REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY GOVERNMENT OF KAKAMEGA

FOR THE YEAR ENDED 30 JUNE 2015

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Government of Kakamega set out on pages 1 to 56, which comprise the statement of financial assets as at 30 June 2015, and the statement of receipts and payments, summary statement of appropriation and cash flow statement 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. I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of this audit.

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 7 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 accordance 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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for Adverse Opinion

1.0 Accuracy and Completeness of the Financial Statements

During the year under review, the County Government used Integrated Financial Management Implementation System (IFMIS) in the processing of financial data and generation of the accounting records and reports. However, the system performance was partially hampered as all the required modules were not fully integrated into the system. In particular, exchequer inputs were not posted due to non-existence of the County Revenue Fund account in the ledger while own revenue was not posted as the Commercial Bank account platforms had not been created resulting into non-capture of total revenue of Kshs.8,532,742,034. Further, expenditure totaling to Kshs.1,875,400,221.00 out of total expenditure of Kshs.7,955,680,995 was not captured through the system.

In view of the foregoing, the accuracy and completeness of the financial statements generated through the IFMIS system could not be confirmed as at 30 June 2015.

2.0 Fixed Assets Register

During the year, the County Government acquired assets amounting to Kshs.1,905,873,858.00 (2014:Kshs.221,857,539.00). However, and as previously reported, a Fixed Asset Register was not maintained. Further, the fixed assets inherited from the defunct local authorities were not disclosed in the financial statements.

In addition, included under acquisition of assets balance are expenditure amounting to Kshs.630,283,474.05 in respect of construction and maintenance of roads – Kshs.630,000,000.00; Renovation works at hospital – Kshs.2,450,979.00; Maintenance of buildings by the Ministry of Health – Kshs.7,545,887.00; Hire of vehicles – Kshs.26,800,165; Ministry of Land on task forces – Kshs.9,230,885.00; and Environment department on cleaning and drainage – Kshs.8,931,912.00 whose description and classification do not meet the standard criteria of non-current assets.

In the circumstances, the description, valuation, security and location of the fixed assets held by the County Government could not be confirmed as at 30 June 2015.

3.0 Cash and Cash Equivalents

i. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.2,456,023,714 as at 30 June 2015. However, thirteen bank accounts with reported account balances totaling Kshs.2,188,139,972.65 had no bank reconciliation statements as at 30 June 2015.

ii. Further, returns from 8 out of 13 subcounties revealed the units had bank accounts with total balance of Kshs.150,944,156.38 which was not disclosed or included in the closing cash and cash equivalents balance.

iii. In addition, four bank accounts namely; 01141545302400, 01141545462600 - Cooperative bank, and 1000170786,10001707027 - Central Bank had balances amounting to Kshs.17,348,912.25 with Kshs.11,247,140.30 being more than six months old and therefore stale.

iv. The County also made payments amounting to Kshs.31,138,685.19 through four bank accounts without posting them to the cash book. The payments between September 2013 and June 2015 remain unaccounted for as at 30 June 2015.

v. Examination of bank reconciliation statement revealed that receipts in cash book amounting to Kshs.11,174,781 had not been reflected in the bank as at 30 June 2015.

vi. Out of Kshs.318,000,000 disbursed to secondary schools for construction of administration/tuition blocks, classes and dormitories Kshs.222,424,634 had been paid to contractors. The balance of Kshs.95,575,366 in department of education project bank accounts was not confirmed by bank statements and certificates of bank balance confirmations, bank reconciliation statements or disclosed in the financial statements.

In view of the foregoing, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,456,023,714 could not be confirmed as at 30 June 2015.

4.0 Ward Development Fund

During the year under review, County Government disbursed a total of Kshs.100,000,000 to all the Wards as Ward Development Fund. However, the regulations governing the management of the Fund have not been made available for audit review. Further, the management have not accounted for the funds so disbursed through returns and accounting records.

Consequently, it has not been possible to confirm the propriety of the payments of Kshs.100,000,000 as at 30 June 2015.

