal of assets that have become unserviceable. The Assembly should follow the provisions of Public Procurement and Disposal Act while carrying out disposals.

CHAPTER SIX

EXPENDITURE

6.1 Policy

Key policies related to expenditure management include:

(i) The County is authorized under Section 110 of the PFM Act to spend the money on any expenditures charged to the County Exchequer Fund, as long as it is for the purposes budgeted for.

(ii) An officer / staff instructed to make payments for which he/she has any concerns shall raise those concerns in writing to the Clerk. In the event, the Clerk approves processing of the payments; the officer shall follow the instructions without further responsibility.

(iii) All expenditure payments must be supported by the relevant budgetary allocation as indicated in the approved budget.

(iv) The payment process must have adequate internal controls including: adequate segregation of duties between those preparing payment documents, those approving payments and execution of actual payment. Additionally, authorization of any expenditure must ensure the procedures and policies as laid out in this manual have been adhered to and the correct supporting documentation is completed.

6.2 Payments to which a staff / officer objects

(a) An officer who is instructed to make payments to which he/she for any reason has concerns may raise those concerns in writing to the accounting officer of the County Assembly.

(b) In the event that the Accounting Officer approves for processing of the payment despite the concerns raised, the officer/staff shall obey the instructions without further responsibility.

6.3 Classification of expenditure

Government expenditures are classified into two main categories of recurrent and development for the purpose of budgeting and authorization of spending. This categorization enables the government to plan the spending and allocation of financial resources according to the priorities as identified in the strategic plan and annual operating budgets for its services and activities.

The two categories of expenditure are as explained below;

(a) **Development expenditure:** these are expenditures related to costs of specific development projects and programmes such as fixed assets, civil works among others.

(b) **Recurrent expenditure:** these are expenditures related to operational expenses and include expenses for operations, MCAs and staff emoluments and payment for repairs and maintenance.

The Standard Expenditure Items Codes

For purpose of financial management and controls, expenditure is broken down and grouped in accordance with standard classification item codes to show the nature of the expenses, services, activities, projects and programmes from which costs will be incurred. More details of expenditure item analysis are as per the GFS codes established in the IFMIS.

6.4 Approval Limits

The Accounting Officer may delegate approval of expenditure as appropriate through internal memos that will be issued from time to time. These internal memos designate the Officers/Staff that has been authorized to approve expenditure at various levels.

6.5 Vote-book Management/budget control

(i) The Vote-book is used by the Assembly to monitor its budget implementation per vote head/budget line.

(ii) A Vote-book is maintained for the County Assembly main expenditures votes and a separate Vote-book for Committees vote expenses. Vote-books are opened when the AIE is received.

(iii) Accountants update the Vote-book with each approved commitment (LPO and LSO), all payments approved and payments actually disbursed.

(iv) On a monthly basis, vote utilization reports are provided to the AIE holder.

6.6 AIE Issue, Discharge and Retirement

(i) The Authority to Incur Expenditure (AIE) is delegated authority by the Accounting Officer to designated officers. They are appointed, in writing, using designated form from the National Treasury, at the beginning of each financial year.

(ii) In the event that the AIE holder is transferred or leaves the respective Station, the Accounting Officer will in writing, terminate the AIE holder designation immediately and re-designate to a new AIE holder.

(iii) At any time, the Head of Finance, shall update register of all AIE holders in the County Assembly.

(iv) Funds under AIE are issued to cover recurrent or development expenditure.

(v) Funds are issued to AIE holders on quarterly basis to the AIE / Recurrent Expenditure Bank Account. Issues to the AIE consists of transmission of the AIE form (duly signed and authorized by the Head of Finance and Clerk respectively) indicating the amount of the AIE and for which votes; transfer of funds matching the amount in the AIE form into the AIE bank account.

(vi) AIE is issued as a commitment and discharged through issue of payment vouchers in the payment process.

(vii) AIE must be retired at the end of each financial year by submission of the Expenditure returns. These consist of the monthly expenditure returns, an analysis of the actual vs. the planned expenditure and must be signed by the AIE holder.

(viii) Any un-utilized AIE funds must be surrendered at the end of each financial year, prior to the disbursement of the new quarter's AIE and accompanied by the annual expenditure return.

(ix) All of the County Assembly's unspent AIE is surrendered to the Exchequer,at the end of the financial year accompanied by a report to the Office of the Controller of Budget on the un-spent funds.

6.7 Supplier Payments

Payments to suppliers must be supported by the appropriate supporting documentation prior to payment as follows;

(i) Original or certified copies of the supplier invoices are received by the accounts section.

(ii) The supplier invoices are circulated to the user departments for certification that the services / goods were received by attachment of the goods received notes or inspection certificate and approval by the Head of the departments.

(iv) The approved invoice is matched to the relevant LPO / LSO by the accountants and a payment voucher is prepared for authorization, that includes details of the payee, the amount to be paid, LPO/LSO details, invoice details, good or service received among other necessary documents. The payment voucher is committed in the Vote-book against the relevant budget line. The payment voucher and its details (payee, amount, LSO/LPO) is also recorded in the payment voucher movement register which is signed at every stage of processing the payment voucher.

(v) The completed payment voucher and attachments are examined by another accounts officer (or a designated staff for stations with minimal accounting staff) for accuracy and completeness for validation. The payment voucher register is signed by the examining officer.

(vi) The payment voucher and attachments are circulated to the AIE holder for approval. The AIE holder also signs the payment voucher movement register.

