REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY GOVERNMENT OF HOMA BAY

FOR THE YEAR ENDED 30 JUNE 2015

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY GOVERNMENT OF HOMA BAY FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Homa Bay County Government set out on pages 5 to 20, which comprise the statement of assets as at 30 June 2015, and the statement of receipts and payments, statement of cash flows and budget execution summary: recurrent and development for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Cash and Cash Equivalent

1.1 Bank Balance

Included in the bank balance figure of Kshs.534,220,371 as at 30 June 2015, are standing imprest account No. 01141456870100 with a balance of Kshs.1,568,199 at Co-operative Bank and County Assembly account No. 01141456870100 with Kshs.174,919 for which bank reconciliation statements were not availed for audit verification. Further, the following six (6) sector accounts totalling Kshs.2,594,781 were not included in the bank balance as at 30 June 2015 and the respective bank reconciliation statements were also not availed for audit review;

Sector	Balance Kshs
Finance and Economic Planning Equity Bank Account No 0980262854542	1,419,313
Transport and Infrastructure Equity Bank Account No. 0980263681703	528,045
Trade and Industry Equity Bank Account No. 0980263681985	174,414
Land, Housing and Survey Equity Bank Account No. 0980263681992	1,557
Energy and Natural Resources Equity Bank Account No. 0980263681592	742
Agriculture, Livestock, and Fisheries Equity Bank Account No. 0980263682688	470,710
	2,594,781

In addition, bank statements and bank reconciliation statements for 93 dispensaries, 34 health centres, 11 sub-district hospitals and the County Referral Hospital were also not availed for audit review.

Consequently, the validity and accuracy of the bank balance of Kshs.534,220,371 as at 30 June could not be confirmed.

1.2 Outstanding Imprest

Excluded from the statement of assets is outstanding imprest amounting to Kshs.26,407,668 reflected in note 11 to the financial statements. It is not clear and the management has failed to explain the rationale in excluding the imprest from cash and cash equivalent balance of Kshs.534,220,371

2. Compensation of Employees

2.1 Unexplained Variances

The statement of receipts and payments reflects compensation of employee's figure of Kshs.2,171,216,393 as 30 June 2015 while the supporting schedule availed for audit review reflected a figure of Kshs.2,164,345,903 resulting in an unexplained or reconciled variance of Kshs.6,870,490.

Consequently, the validity and accuracy of compensation for employees' expenditure of Kshs.2,171,216,393 year ended 30 June 2015 could not be ascertained.

2.2 Unsupported Social Security Benefits

The statement of receipts and payment also includes social security benefits of Kshs.6,870,491, whose supporting documents were not availed for audit review.

Consequently, the validity of the social security figure of Kshs.6,870,491 for the year ended 30 June 2015 could not be ascertained.

2.3 Unsecured Car & Mortgage Loans

Included in the statement of receipts and payment under compensation of employees amount of Kshs.2,171,216,393 is Car and Mortgage Loans for Members of the County Assembly amounting to Kshs.72,328,000 through Homa Bay Car Loans & Mortgage Scheme Fund.

The following are the observations made:

i. The Loans and Mortgages Board had not been established for the purpose of managing the Fund.

ii. The financial statements for the Fund have not been prepared and submitted to the Auditor-General as required by Section 167(3) of the Public Finance Management Act, 2012 on annual reporting by administrators of County Public Funds. In the absence of the financial statements, it was not possible to confirm the status of the Fund.

iii. Regulations for the administration of the Fund had not been formulated by the time of the audit.

iv. The members of the Assembly held unsecured loan balances totalling Kshs.171,756,901 as at 30 June 2015.

Consequently, the County Assembly is in breach of the law.