5.0 Payables (Pending Bills)

The accounts payables balance of Kshs.734,940,288 differed with the confirmed schedules figure of Kshs.731,235,604.37 overstating the reported amount by Kshs.3,704,683.47 as at 30 June 2015.

In the circumstances, the accuracy and completeness of the payables (pending bills) of Kshs.734,940,288 could not be ascertained as at 30 June 2015.

6.0 Unaccounted for Payments - Mumias Sugar Company

The County Government transferred Kshs.200,000,000 to Mumias Sugar Company to assist pay sugar cane farmers. However, the original payment voucher and other

supporting documents were not made available for audit verification as the records were reportedly held by the Ethics and Anti-Corruption Commission.

As a result, it has not been possible to confirm the propriety of expenditure of Kshs.200,000,000 as at 30 June 2015.

7.0 Unsupported Domestic Travel and Subsistence Expenditure

Payments amounting to Kshs.64,084,272.00 for domestic travel and subsistence lacked necessary accounting supporting documents. In particular payment vouchers of Kshs.13,389,187.00 did not indicate both the voucher number and the payee, payment vouchers of Kshs.34,749,118.00 indicated only the voucher number but not the payee while vouchers for Kshs.15,945,967.00 indicated only the payee and not the voucher number.

In the circumstances, the propriety of the payments of Kshs.15,945,967.00 could not be ascertained as at 30 June 2015.

8.0 Budgetary Control and Budget performance

During the year, the County Government collected own revenue amounting Kshs.532,571,859.00 as compared to a budgeted estimate of Kshs.903,537,623 resulting in a short fall of Kshs.370,785,764.00.

Further, total expenditure was Kshs.7,955,680,995 against the approved estimates of Kshs.10,579,453,798 implying an under-expenditure of Kshs.2,623,772,803.00.

In addition, between the years 2013/2014 and 2014/2015 the county had planned for 581 development projects spread across the thirteen subcounties at total cost of Kshs.1,029,329,737.47.

However, project implementation stood at only 39% with an absorption of Kshs.405,077,945.25 (actual payments) meaning that 61% of the projects had not been implemented.

In view of the foregoing, the county residents have not been able to access the planned and promised development facilities and services.

9.0 Accounts Receivables

The statement of assets reflects accounts receivables balance of Kshs.17,403,509 as at 30 June 2015. However, Imprest totalling Kshs.751,411.00 though outstanding was omitted from the accounts. Further, imprests of Kshs.1,740,218 were not recorded in imprest register or cash book besides remaining unaccounted for in the Department of Lands, Urban Areas, Housing and Urban Development. In addition, receivables like property rates/rents, plot rents totaling to Kshs.1,704,512,515. were not disclosed in the financial statements.

Consequently, the accuracy and completeness of the accounts receivables balance of Kshs.17,403,509 as at 30 June 2015 could not be confirmed.

10.0 Unutilized Funds - Ministry of Health

i. The Ministry of Health incurred expenditure during the year amounting to Kshs.284,682,596 against a budget of Kshs.624,336,246.00 thus underspending by Kshs.339,653,650.

ii. Further, Kshs.80,000,000 transferred to the Medical Training College of Kakamega for the construction of Doctors' flats in the proposed medical school remained unutilized.

iii. In addition, the National Government had not remitted Kshs.92,442,500 under the free maternity Services programme as approved National Treasury vide Circular Ref: ACC/FM HS/1/28A of 1st April, 2014 while Kakamega Level Five Hospital had pending bills of Kshs.46,809,337.

iv. Ambulance Service Provider Overpayment

According to a Memorandum of Understanding E-Plus Medical Services was to provide to the County Government six KRCS E-Plus ambulances, inclusive of paramedics and ambulance operators (drivers) to be stationed in the county at a contract sum of Kshs.600,000 per unit per month.

Part 5.1 of the Memorandum of Understanding states that KRCS E-PLUS agreed to take care of repairs and maintenance on the vehicle and tyre replacement, as long as, the mileage covered within a month does not exceed 3,500 kilometers. Where a mileage in a single month exceeds 3,500 km, the total cost of fuel shall be shared using 50:50 ratio between KRCS E-Plus and the County.