(vii) The officer in charge of accounts at the Spending Unit also approves the payment voucher, along with the payment voucher movement register.

(viii) The approved payment voucher is used to prepare the payment either by cheque, electronic transfer or cash payment (as outlined in Section 9.1.2, 11.1.3 and 9.1.6 of this manual). The cheque preparer signs the accompanying payment voucher movement register.

(ix) The relevant GL accounts are updated with details of the payment voucher i.e. the supplier ledger account is credited and the cash book is debited.

(x) The payment voucher is filed serially for record purposes.

6.8 Payment Voucher Movement Register

The Accounting Officer should ensure that voucher movement register that contains information on date, payment voucher number, payee details, amount, section delivered, name, signature and date received is in use at every section the payment voucher passes as follows:

(i) One register from voucher preparation section.
(ii) One register from the supplies section to record supplier's vouchers.
(iii) One register from the voucher examination section.
(iv) One register for each signing threshold brackets from the vote book control section.
(v) One register from the authorization section.

The Principal Finance Officer shall approve movement of the payment voucher out of the finance and accounts department to another department.

6.9 Authorization and Approval

Payment vouchers which shall satisfy all the requirements pertaining to supporting documentation and authorization shall pass to the officer in charge of Finance and Accounts, who shall approve by appending his/her signature and forward them to the Clerk for final authorization for payment to be done by the accounts office or IFMIS section.

6.10 Integrated Financial Management Information System/ Internet Banking

IFMIS PROCESS

Integrated Financial Information System is a system used in public finance management. This system was introduced in the counties through as guided by Articles 190, 226(1) and 201 (on principles of Public Finance) of the constitution of Kenya and section 12 (1) of the PFM Act, 2012.

Core uses of IFMIS in the county government include;

a) Plan to Budget (P2B)

This is a fully integrated system that links planning, policy objective and budget allocation.

b) Procure to Pay (P2P)

This is the whole process of e-procurement from requisition, tendering, evaluation, contract award and payment.

c) Revenue to Cash (R2C)

This involves collection, recording, classification and reporting of revenues and up-to-date information on the financial position and real time production of financial reports in compliance with reporting standards provided by the Public Sector Accounting Standards Board.

A fully authorized payment voucher ready for payment shall follow the following process in the IFMIS;

INVOICING..... This is the initial process of data entry

VALIDATION.... This involves examination of the Voucher

APPROVAL It is the process of getting authority to pay through the system

PAYMENTS ...... Endorsing the payments into the internet banking.

6.11 Internet Banking

This is the transfer of money from the account in the central bank to the relevant account of the payee. The following approvals shall apply at Internet Banking;

FIRST APPROVER ...... PRINCIPAL FINANCE OFFICER

ALTERNATE TO FIRST APPROVER ...... SENIOR ACCOUNTANT

SECOND APPROVER ...... CLERK OF THE ASSEMBLY

ALTERNATE TO SECOND APPROVER ...... DEPUTY CLERK ADMINISTRATION.

6.12 Disbursements from the County Revenue Fund

PFMA, 2012 Section 110 establishes the county treasury. The County receives some funds (equitable share of revenue from consolidated fund) directly from the Exchequer at the National Treasury and also collects revenue from county own sources. All revenue collections are deposited in the County Revenue Fund Account. All funds are required to go through County Revenue Fund Account and can only be expensed with the approval of COB.

The following procedure will be followed for the County Assembly to receive disbursements:

(a) At the beginning of every financial year, the County through the Clerk provides the Office of Controller of Budget and the County Treasury with a cash flow plan. This cash flow plan outlines the expected cash outflows that will be required to finance the County Assembly" s approved budget.

(b) Every month, the County Assembly submits a Request for County Treasury for funds to be disbursed from the County Revenue Fund with itemized details of the funds requested for, their votes and budget line codes. The Request for disbursement of funds is prepared by the head of Finance and Accounts. Each request must then be reviewed and approved by the CEC prior to submission to the Controller of Budget for approval.

(c) The County Treasury submits the request to the Controller of Budget (COB) for approval, as required by Article 207 of the Constitution.

(d) On receipt of the approval from the COB, the Central Bank of Kenya releases the funds from the County Revenue Fund to respective Recurrent and Development Accounts held at CBK.

6.13 Imprest Management

Pursuant to section 152 (1-5c) of the PFM Act, 2012 public officers may receive a cash advance to enable them make payment for the entity or in the course of their duties. This advance is treated as an imprest and should be duly surrendered. The procedures outlined in the aforementioned section of the PFM act, 2012 regulate the process of requisition and surrender of the imprest.

Imprest must be accounted for on the date shown on the warrant.

6.13.1 Types of Imprest

There are two types of imprests i.e.

(a) **Temporary or travel Imprest:** These are issued mainly in respect of official journeys and are intended to provide officers and members with fund with which they can meet travelling, accommodation and other incidental expenses.

(b) **Standing Imprests:** Standing Imprests involve personal responsibility as it is issued to an officer in his/her own name and not to the holder of an office. The standing imprest is intended to be in operation for a time and requires bringing the cash level of the advance continuously upto the agreed fixed level by systematic reimbursement of expenses. The holder of a standing imprest must keep a cash book to record all receipts and the balance on hand must match with the cash balance. A petty cash will be under this type of imprest.

6.13.2 Conditions for issue of Imprest

For an officer to be issued with an imprest, the following conditions must be met:

(i) No outstanding imprests that have not been surrendered;

(ii) Any accompanying requests for allowances or per diems (e.g. for Daily Subsistence Allowance (DSA)) these should be approved by AIE holders on justification and submission of following details, the applicant's names, personal number, job group, rates, number of nights out and the itinerary for a travel imprest.