3. Use of Goods and Services

3.1 Unsupported Variances

Included in the statement of receipts and payments under use of goods and services and as detailed in note 5 to the financial statements are expenditures totalling Kshs.842,762,537. However the supporting schedules availed for audit review amounted to Kshs.499,899,908 resulting in unsupported as unreconciled variance of Kshs.342,862,629 as shown below:

Item	**As per the financial statements (Kshs)**	**As per Schedule (Kshs)**	**Variance (Kshs)**
Domestic travel and Subsistence	279,649,669	91,103,293	188,546,376
Foreign travel and Subsistence	24,833,788	33,555,673	(8,721,885)
Rentals of Produced Assets	101,177,340	6,201,340	94,976,000
Training Expenses	39,692,522	34,651,822	5,040,700
Hospitality Supplies and Services	56,893,711	45,495,782	11,397,929
Insurance Costs	58,334,707	56,026,647	2,308,060
Specialized Materials and Services	123,378,962	121,822,862	1,556,100
Other Operating Expenses	118,804,106	69,773,513	49,030,593
Routine Maintenance Other Assets	39,997,732	41,268,976	(1,271,244)
Total	**842,762,537**	**499,899,908**	**342,862,629**

Further, the statement of receipts and payments reflects use of goods and services figure of Kshs.1,127,921,017 while the recomputed amount under note 5 to the financial statements amounts to Kshs.1,086,951,498 resulting in unreconciled or unexplained difference of Kshs.40,969,519. In addition, the comparative expenditure figure is reflected as Kshs.937,836,822 while the recomputed figure under note 5 to the financial statements indicates Kshs.858,979,701 resulting in unexplained or unreconciled difference of Kshs.78,857,121.

Consequently, the validity and accuracy of goods and services figure of Kshs.1,127,921,017 could not be confirmed for the year ended 30 June 2015.

3.2 Procurement of Cleaning Services

Included in the use of goods and services amount of Kshs.1,127,921,017 in the statement of receipts and payments is cleaning services amount of Kshs.5,838,000 paid to a contracted local firm by the County Government, for a period of six months from March 2015 to August 2015 at a monthly cost of Kshs.973,000. It was, however, observed that the firm was not prequalified to provide cleaning services and hence the contract was not in compliance with the Public Procurement and Disposal Act, 2005.

Consequently, the management was in breach of the law and the propriety of the expenditure of Kshs.5,838,000 on cleaning services for the year ended 30 June 2015 could not be confirmed.

3.3 Procurements of Insurance Services

Included in the use of goods and services amount of Kshs.1,127,921,017 in the statement or receipts and payments is insurance cover services of Kshs.8,570,667 paid to an insurance company as premium. However, no tender documents, contract agreement or policy documents were made available for audit verification.

Consequently, the propriety of the expenditure of Kshs.8,570,667 on insurance services for the year ended 30 June 2015 could not be confirmed.

3.4 Repair and Renovation of House

Included in the use of goods and services amount of Kshs.1,127,921,017 in the statements of receipts and payments is Kshs.1,740,661 for repair and renovation for County House No. HOMA/HOU/CH/MG 16 type D9 during the year under review. However, management did not avail an inspection report for audit review.

Consequently, the propriety of the expenditure of Kshs.1,740,661 on repair and renovation of the house could not be confirmed.

3.5 Irregular Payment – Lease of Premises

Included in the use of goods and services amount of Kshs.1,127,921,017 in the statement of receipts and payments is a payment of Kshs.1,628,083 for lease of premises for which the contract agreement was not availed for audit review. Further, the lease was directly procured and management did not provide explanation for direct procurement of premises without a service agreement.

Consequently, the propriety of the expenditure amounting to Kshs.1,628,083 for the year ended 30 June 2015 could not be confirmed.

3.6 Unauthorized Direct Expenditures

Included in the use of goods and services amount of Kshs.1,127,921,017 in the statement of receipts and payments are direct expenses amounting to Kshs.14,584,394 incurred by

various health facilities from collected revenue. No authority was availed for the direct expenditure which is contrary to Financial Regulations for County Government.

Consequently, the management was in breach of the law and the propriety of the expenditure of Kshs.14,584,394 by the health facilities for the year ended 30 June 2015 could not be confirmed.