Included in the total payment to KRCS E-PLUS of Kshs.62,475,343 is Kshs.2,090,671 which is erroneously paid as no consideration was made of 3,500 km as provided in the memorandum of understanding.

In the circumstances, the department did not utilize all its funds for intended purposes as at 30 June 2015.

11.0 Unaccounted for Funds - Ministry of Education

i. Out of the total amount of Kshs.318,000,000 disbursed for construction works in secondary schools, records indicate that an amount of Kshs.222,424,634 had been spent leaving a balance of Kshs.95,575,366. This balance could not be verified due to un-availed bank statements.

ii. Construction projects in seven secondary schools with total disbursements of Kshs.80,000,000 out of which contractors had been paid a total of Kshs.56,925,373 were found incomplete and stalled. Further, three secondary schools with cumulative allocation of Kshs.20,000,000 did not provide any returns on how the funds were used.

iii. A total amount of Kshs.247,566,719 remained in project bank accounts unutilized indicating low absorption rate yet other projects stalled due to lack of funds.

iv. Each of the 60 wards received Kshs.500,000 totalling Kshs.30,000,000 as ward bursary fund. However, no returns were provided to account for the use of the funds.

v. Five county Polytechnics received a total of Kshs.55,000,000. However, no financial returns or project status report were provided to confirm utilization of the funds.

vi. The department acquired industrial tailoring equipment and accessories at an inflated price of Kshs.7,352,400 compared to the market price of Kshs.4,317,900.00 resulting into avoidable loss of Kshs.2,882,100.

vii. The department paid Kshs.22,985,000 as subsidized tuition for polytechnic students at Kshs.15,000 per student. No returns or list of beneficiaries were provided for audit review.

viii. Projects worth Kshs.242,000,000 on Early Childhood Centres and primary schools were funded. However, there were no returns for projects costing Kshs.24,000,000 while projects costing Kshs.125,428,543 had technical problems.

ix. During the year under review, twenty one (21) contractors were awarded from 2 to 8 multiple contracts valued at between Kshs.4,000,000 and Kshs.16,000,000 all totaling Kshs.218,000,000 causing poor workmanship and delays in project completion.

x. Projects worth Kshs.125,428,543 had either stalled, abandoned, price and specification variation and floor cracking due to poor workmanship. The propriety of this expenditure could not be confirmed.

xi. A number of projects had been completed and handed over by contractors but were idle due to lack of furniture, fittings, tools and equipment, or other accessories casting doubts on the value for money in the investments in these projects.

In view of the forgoing, value for money has not been obtained from the huge expenditure in the Department of Education.

12.0 Irregular Legal Expenses

A law firm was engaged to sue, a senator and former Deputy Speaker of the County Assembly for defamation and paid Kshs.1,740,000 for taking instructions.

Schedule 6 of the Advocates Remuneration Act shows that a maximum of Kshs.150,000 was chargeable for these two cases for taking instructions. Further, the

legal department failed to provide statement of defense or any evidence of proceedings. No justification has been provided for payment of Kshs.1,740,000.

13.0 Irregular Compensation to Employees and Unremitted Statutory Deductions

13.1 Compensation to employees amounting to Kshs.577,401,842.00 out of the total of Kshs,3,247,713,320 for the year ended 30 June 2015 were paid outside the payroll. However, the amount was paid to an undetermined number of employees (ECD teachers, Clinical Officers, Ward Administrators and PTA teachers) whose employment terms of service were not provided for audit verification. Further, the role of the County Public Service Board and the services delivered could not be confirmed. As a result, the accuracy, legality and propriety of the expenditure of Kshs.577,401,842 could not be confirmed as at 30 June 2015.

13.2 Statutory deductions in respect of employees of the defunct local authorities amounting to Kshs.181,821,743.00 remained outstanding as at 30 June 2015. However, no supporting documents were provided for audit review. Further, the County risks high interest and penalties charges.

13.3 The County Government has been penalized and charged to pay Kshs.13,386,438.00 for failure to file tax returns related to June 2015 in time by the Kenya Revenue Authority vide letter dated 5 January 2016. This liability has not been disclosed in the financial statements.