(iii) Travel expenses requested under the imprest should be justified as being the cheapest under the prevailing conditions to ensure that the expenditure is justifiable.

(iv) Imprest can only be issued and paid to the applicant and cannot be issued to another officer on behalf of the applicant. However, imprest can be issued to an individual employee applying on behalf of other members attending same retreat or participating in same activity.

(v) Funds must be available in relevant budget line to cover the intended expenditure.

(vi) The following limits will apply to officers as per their salary scales

Salary Scale	**Maximum Basic**	**Maximum Imprest Allowed (In Kshs.)**
12	25,860	930,960
11	29,190	1,050,840
10	34,440	1,239,840
9	46,230	1,664,280
8	50,810	1,829,160
7	61,840	2,226,240
6	79,530	2,863,080
5	112,660	4,055,760
4	130,420	4,695,120
3	157,160	5,657,760
2	193,410	6,962,760

6.13.3 Imprest Warrant Preparation and Approval

On receipt of the duly approved communication regarding the activities requiring an imprest (e.g. invitation to workshop, a memo allocating responsibilities to applicant among others), an imprest warrant is prepared and processed as follows:

(a) The accountant checks the Vote-book to ensure that funds are available on the budget line.

(b) If funds are available, the imprest warrant is completed and signed by the applying officer with the following details, the activity, the proposed surrender dates and the amount requested.

(c) The amount of the approved imprest is committed in the Vote-book by the accountant and recorded in the imprest register as required by regulations 91, 92 and 93 PFM Act, County Government regulations 2015.

(d) The imprest warrant is reviewed and validated by another accountant for completeness.

(e) The imprest folder is forwarded to the AIE holder for approval of the intended expenditure.

(f) The approved imprest is forwarded to the cashier for payment to the applicant. On receipt the cashier reviews the warrant together with supporting documents for completeness, identification of the applicant who also signs the document. The cashier processes payments for cash or electronic payment.

(g) Funds are disbursed to the applicant in which the said funds may be for his/her own activity or he/she may be applying on behalf of other members in a department, administrative/management committee or a sectoral/standing committee of the house. The applicant must be an employee and a participant in the activity he/she is applying the imprest on behalf of the other members participating in a retreat or in an activity.

(h) The imprest warrant is filled out in triplicate:
  - Original retained by the cashier
  - Duplicate sent to accountants in imprest section for record purposes
  - Third copy retained by the applicant to be used during the imprest surrender.

(i) The petty cash accountant/officer posts the imprest warrant amount and details into the cashbook.

6.13.4 Imprest surrender

On completion of the activity as stipulated in the imprest warrant, the applicant is required to surrender the imprest with the actual allowance. The following are the procedures for surrendering imprests:

(a) Imprest must be accounted for within seven days of completion of the activity and or after the funds have been credited on the holder's account in case the activity was undertaken before payment. The imprest must only be spent for the intended activities and if not accounted for or surrendered in seven days, it will be treated as a staff debt and recovered from the salary of the applicant.

(b) Applicant returns unutilized funds to the cash office and a receipt is issued. For over-expenditure, the imprest holder must receive authorization from the AIE holder. Where the excess over the imprest is material, additional authorization must be received from the Accounting Officer. The imprest surrender must be accompanied by the requisite supporting documentation, which should be stamped "paid".

(c) The accountant examines the imprest surrender for completeness and accuracy and if satisfied, the Imprest surrender is forwarded to the AIE holder for authorization of the actual expenditure.

(d) The accountant updates the imprest control register with the authorized imprest surrender cleared against the original warrant.

(e) The cashier posts the imprest surrender into the cash book.

6.13.5 Imprest surrender supporting documentation for staff and Members allowances

Appropriate surrender of imprests includes a duly completed and authorized imprest surrender form, the applicant's copy of the imprest warrant and actual (authentic) expenditure supporting documents which should have been identified.

6.13.6 Petty cash

- Petty Cash provides a source of cash to effectively and efficiently purchase low value, low risk and infrequent purchases. The cash may also be used to pay small claims by Honourable Members and employees arising from performance of official duties.

- The petty cash established shall be maintained by the cashier or any accountant on the imprest system and shall be kept in safe custody.
- A general petty cash management system shall be used to control petty cash. The petty cash float will be maintained at a maximum amount of Kshs. 700,000 and is reimbursed at regular intervals on the basis of vouchers showing the payments which have been made using petty cash.
- The petty cash holder/ accountant shall make an application for the petty cash, which upon the approval of the Principal Finance Officer and the Accounting officer, funds are transferred to his/ her bank account.
- The petty cash holder shall be the custodian of the petty cash and shall be held personally accountable for its accountability.
- When the petty cash is reduced to a balance that can longer support its purpose, a replenishment of the fund shall be made. Replenishment of petty cash is subject to prior satisfactory accountability of the previous advances. The accountability must include detailed supporting documents for the expenditure without which the payee shall be required to refund the cash advanced.
- Petty cash payments shall be made only on the basis of suitably authorized petty cash vouchers which should be under sequential control. The vouchers shall be retained for future references.
- The accountant entrusted with the petty cash shall keep a file containing all documentation relating to the petty cash disbursements, filed chronologically. The petty cash shall be securely kept in the office cash safe. The head of the finance and accounts department shall carry out regular surprise cash counts on petty cash.
- The cash on hand and the total expenditure from the petty cash including outstanding imprest warrants issued from petty cash should at any given time equate to the total petty cash advanced.
- All petty cash requests shall be approved by the Clerk or his/her designated officer. The head of finance shall regularly spot-check the petty cash, document his/her findings and report any anomaly in the petty cash „float' to the Clerk.
- The cashier/ accountant shall maintain a petty cashbook.