3.7 Medical Supplies

Included in the use of goods and services amount of Kshs.1,127,921,017 in the statement of receipts and payments is Kshs.578,553 in respect of purchase of medical supplies by Homa Bay District Hospital between 16 March and 11 June, 2015. However, the supplies were from non-prequalified pharmacists. There was also no proof that deliveries were made to the hospital's drug stores as the counter receipt vouchers (form S13) were not availed for audit verification.

Consequently, the propriety of the expenditure amounting to Kshs.578,553 for the year ended 30 June 2015 could not be confirmed.

3.8 Food Stuff

Included in the use of goods and services amount of Kshs.1,127,921,017 in the statement of receipts and payments is Kshs.3,705,500 for purchase of dry ration food from two non-prequalified companies. The counter receipt vouchers (form S13) were also not availed for audit verification.

Consequently, the propriety of the expenditure of Kshs.3,705,500 on food stuff (dry ration) for the year ended 30 June 2015 could not be confirmed.

4. Acquisition of Assets

4.1 Unsupported Variances

Included in the statement of receipts and payments under acquisition of assets and detailed in note 8 to the financial statements are expenditures totalling Kshs.676,154,834. However, supporting schedules availed for audit review amounted to Kshs.678,493,769 resulting in unsupported or unreconciled variance of Kshs.2,338,935 as shown below:-

Items	As per the financial statements (Kshs)	Schedules figure (Kshs)	Variance (Kshs)
Refurbishment of Buildings	89,469,569	63,488,006	25,981,563
Construction of Roads	552,068,889	585,022,707	(32,953,818)
Purchase of Office Furniture and General Equipment	30,536,530	29,768,530	768,000
Purchase of ICT Equipment	4,079,846	214,526	3,865,320
Total	**676,154,834**	**678,493,769**	**(2,338,935)**

In addition, the statement of receipts and payments reflects comparative balance for acquisition of assets figure of Kshs.1,044,744,098 (2013/2014) while the recomputed

amount under note 8 to the financial statements amounts to Kshs.977,472,906 resulting in an unreconciled or unexplained difference of Kshs.67,271,192.

Consequently, the validity and accuracy of acquisition of assets figure Kshs.1,345,496,109 could not be confirmed.

4.2 Changing Rooms and V.I.P. Toilets

Included in the acquisition of assets amount of Kshs.1,345,496,109 in the statement of receipts and payments is Kshs.4,927,290 paid to M/S Sasah General Merchant in respect of construction of changing rooms and V.I.P toilets at the Homa Bay stadium. Audit verification carried out on 9 October 2015 revealed that construction works were ongoing six months after the intended handover date of 1 May 2015. Further, bill of quantities for the project was not availed for audit verification.

Consequently, the propriety of the expenditure of Kshs.4,927,290 on construction of changing rooms and V.I.P toilets for the year ended 30 June 2015 could not be confirmed.

4.3 Purchase of Three Parcels of Lands

Included in the acquisition of assets figure of Kshs.1,345,496,109 in the statement of receipts and payments is purchase of the following three parcels of land amounting to Kshs.8,550,000 and whose ownership documents were not availed for audit review;

(i) L.R Ref:Kanyamwa/Kayambo/Kwamo/1000 - The County Government purchased 10 acres of land for Kshs.3,300,000 to construct the proposed Gor Mahia stadium.

(ii) L.R Ref:Kanyada/Kanyabala/1634 – The County Government purchased 4 acres of land for Kshs.2,100,000 to relocate the county headquarters.

(iii) L.R Ref: Kanyada/Kanyabala/2030 – The county purchased 5 acres of land for Kshs.3,150,000 to construct animal feeds factory.

In the circumstances, the ownership status of the three parcels of land and the propriety of the expenditures amounting to Kshs.8,550,000 for the year ended 30 June 2015 could not be confirmed.

4.4 Stalled Ranen Water Pan Project

Included in the acquisition of assets figure of Kshs.1,345,496,109 in the statement of receipts and payments is Kshs.8,964,230 for the construction of a water pan vide contract agreement dated 23 June 2015. Physical verification at the time of the audit revealed that the contractor was not at the site.