Flow of petty cash requisition and approval;

Petty cash requisition form/Memo-(Applicant)- Head of Department (Approval of the need)-Principal Finance Officer- (Approval of finances)- Clerk-(Authorization)- Accounts office(Cashier)-to process petty cash.

CHAPTER SEVEN

SALARY AND ALLOWANCES

7.1 Introduction

In accordance with the SRC Circular issued from time to time, Members of County Assembly and employees shall be paid the stipulated salaries and allowances.

The Employment Act and Human Resource Manual, provides that a person engaged by the County Assembly of Bungoma will be paid full salary from the date of assumption ofduty.

Salary will include basic pay, house allowance, leave allowance, overtime allowance and other allowances categorized as part of salary as stipulated by the Salaries and Remuneration Commission (SRC). The Human Resource Policy and Manual elaborates more on allowances payable to Hon. Members and Employees of the County Assembly of Bungoma.

7.2 Preparation and payment of the Payroll

(a) The County Assembly's payroll shall be prepared centrally by the head of Human resource, which is for all County Assembly staff including MCAs.

(b) By the 18th of every month HR department shall send a memo to the Accounting Officer advising on the changes in the current month's payroll over the previous month.

(c) The accounts department shall prepare payment vouchers and ensure that they are authorized by the Accounting Officer. Salary payment shall be done through the IFMIS and paid through personal bank accounts provided by the officer.

(d) Net salaries shall be deposited in the bank account by end of every month or any other practicable date. Cash payment of salaries shall NOT be allowed.

(e) Salary advances to Hon. Members and Employees shall be sought from their respective salary paying banks.

(f) The payroll is prepared in the payroll software system (IPPD) and the Payroll Manager prepares the necessary variance reports to examine the changes advised. The changes are verified per staff against documented and approved changes.

(g) The changes are normally in the forms summarized in the table below.

Documentary Items required for Payroll Changes	**Documentary Evidence**
New staff hired	A copy of appointment Letter signed by Clerk
Staff terminated	A copy of termination letter signed by Clerk
Staff resigns	A copy of resignation acceptance letter signed by the PHRO
Over time	Timesheet approved by HR
Salary change for an individual e.g. an increment	A copy of letter signed by HR Head /Clerk
Global salary for all staffs or a category of staffs	A memo signed by Clerk and a schedule of the changes prepared by HR
Changes in Committees' membership affecting ordinary members, Vice Chair and Chair	A memo signed by the Clerk and a copy of minutes of the respective Committees meeting in which the changes were made.
Changes in House Leadership	Hon. Speaker's Communication via memo to Clerk of the Assembly and the Hansard report of the Sitting in which changes were communicated.

7.3 Staff allowances

The employees are entitled to the following allowances among others:

a) Overtime allowance

According to the Human Resources Policy and Manual, officers on salary scale 10 and below shall benefit from overtime allowance. Overtime shall be computed in excess of 40 hours per week at the rate of one and half times the officer's basic salary during working days and two times the officers basic hourly rate during weekends and public holidays. This shall be computed and paid at the end of the month as part of gross salary.

b) Task force allowance.

This shall be paid according to latest circulars issued by the SRC from time to time.

c) Airtime Allowance

To be implemented as per the Human Resource policies and procedures manual. This is a taxable allowance.

d) Meal Allowance

According to the SRC Circular reference SRC/TS/HRCOH/3/25, or any other Circular issued for that matter, an officer shall be entitled to a meal allowance on official duty outside his/her work station but during such a duty he/she does not qualify for accommodation allowance.

(e) Staff Car Loan and Mortgage

In accordance with SRC Circular Reference No. SRC/ADM/CIR/1/13 Vol. III (128), or any other relevant circular, officers shall be entitled to Car loan and mortgage commencing from 1st January, 2015. The County Assembly shall prepare appropriate regulations to guide the processing of the benefits of its employees.

The County assembly shall create a fund into which all monies appropriated for the car loan and mortgage shall be deposited and managed as per the regulations.

The table below indicates the applicable rates per officer subject to availability of funds and a third rule on specific officer's basic salary.

Beneficiary CASB Salary Scale	Car Loan (Kshs.)	Mortgage (Kshs.)
2	Up to 4,000,000	Up to 20,000,000
3-5	Up to 3,000,000	Up to 15,000,000
6-9	Up to 1,500,000	Up to 10,000,000
10-12	Up to 800,000	Up to 6,000,000

Interest Rate

The rate of interest applicable to both the Car Loan and Mortgage shall be 3% per annum on a reducing balance for the duration of Loan, unless advised otherwise by SRC.

Repayment Duration and Termination of the Scheme

The duration of repayment shall be a maximum of twenty (20) years for mortgage scheme and five (5) years for Car Loan.

Where the Employee leaves the County Assembly for whatever reason other than disciplinary grounds, the terms of the Loan remain in force and do not change for the life of the loan unless in cases of default in which case it reverts to commercial rates.

Loan Repayment

This will be done through the check-off system. The Human Resources department shall be responsible for ensuring that deductions are properly done through the payroll.

7.4 MCAs Benefits and Allowances

In accordance with the SRC Circular issued from time to time and or the Kenya Gazette Notice, Members of County Assembly shall be paid the stipulated salaries and allowances.

(i) Gratuity

A member of the County Assembly shall be entitled to a gratuity that will be computed at a rate of 31% of the basic salary which is 60% of the specified monthly remuneration package.

(ii)Air time allowance

According to SRC Circular as issued from time to time and or gazette notices as issued by SRC, this allowance shall be paid to the Hon. Speaker, Deputy Hon. Speaker and Members of County Assembly. The allowance shall be paid through the payroll and shall be subjected to tax. The Hon. Speaker shall be entitled to Kshs. 10,000 per month while the Hon. Deputy Speaker and all the MCAs are entitled to Kshs. 5,000 per month.

7.4.1 MCAs Car Loan and Mortgage Scheme

According to SRC Circular referenced SRC/TS/GOVT/3/16 and dated 27th November read together with the Gazette notice dated 27th July, 2022, all MCAs will be entitled to a Car Loan of Kshs. 2,000,000 and mortgage of Kshs. 3,000,000 both payable with an interest rate of 3% per annum. The Loan shall be repayable at the end of the term in office. The provisions of approved Regulations as per gazette notice shall apply in management of the Members Car Loan and Mortgage.

7.4.2 Travel Allowances (Per Diem)

These are allowances made by the Employer to members and employees while on official duties outside the workstation. The allowance is computed and paid according to SRC Circular referenced SRC/ADM/CIR/1/13 Vol. III (126) and dated

10th December, 2014 or any other circular issued from time to time.

7.4.3 Transport Reimbursement

This is money refunded to officers who travel to work outside the official workstation but are not provided with official means of transport. Upon returning to the office, the officer shall claim for money expensed on transport by proof of official receipts or mileage claim forms.

Where members of staff are not provided with an official vehicle, they may be authorized to use their personal vehicles by the clerk, and shall claim for mileage allowances as per the AA rates upon returning to the office.

7.5 Supporting documents required for processing of allowances.

Relevant supporting documents for payment of the following allowances;

1. **Committees siting allowance**

Supporting documents for the payment

(a) Notice of meeting
(b) Attendance register
(c) Minutes of the meeting

2. **Transport allowance**

   Relevant supporting documents for the payment

3. **Daily Subsistence Allowance for local travel**

Supporting documents for the payment;

(a) Approved Invitation/facilitation letter
(b) Hotel Attendance register/sheet
(c) Agenda/Program
(d) Travelling documents
(e) Approved Work ticket
(f) Back to office report
(g) Certificate (in the case of training)

4. **Daily Substance Allowance for foreign travel**

Supporting documents for the payment;

(a) Approved Invitation/facilitation letter
(b) Hotel Attendance register/sheet/conference attendance register
(c) Agenda/Program

(d) Approved Work ticket

(e) Back to office report

(f) Certificate (in the case of training)

(g) Clearance letter from relevant ministry/agency

(h) Copy of stamped passport /visa where applicable

(i) Boarding passes

(j) Ground transport documents

Income from employment shall constitute incomes as outlined in Section 5(2)(a) of the Income Tax Act 2012. The following allowances shall be deemed to be employment income and therefore chargeable to tax under PAYE;

1. Car and mortgage loan.

   It attracts Fringe Benefit Tax – paid as the difference between marketinterest rate and actual interest paid by the Employer.

   Supporting document for the payment;

   (a) Loan application form signed by the applicant.

   (b) Loan Security document/sale agreement

   (c) Loan Management Committee approval minutes

   (d) Payment voucher approved by accounting officer and signed by loanee
2. Car benefits
3. House allowance
4. Gratuity and pension – paid in lump sum
5. Special duty allowance
6. Transport allowance
7. Meal allowance

7.6 The payment of taxes

Tax on employment income shall be paid through the Pay-As-You-Earn (PAYE) system. The Assembly shall make monthly deductions, which shall be remitted to the Commissioner of Domestic Taxes by the 9th day of the following month.

Fringe benefit tax shall be charged on the total taxable value of a fringe benefit provided by an employer in a month and shall be payable by the 10th day of the following month.

Withholding taxes shall be paid by the 20th day of the month following the month of deduction.

The following benefits shall be taxed on all employees as indicated

i. Motor Vehicle – higher of commissioner's prescribed rate or cost of hiring/leasing, currently at 2% p.m.

ii. Fringe Benefit – paid as the difference between market interest rate and actual interest paid.
iii. Insurance cover where there is no group insurance policy scheme.
iv. Domestic Servants Benefit
v. Security Services Benefit
vi. Housing – shall be taxed at higher of; -
    i. 15% of total employment income
    ii. Fair market rental value of the premises.

iii. Rent paid by the employer.
iv. Telephone – 30%
v. Furniture – higher of amount paid per month/annum if hired or 1% p.m. (12% p.a.) of actual cost.
vi. Electricity – Kshs, 500 p.m. or Kshs. 18,000 p.a.
vii. Water – Kshs.500 p.m or Kshs. 6,000 p.a.

7.7 Tax Free Benefits

i. First Kshs.2,000 shall be tax allowable. Any amount exceeding the Kshs. 2,000 shall be taxable unless there is documentary supporting evidence of expenditure.
ii. Non-cash benefits below Kshs.36,000 p.a. or Kshs.3,000 p.m.
iii. Meals provided to low income earners to a maximum of Kshs. 48,000p.a or Kshs. 4,000 p.m per employee.