Consequently, the validity and propriety of the expenditures amounting to Kshs.8,964,230 for the year ended 30 June 2015 could not be confirmed.

4.5 Construction of Satellite Blood Donor Unit and Oxygen Plant

Included in the acquisition of assets figure of Kshs.1,345,496,109 in the statement of receipts and payments is Kshs.18,000,000 paid to two firms for the construction of a satellite blood donor unit and oxygen plant.

The following observations were made,

(i) A review of the prequalification list availed for audit review indicated that both firms were not prequalified.

(ii) The contract for construction of satellite blood donor unit awarded to Nu-Plan Engineering and Design Limited was to commence on 19 March 2015 and to be completed by 23 September 2015. However, the project was not complete as at the time of the audit in October 2015. In addition, although the contract was varied from the initial cost of Kshs.11,927,700 to Kshs.21,927,700, no approved variation order was availed for audit review.

(iii) The contract for the oxygen plant awarded to Farm Refrigeration and Electrical System Limited was to commence on 3 February 2015 and be completed by 6 May 2015 at a contract sum of Kshs.9,819,400. However, as at the time of the audit in October 2015, the project had not been completed and no approval was availed to support time extension.

Consequently, the management was in breach of the law and the propriety of the expenditure of Kshs.18,000,000 for the year ended 30 June 2015 could not be confirmed.

4.6 Roads

4.6.1 Kadongo- Gendia Road

Included in the acquisition of assets figure of Kshs.1,345,496,109 in the statement of receipts and payments is Kshs.43,257,350 paid in respect of construction of Kadogo-Gendia Road out of which Kshs.30,000,000 was paid to M/s Oasis Group International, (Contractor) and Kshs.13,257,350 to G.A Consultants Ltd, (Consultant). Information available indicates that the contract for bitumization of Kadongo-Gendia road was awarded in 2013/2014 at a cost of Kshs.3,389,587,500. However, during the year under review, the Contractor and the Consultant were declared non performing and subsequently, the contract was terminated.

As at the time of contract termination, the contractor had been paid a total of Kshs.110,000,000 while the consultant had been paid a total of Kshs.13,257,350. The contract agreement signed between the County Government and the two parties (contractor and consultants) was not availed for audit verification. Although management has indicated that it has instituted a suit against G.A Insurance Company for payment of performance bond, the same had not been concluded as at the time of the audit.

In the circumstances, the propriety of the expenditure of Kshs.123,257,350 as at 30 June 2015 could not be ascertained.

4.6.2 Payment for Road Maintenance Services not Delivered

Included in the acquisition of assets figure of Kshs.1,345,496,109 in the statement of receipts and payments is KShs.5,719,572 paid to two contractors in respect of road maintenance on Nyalkinyi-Imbo and Omoya-Pineapple Industry roads. Physical verification of the roads, revealed that various works and services paid for had not been done by the contractors.

Consequently, the propriety of the expenditure of Kshs.5,719,572 on roads maintenance services as at 30 June 2015 could not be confirmed.

5. Assets and Liabilities Inherited from Defunct Local Authorities

The statements of receipts and payments reflects an amount of Kshs.1,345,496,109 under acquisition of assets for the year ended 30 June 2015. It also reflects pending payables/bills totalling Kshs.404,413,025 as disclosed under annexure 1 to the financial statements. However, the County Government financial statements for the year do not include the assets and liabilities inherited from the defunct Local Authorities even though the Country management took possession of them. In addition, the Inter-Government Relations Technical Committee which took over from the Transition Authority is yet to formally hand over the assets and liabilities of the defunct Local Authorities to the County Government. It is not clear when the assets and liabilities will be handed over to the County Government

In view of the above, the financial statements presented by the County Government of Homabay are not fairly stated.

6. Pending Bill

The County's financial statements includes pending bills totalling Kshs.404, 413,025 as per the schedule availed for audit review. However, the stated pending bills were not supported with the relevant documents namely invoices, completion certificates, inspection and acceptance committee reports. Had these bills been paid, the statement of receipts and payments would have reflected a decreased surplus of Kshs.109,757,169 from Kshs.514,170,194 reflected in these financial statements.

Failure to pay bills in the year they relate distorts the financial statements for the year and adversely affects the provision for subsequent years.

Consequently, the validity and accuracy of pending bills totalling Kshs.404,413,025 could not be ascertained.

7. IFMIS Operations

7.1 Reports and Financial Statements

The budget figures reflected on IFMIS and the budget execution summary in the financial statements revealed variances as shown below:-

Development Budget	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)
Financial Statement	2,004,392,365	1,483,761,082	520,631,283
IFMIS	1,840,792,365	1,933,043,677	(92,251,312)
Variance	163,600,000	(449,282,595)	
Recurrent Budget			
Financial Statement	3,220,838,717	3,173,389,460	47,449,257
IFMIS	3,175,446,717	3,343,860,857	(168,414,140)
Variance	45,392,000	(170,471,397)	

Consequently, the validity and accuracy of these financial statements could not be ascertained.

8. Members of County Assembly (MCAs) Committee Meetings

The County Assembly paid Kshs.5,540,800 for various committee meetings held outside the assembly compound. However, the minutes for selection committee, bonding session, elected members and attendance registers were not availed for audit review. In addition, transport costs amounting to Kshs.2,120,000 were paid upfront instead of the same being given as imprests to be accounted for after the safari. This is contrary to Section 93(3) of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, the propriety of committee meetings expenditure of Kshs.5,540,800 and the transport expenditure of Kshs.2,120,000 could not be ascertained for the year ended 30 June 2015.

9. Temporary Imprest to MCA's for Accommodation and Transport

The County Assembly issued MCA's temporary imprests during the year under review totalling Kshs.12,168,800 to attend budget discussions and liaison meetings in Kisumu and Nairobi on various dates. The supporting evidence for the surrendered voucher revealed that no attendance register for all the activities was availed for audit verification.

Consequently, the propriety of the expenditure of Kshs.12,168,800 on accommodation and transport for the year ended 30 June 2015 could not be confirmed.

10. Budget Execution Summary

10.1 Budget

The approved budget by the County Assembly total figure of Kshs.5,016,239,082 differs with Kshs.5,202,841,082 in the statement of combined budget execution summary: recurrent and development resulting in unreconciled variance of Kshs.186,602,000.

Consequently the accuracy of the budget execution summary figure of Kshs.5,202,841,082 could not be confirmed.

10.2 Other Receipts

The approved budget by the Assembly reflected Appropriation In Aid (A I A), local generated revenue of Kshs.152,266,670 which differs with the budget execution summary of appropriation figure of Kshs.263,687,573 resulting in unexplained/unreconciled variance of Kshs.111,420,903.

Consequently the accuracy of the other receipts of Kshs.263,687,573 in the summary of budget appropriation could not be confirmed.

10.3 Budget Utilization

Information availed for audit review indicated that the budgeted figure for development of the County Government was Kshs.1,840,792,365 while the actual expenditure was Kshs.1,933,043,677 resulting in an over expenditure of Kshs.92,251,312 being 5% of the total budget approved. Further, the recurrent budget figure for the County Government was Kshs.3,175,446,717 while the actual expenditure was Kshs.3,343,860,857 resulting in an over expenditure of Kshs.168,414,140 being 5% of the total budget approved as summarized below:-

	Budgeted (Kshs)	Actual (Kshs)	Variance (Kshs.)	% Absorption
Recurrent	3,175,446,717	3,343,860,857	168,414,140	105
Development	1,840,792,365	1,933,043,677	92,251,312	105
Total	**5,016,239,082**	**5,276,904,534**	**260,665,452**	**105**

10.4 Development Expenditure

The development expenditure of various departments was as analyzed below:

Sector	Budget (Kshs)	Actual (Kshs)	Under Expenses	Over Expenses	Absorption %
Office of the Governor	51,400,000	48,050,207	3,349,793		93
Finance and Economic Planning	29,787,646	454,898,931		425,111,285	1527
Education and ICT	109,490,000	38,390,940	71,099,060		35
Energy and Natural Resources	85,344,461	81,259,029	4,085,432		95
Tourism, Culture and Sports	69,394,000	33,236,758	36,157,242		48

Water and Natural Resources	192,600,000	200,967,971		8,367,971	104
Transport and Infrastructure	555,500,000	553,009,012	2,490,988		99
Trade, Industry and Development	86,100,000	89,300,378		2,900,378	103
Health Services	491,500,000	271,166,620	220,333,380		55
Agriculture, Livestock and Fisheries	99,183,420	101,357,068		2,173,648	102
Lands, Housing and Physical Planning	25,776,995	19,302,802	6,474,193		75
County Assembly	44,415,843	42,103,961	2,311,882		95
Total	**1,840,792,365**	**1,933,043,677**	**346,301,970**	**438,553,282**	**105**

The County Government total under expenditure on development budget amounted to Kshs.346,301,970 which is an indication of projects budgeted for but not realized for the benefit of the citizens of Homa Bay County. This could be as a result of lack of proper planning and budgeting on priority areas. Also the County Government incurred excess expenditure of Kshs.438,553,282 and there was no proof of approvals of the same in line with the Public Finance Management Act, 2012.

10.5 Recurrent Expenditure

The recurrent expenditure of various departments is as analyzed below:-

Sector	Budget Kshs	Actual Kshs	Under Expenses	Over Expenses	Absorption %
Office Of The Governor	301,616,361	293,167,895	8,448,466		97
County Public Service Board	71,834,328	60,307,410	11,526,918		83
Finance And Economic Planning	335,954,172	292,348,283	43,605,889		87
Education and ICT	291,705,329	232,790,966	58,914,363		80
Energy and Natural Resources	28,946,501	27,002,907	1,943,594		93
Tourism ,Culture and Sports	27,982,505	78,509,820		50,527,315	181

Water and Natural Resources	62,174,297	57,502,013	4,672,284		94
Transport and Infrastructure	51,361,462	39,088,953	12,272,509		76
Trade, Industry and Development	129,042,926	118,150,481	10,892,445		92
Health Services	814,171,721	1,004,386,151		190,214,430	123
Agriculture, Livestock and Fisheries	199,170,498	185,234,939	13,935,559		93
Lands, Housing and Physical Planning	43,257,105	47,989,848		4,732,743	111
County Assembly	818,229,512	809,848,669	8,380,843		99
Total	**3,175,446,717**	**3,246,328,335**	**174,592,870**	**245,474,488**	**105**

The County Government's total expenditure on recurrent budget amounted to Kshs.174,592,870 which is an indication of services budgeted for but not realized for the benefit of the citizens of Homa Bay County. This could be an issue of poor budgeting mechanism. Further, the County Government incurred excess expenditure of Kshs.245,474,488 and is not clear and the management has not explained how the same was approved.

10.6 Office of the Governor

The recurrent expenditure of the Office of the Governor is as analyzed below;

Details	Budgeted (Kshs)	Actual (Kshs)	Under Expenses (Kshs)	Over Expenses (Kshs)	Performance %
Basic Salaries County Executive Service	50,143,428	44,963,142	5,180,286		90
House Allowance	22,752,000	16,918,541	5,833,459		74
Transport Allowance	7,184,000	5,102,074	2,081,926		71
Leave Allowance	46,132,980	43,887,158	2,245,822		95
Administrative Allowance	39,312,000	35,894,748	3,417,252		91
Electricity	1,000,000	965,146	34,854		97
Water and Sewerage Charges	500,000	389,240	110,760		78