7.8 Staff/Members' allowances

(a) Officers/Members of County Assembly may be eligible for allowances as defined by SRC. These may include allowances for acting, sitting on committees, and so on but do not include DSA which is processed through imprest.
(b) Allowances shall be paid via the payroll on receipt of duly approved application forms from an officer and must be approved by their immediate supervisor and Head of HR.

7.9 Loans and salary advances

(a) Staff may request for loans and salary advances in line with policies and procedures outlined in the HR manual, which must be duly authorized by the Clerk prior to being submitted to Accounts for payment.
(b) Accountants receive the approved request for an advance or loan and process payment through electronic funds transfer/cheque according to prescribed payment processes.

The Accounts section can only process advances and loans if:

(i) They are duly approved.

(ii) Salary advances can only be approved by the Clerk or designated officers, if budgetary provision is available in the vote.

(c) The County Assembly's HR Policy and Procedure Manual shall identify loans that staff may be eligible for and the process for applying for those loans. Approved requests shall be processed only when received from the Head of HR.

CHAPTER EIGHT

ASSETS MANAGEMENT

8.1 Introduction

The County Assembly shall seek to safeguard all its fixed assets. Assets are considered to be fixed assets if they are capital in nature and have a useful economic life of over twelve (12) months. Categories of assets include: property, plant and equipment, furniture and fittings, motor vehicles among others.

At present, the County does not capitalize its assets (i.e. carry them on the balance sheet), which has been the practice in Government. The County Assembly's accounting treatment of assets is guided by the PSASB. All assets must be appropriately recorded to enable the County to track and monitor their movements.

8.2 Asset Acquisition

(a) Assets shall be acquired using the appropriate procurement procedures as detailed in the Government's procurement policy as spelt out in the PPDA (2015).

(b) Assets shall be handed over by the Head of Supply Chain into the custody of the User Departments.

8.3 Asset Record Management

(a) The County Assembly shall maintain a fixed asset register with details of all the assets in its custody. The fixed asset register shall contain details of: the type of asset, date of acquisition, location, description of the asset including serial numbers, make and Bungoma numbers as well as the original value, name of supplier and the proof of ownership (title deed numbers, vehicle log books among other ownership documents).

(b) Each Department shall maintain files / records for each asset which will include the proof of ownership documentation. This shall be in the custody of the head of the administrative function within the County.

(c) The County Assembly's accounts section shall maintain the asset ledgers indicating the value of the assets and expense in the Statement of Financial Performance as per the current Government asset recognition practice.

Therefore, for each asset acquired, the asset's ledger shall be debited with the price and the cash book credited with the price.

(d) County Assembly fixed assets should be tagged and a master database maintained with the tagging details. Fixed asset tagging is the affixing of barcodes or other machine readable codes on the asset which automates the asset details into an automated fixed asset register

(e) Any transfers or disposals of fixed assets should be updated in the fixed asset registers and ledgers updated with the value of the assets.

8.4 Asset Disposals and Transfers

(a) Assets disposal must be done using the approved procurement and disposal policy and procedure as outlined in the PPDA (2015) Sec 163-166 and its regulations.

(b) Any proceeds from the disposals are receipted which should be banked into County Assembly's revenue accounts as miscellaneous revenue.

(c) Assets that are transferred must have their details updated in the fixed asset register.

(d) The fixed asset register must also be updated to record any disposals

8.5 Exhibits

(a) As part of the conduct of cases, the County Assembly may sometimes hold exhibits lodged as evidence, which is an asset class in nature.

(b) Exhibits including cash held for cases, security documents such as vehicle log books, title deeds and so on.

(c) At the conclusion of a matter, the court may order the disposal of the exhibits or return to the owners.

(d) For disposals, the County Assembly shall ensure the asset per the asset disposal policies and procedures outlined in the PPDA (2015) and its regulations are followed. Proceeds of disposal are recorded as revenue and banked in the Station's revenue account.

CHAPTER NINE

ACCOUNTABLE DOCUMENTS

9.1 Introduction

Accountable documents are:

(a) Documents that when completed and duly authorized can be exchanged for a benefit including for money or goods or services.

(b) Documents that may authorize the release or acceptance of funds.

Types of accountable documents may include: LPOs / LSOs, cheque books, receipt books, imprest warrants, AIE forms, Payment Vouchers and so on.

9.2 Accountable Document Management Policies

(a) Accountable Documents (ADs) must be held in safe custody by the designated custodians. The Clerk shall charge all Heads to be designated custodians of the ADs in each relevant functional area. The custodians of the ADs shall be informed in writing and if there are any changes to the custodians this shall also be recorded in writing.

(b) ADs shall be held under lock and key in and a register maintained for movement of ADs showing issues of blank ADs, return of completed ADs including any cancellations.

(c) Electronic ADs should also be monitored and tracked in the respective AD movement register.

(d) Holders of ADs that are in use should maintain a movement register to track their movement and usage.

(e) A monthly as well as periodic ad hoc check should be carried out of the ADs and by an independent officer who is not a custodian. The inspections should include checks on unused ADs, ADs in use and those that have been utilized.

(f) Loss of any ADs should be reported to the custodian / holder who issued the stock and the accountant in charge, as soon as the loss is noted. This notification should include a report on the circumstances of the loss, description of the lost ADs and the actions taken to recover them. This report must be submitted to the Clerk so that steps are taken to prevent the use of such ADs including advertisement in the media.

(g) Any damaged, cancelled or obsolete ADs must be cancelled and retained until disposal and this reflected in the register.