Telephone, Telex, Facsimile and Mobile Phone Services	2,200,000	2,199,773	227		100
Courier & Postal Services	60,000	45,000	15,000		75
Travel Costs (airlines, bus, railway, mileage allowances, etc.)	7,200,000	8,183,332		983,332	114
Accommodation - Domestic Travel	6,000,000	5,983,700	16,300		100
Daily Subsistence Allowance	5,500,000	6,955,450		1,455,450	126
Publishing & Printing Services	1,500,000	2,036,420		536,420	136
Subscriptions to Newspapers, Magazines and Periodicals	360,000	342,325	17,675		95
Advertising, Awareness and Publicity Campaigns	1,500,000	5,961,920		4,461,920	397
Rents and Rates - Non-Residential	5,000,000	4,944,377	55,623		99
Hire of Training Facilities and Equipment	250,000	299,800		49,800	120
Trainer Allowance	500,000	780,470		280,470	156
Accommodation Allowance	8,000,000	7,994,375	5,625		100
Tuition Fees Allowance	500,000	1,476,440		976,440	295
Trainee Allowance	700,000	1,376,997		676,997	197
Catering Services (receptions), Accommodation, Gifts, Food and Drinks	1,500,000	3,778,270		2,273,270	252
Boards, Committees, Conferences and Seminars	1,400,000	1,273,919	126,081		91
Medical Insurance	8,000,000	6,901,120	1,098,880		86
Purchase of Uniforms and Clothing - Staff	1,500,000	2,899,200		1,399,200	193
General Office Supplies (papers, pencils, forms, small office equipment etc)	2,165,036	3,988,870		1,823,834	184

Sanitary and Cleaning Materials, Supplies and Services	800,000	1,499,075		699,075	187
Refined Fuels and Lubricants for Transport	6,000,000	5,979,068	20,932		100
Inmates Allowance	3,000,000	2,901,000	99,000		97
Medical Expenses	4,000,000	4,750,000		750,000	119
Contracted Guards and Cleaning Services	5,000,000	4,682,705	317,295		94
Contracted Professional Services	8,857,916	9,720,907		862,991	110
Other Operating Expenses	20,000,000	19,999,212	788		100
Maintenance Expenses - Motor Vehicles	4,000,000	5,616,283		1,616,283	140
Maintenance of Buildings and Stations -- Non-Residential	2,300,000	2,975,000		675,000	129
Routine Maintenance - Other As	1,500,000	4,599,890		3,099,890	307
Purchase of Motor Vehicles	20,000,000	3,999,786	16,000,214		20
Purchase of Office Furniture and Fittings	2,500,000	3,752,074		1,252,074	150
Purchase of Air conditioners, Fans and Heating Appliances	500,000	1,650,000		1,150,000	330
Purchase of Photocopiers	300,000	1,056,586		756,586	352
Purchase of ICT Networking and Communication Equipment	1,999,001	4,444,500		2,445,499	222
Total	**301,616,361**	**293,167,893**	**36,677,999**	**28,224,531**	**97**

The Office of the Governor experienced under expenditure on 14 budget line items totalling Kshs.36,677,999 being 12% of the funds which were not put to use. The office also experienced over expenditure on 20 budget line items totalling Kshs.28,224,531 being 60% of the funds which were spent over and above the approved budget. This was a clear indication of lack of proper budgeting and there is need for the management to review it's budgeting process with a view to focusing on priority areas.

10.7 Locally Generated Revenue (A-I-A)

The County Government under collected revenue on twenty one (21) line items totalling Kshs.57,581,667 which could be an indication of weak revenue collection system and over collected on twenty three (23) items totalling Kshs.137,481,957 as detailed below:-

Performance of Approved Revenue Budget 2014/15

Item	Budgeted Kshs	Actual Kshs	Under Collection Kshs	Over Collection Kshs	Performance %
Land Rates	2,099,321	4,217,392		2,118,071	201
Land Transfers/Sales/Change of Use	2,150,943			2,150,943	-
Sub-leasing fees	217,962	118,600	99,362		54
Stall/Plot/Ground Rents	7,603,774	2,899,225	4,704,549		38
Single Business Permits	21,242,361	30,024,460		8,782,099	141
Market dues	33,886,032	27,395,185	6,490,847		81
Building Approvals	2,656,025				-
Other Approvals/Permit	2,396,509				-
Cess	8,516,012	10,776,641		2,260,629	127
Taxi/Boda Boda Fees	2,172,453	11,955,790		9,783,337	550
Entry Fees (Bus Stage)	6,031,943			6,031,943	-
Kiosk Fees	3,979,747	5,588,620		1,608,873	140
Royalties	372,830			372,830	-
Slaughter Fees	1,035,662	3,609,295		2,573,633	349
Stock Movement/Auction Fee	4,131,622	8,484,630		4,353,008	205
Hall/Office/House Rents	2,523,322				
Advertising	737,774	1,049,250		311,476	142
Landing Fees	582,794	425,400	157,394		73
Parking/Bus Park Fees	12,385,520	27,649,190		15,263,670	223
Liquor Licensing	6,452,830				-
Administration/Certification Costs	492,041	165,250	326,791		34
Sanitation Fees	1,223,212	2,972,309		1,749,097	243

Site and Service Schemes	4,177,184				-
Inspection Fees	454,451	958,520		504,069	211
Park/Stadium Fees	300,788			300,788	-
Sewerage Bills	2,150,943	655,800	1,495,143		30
Hire of Machinery & Equipment	7,172,942	1,871,090	5,301,852		26
Refuse Collection	491,032				-
Tender Sales	320,598	2,409,395		2,088,797	752
Conservancy Fees/Wildlife Grants	1,190,189	1,083,222	106,967		91
Tourist Fees	437,072				
Nursery Fees/School Registration	238,930	691,650		452,720	289
Water Bills	2,313,935			2,313,935	
Registration of Groups	71,710			71,710	
Sale of Trees	36,674			36,674	
Sale of Plans/Maps/Other Docs	468,019			468,019	
Fines and Penalties	1,202,134	366,850	835,284		31
Survey/Sub-division Fees	163,020				
SCIDCs User Fees	1,003,774				
Incomes from Investments	6,015,868				
Miscellaneous Incomes	1,166,718	3,449,477		2,282,759	296
Other Receipts	0	83,349,719		83,349,719	
Total	**152,266,670**	**232,166,960**	**57,581,667**	**137,481,957**	

10.8 Failure to issue Retirement Notices

The County Government as at the time of audit in October 2015, had 50 officers who were due for retirement. A review of the payroll revealed that officers born in 1955 were due to retire in the year 2015. However, as at 30 June 2015, there were no notices of pending retirement sent to the affected officers' preparing them to exit from active service.

In view of the above, the management contravened the Government Circulars on the retirement of public servants.

10.9 Audit Committee

Information available indicates that the County Government does not have an audit committee to enhance oversight, governance, accountability and transparency within the County but has established a functional internal audit unit. Section 155 (5) the Public Finance Management Act, 2012 requires a County Government to establish an audit committee whose composition and functions are to be prescribed by the regulations. The County Government is therefore in breach the law.

10.10 Fixed Assets Register

Information available indicated that the County Government does not maintain a comprehensive fixed assets register which reflects all the necessary details of the assets of the County. This is contrary to Chapter 7(7.2.2) of the County Financial Accounting and Reporting Manual, March 2015 on managing assets and liabilities

During the year under review, it was observed that the handing over of the assets and liabilities of the defunct local authorities had not taken place two years after the County Government came into existence.

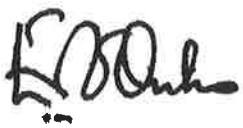
Consequently, the County Government is in breach of the law.

10.11 Debtors Ledger

The County Government does not maintain a debtor's ledger and also no debt collection policy is in place. It is therefore not possible to ascertain the accuracy of the debtors figure listed in the financial statements for the year ended 30 June 2015. This is a clear manifestation of lack of debtor's management systems, making it difficult for the County Government to have a clear vision for its revenue collection strategy.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 September 2016