9.3 Accountable Documents Retention

The County Government like national government entities is required to retain documents that may be required for: archiving for historical purposes; subject to outstanding audit queries, and if likely to be required for pension purposes. The designated document retention timelines, as per the Public Archives and Documentation Service Act, are as indicated in the table below:

	Type of Document	**Retention Period**
1	Principal ledgers, cashbooks	10 years
2	Journal vouchers, paid cheques or EFT payments	3 years
3	Payment vouchers	5 years
4	Completed imprest warrants, order forms, duplicate receipts and payment vouchers	12 months after the end of the financial year for which they relate
5	Fully used and obsolete or partly used receipt books	6 months after date of completion subject to the disposal policies

Unless specified above, the accountable documents should be held for 7 years

9.4 Disposal of Accountable Documents

Disposal of ADs is subject to the Public Archives and Documentation Service Act which requires:

(a) The Clerk to form a committee on an annual basis to review the ADs to be disposed and ensure they are in line with the above retention periods.

(b) Spending Units to provide lists of their disposable ADs to the committee for review.

(c) From the Committee's recommendations, the Clerk communicates, in writing to the Director, Kenya National Archives and Documentation Service (KNADS) on the ADs to be disposed of and seeks approval to dispose.

(d) Kenya National Archives undertakes verification of the disposable ADs and issues a certificate of destruction to the County.

(e) Destruction is undertaken in line with the KNADS Act.

CHAPTER TEN

FINANCIAL REPORTING

10.1 Overview

Section 129 (3) of the PFM Act (2012) requires the County Assembly Clerk to submit estimates of expenditure for the next financial year for review and approval by the County Assembly and a copy of the same shall be submitted to the CEC in charge of Finance and Economic Planning.

Equally, Sections 122, 124, 158, 163, 164 and 166 of the PFMA, 2012 specify monthly, quarterly and annual reporting requirements. The County Assembly shall prepare and submit the reports pursuant to the above provisions.

10.2 Quarterly Reports

Pursuant to section 166 of PFM Act, 2012, an accounting officer of a government entity shall prepare a report of its financial status for each quarter of the financial year. In view of this, the accounting officer shall cause to be prepared the financial statements on quarterly basis and forward to the CECM for Finance and Economic planning not later than fifteen (15) days after the end of each quarter. In addition, the following reports shall be prepared to accompany these financial statements;

i. An income and Expenditure statement for all recurrent and development expenditure for the quarter ended;
ii. A budget execution report showing the year to date performance in comparison to the budget;
iii. A statement of financial position as at the last day of the quarter.

The following reports shall also be prepared on a quarterly basis and submitted accordingly;

a) Quarterly financial statements, fifteen (15) days after the end of each quarter, to Internal Audit who then shares with the Audit committee and, to the BCASB.

b) A report of imprest issued to the employees and the MCAs showing the details of the imprest issued, purpose of the imprest as well as surrendered and unsurrendered amounts as at quarter end.

c) A creditors aging report indicating the name of the creditor, description of goods supplied or services rendered, transaction date and the amounts involved. This will help monitor the payables and keep in check the pending bills at any given time.

10.3 Annual Reporting

According to section 162 of the PFM act, 2012, at the end of each financial year an accounting officer shall cause to be prepared annual financial statements in accordance with the forms designed and prescribed by the Public Sector Accounting Standards Board. Before these financial statements are prepared, there will be some preliminary procedures that will be followed latest by 20th day of July of the followingfinancial year.

10.3.1 End Year Closing Procedures

The head of finance and accounting shall ensure that the following end year procedures are carried out promptly and accurately;

1. Close the cash book to establish the closing balances,
2. Request for certificate of bank balances from banks,
3. Ensure all transactions for the year have been posted in the general ledger,
4. Analyze all account balances,
5. Pass the necessary journals,
6. Close the general ledger and extract the trial balance for final reporting,
7. Prepare the financial statements as per the Public Sector Accounting Standards Board (PSASB).

10.3.2 Preparation of annual Financial Statements

The financial statements shall be prepared by 20th of August every year andshall include the following;

1. An income and expenditure statement for all recurrent and development expenditure

2. A budget execution report showing the year performance in comparisonto the budget
3. A summary statement of appropriation as at the year end
4. The statement of cash flows
5. A statement of financial position as at the year end
6. Notes to the financial statements

10.3.3 Submission of annual Financial Statements

These financial statements shall be submitted according to the following timelines;

a) To Internal Audit department for review and the Audit Committee, by20th and 25th of August every year respectively.
b) To the National treasury for quality review, by 31st August every year.
c) The feedback from the Audit Committee and the National treasury shall be reviewed and considered for adoption by 7th of September each year.
d) The final financial statements shall be presented to CASB by 15th of September every year.
e) The financial statements shall be submitted to the Auditor General, by 30th September with copies to the County treasury, National treasury, Office of the Controller of Budget and the Commission on Revenue Allocation.

CHAPTER ELEVEN

RISK MANAGEMENT AND AUDIT

11.1 Overview of Risk Management

The risk management and internal audit processes are concerned with identifying and mitigating risks within the County Assembly. The financial management processes described in the preceding sections have many risk areas and must be constantly monitored, identified and managed. This is done through a risk management process assured by a robust internal audit. This section of the manual provides an overview of the risk and internal audit procedures as they pertain to financial management.

11.2 Risk Identification and Assessment

Management and mitigation of risks is a core function of each functional area of the institution. The County Assembly expects to drive identification of its risks and provides technical support for assessment and analysis of the identified risks.

Consequently, the finance and accounts sections are expected to:

(a) Complete risk identification templates in which it identifies its risks, rates them, their impacts, probability and therefore the level of overall risk.

(b) Prepares a consolidated risk identification template covering all financial management areas and submits to the risk function for analysis and assessment.

(c) This identification and assessment of risk is carried out annually at the beginning of the financial year and may be updated if issues arise during the course of the year.

11.3 Risk Reporting

(a) Risk mitigation strategies are defined to address the identified risks and an annual risk review is out by the risk and internal systems function to determine effectiveness of the mitigation strategies.

(b) The Senior Accountant and the Head of Finance review the findings and recommendations of the risk assessment report and provide feedback on the implementation of the suggested recommendations as well as comment (if any) on the findings.

11.4 Types of Audit

There are two main types of audits:

a) Internal audit
b) External audit

11.5 Internal Audit

Internal audit is undertaken by an independent internal audit unit that reports directly to the audit Committee. The County Assembly's finance and accounts sections are audited by the internal audit. The internal audit function (as detailed in Section 155 of the PFM Act) has been put in place to ensure that there are appropriate arrangements in place for conducting internal audit according to the guidelines issued by the PSASB.

11.5.1 Mandate of Internal Audit function

The Internal Audit function's main mandate is to:

(i) Review reliability and integrity of financial information and the systems, processes and practices used to identify and mitigate measure and report on their status;
(ii) Review the organizational policies and procedures to ensure that they are consistent, aligned to good practices and safeguard the County Assembly as well as a subsequent review of the compliance to the procedures; Review the operations and activities of County to ensure they are cost effective in utilization of resources, attaining expected results and efficiently delivering the expected outcomes;
(iii) Conduct specific reviews and audits as may be required by the CEC Member for Finance and approved by the Audit Committee.
(iv) Provide advisory and assurance services to the County Assembly in relation to internal controls and risk management strategies;
(v) Review Internal Controls and Policies and identify any instances of fraud, waste and abuse.

(vi) Reviewing the governance mechanisms of the County Assembly and mechanisms for transparency and accountability with regard to the finances and assets of the entity;

(vii) Conducting risk-based, value-for-money and systems audits aimed at strengthening internal control mechanisms that could have an impact on achievement of the strategic objectives of the County Assembly;

(viii) Verifying the existence of assets administered by the entity and ensuring that there are proper safeguards for their protection;

(ix) Providing assurance that appropriate institutional Policies and Procedures and good governance practices are followed by the entity; and

(x) Evaluating the adequacy and reliability of information available to management for making decisions with regard to the entity and its operations.

(xi) Ensuring that internal audits in respect of the County Assembly are conducted in accordance with international best practices.

11.5.2 Internal Audit Cycle and Responsibilities of Auditees

The internal audit cycle encompasses internal audit planning, audit execution and reporting, and requires collaboration from auditees during these phases. Specific policies and procedures for undertaking each of the internal audit activities are detailed in the Internal Audit Manual. This section outlines the responsibilities of auditees in the respective phases of the internal audit.

(a) Internal Audit Planning

During this phase:

(i) The Internal Audit Department (IAD) team develops its annual audit plan including scheduling of the various audits across functional areas.

(ii) The auditees receive notification of any audits in good time to ensure adequate preparation for the internal audit.

(iii) Additionally, as internal audits are risk based, the finance and accounting functions participate in risk identification activities.

(iv) The auditees may also recommend areas for investigation by the IAD.

(b) Internal Audit Execution

In this phase of the internal audit cycle, the auditors conduct the actual audit. Responsibility of auditees at this stage includes:

(i) Participation in the entry meeting.
(ii) Provision of required documentation and reports.
(iii) Providing access to staff, management and leadership across the functional area for the internal auditors

(c) Reporting

In this phase, the auditors present their audit findings and recommendations and the finance and accounting team, undertake to:

(i) Review the findings and recommendations of the internal audit and provide appropriate management responses.
(ii) Review the IA reports within 2 weeks of receipt for implementation of recommendations.

11.6 Statutory/External Audits

External audit is an audit carried out by external auditors.

11.6.1 Types of External Audits

There are various types of audits that may be carried out by external auditors, which include:

(i) Statutory year-end audit of financial statements carried out by the Office of the Auditor General (OAG).
(ii) Audits carried out by other Government auditors such as: Public Procurement Oversight Authority, Ethics and Anti-Corruption Commission, among others.
(iii) Targeted audits e.g. audits as may be conducted at the request of oversight agencies and the Senate.
(iv) Audits commissioned by development partners and donors.
(v) Special audits.

11.6.2 Statutory Audit Timelines and Requirements

The statutory audit is subject to timelines as indicated in the Constitution and in the PFM Act, 2012. Key statutory timelines are:

(i) Under Article 229 of the Constitution the Auditor General must audit and report on the County Assembly's financial statements within six (6) months of the end of the financial year.

(ii) The County Assembly shall prepare and submit financial statements within three months of the end of financial year i.e. by September 30th.

(iii) The financial statements to be prepared and submitted include: the Executive's report; Management Responsibility Statement and Financial Statements for: Appropriation Accounts, Statement of Asset and Liabilities; Statement of Pending Bills and Notes to the Financial Statements.

11.6.3 Management Responses

Internal and External auditors may raise audit queries and raise audit issues through management letters (MLs) for clarifications.

Queries from the Auditor General will be responded to within the timeframe indicated in the management letter / auditors reports.

COUNTY GOVERNMENTOF BUNGOMA

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