In the circumstances, it has not been possible to confirm the validity, accuracy and propriety of the employees' expenditure as at 30 June 2015.

14.0 Unsupported Expenditure - Ministry of Agriculture

14.1 Under-expenditure

The Ministry of Agriculture budgeted development expenditure amounted to Kshs.750,000,000.00 but managed to spend only kshs.308,528,912 leading to under expenditure of Kshs.441,471,088 as at 30 June 2015. No explanation has been provided for failure to provide services worth Kshs.441,471,088.

14.2 Unsupported and Unaccounted for Expenditure

Further, a total of Kshs.5,812,302 had been paid to the Kenya Rural Electrification Authority for the connection of electricity to five farmers' co-operative societies who remained unconnected. In addition, a fish farming program with an allocation of Kshs.72,000,000 had substantially not taken off even though an amount of Kshs.4,213,200 had already been spent.

14.3 Irregular Project Payments

A perimeter fence at Bukura Agricultural College awarded at cost of Kshs.5,400,162 remained incomplete and the contractor was not on site. Further, there were no returns

in respect to Kshs.16,000,000 disbursed by the Ministry towards unspecified ward development projects.

In the circumstances, the propriety of the expenditure of Kshs.31,425,664 by the Ministry of Agriculture could not be confirmed as at 30 June 2015.

15.0 Unsupported Development Expenditure - Ministry of Public Service and Administration

The ministry managed to spend an amount of Kshs.10,400,000 (10%.) out of the approved development estimate of Kshs.185,000,000. Hence, the County residents missed services worth Kshs.174,600,000 as at 30 June 2015.

Emergency payments to schools amounting to Kshs.16,000,000 had not been ratified by the County Assembly and also remained unaccounted for. The department also incurred expenditure on consultancy services amounting to Kshs.2,094,960 without supporting documents. Further, an amount of Kshs.26,247,510 was spent on public participation without budgetary provision and supporting documents.

In view of the foregoing, the propriety of the expenditure of Kshs.238,932,470 by the Ministry of Public Service and Administration has not been ascertained as at 30 June 2015.

16.0 Unsupported Expenditure - Ministry of Trade

16.1 Ministry of Trade commenced construction of four (4) modern markets whose estimated cost according to the Bills of Quantities was Kshs.214,380,757. Records indicates that, a total of Kshs.189,296,525 had been disbursed.

16.2 However, contract documents for four (4) Markets of Harambee, Shianda, Matunda, and Butali were not made available for audit review.

16.3 Further, physical verification revealed that some additional works outside the Bills of Quantities had been undertaken on all the markets amounting to Kshs.80,768,019 or 38.02% of the contract sum (above allowable variation of 25%).Signed agreements in respect to two markets did not specify the contract durations.

16.4 In addition, tender documents in support of expenditure on consultancy services amounting to Kshs.30,070,342 were not made available for audit review. Meanwhile, the ministry had pending bills amounting to Kshs.17,039,323 which have not been supported as at 30 June 2015. As a result, the validity, accuracy and propriety of the expenditure of Kshs.261,490,422 by the Ministry could not be ascertained as at 30 June 2015.

16.5 Survey of Kakamega Rain Forest

An in-depth survey of Kakamega rain forest was carried out by EnosLanogwa at a cost of Kshs.729,000. However, the procurement records were not provided for audit review. As a result, it has not been possible to confirm that value for money was obtained from the transaction.

16.6 Consultancy Services for the Construction of Markets and Slaughter House

A consulting firm was contracted to provide consultancy services that included planning, design, preparation of tender documents and supervision of market construction works Phase 11 at a cost of Kshs.26,459,169.90 and slaughter house at Kshs.3,611,173.00 totalling Kshs.30,070,342.

An amount of Kshs.15,875,501 and Kshs.678,150 respectively had been paid. However, the procurement records were not made available for audit verification.

Under the circumstance, it has not been possible to confirm the propriety of the consultancy expenditure of Kshs.16,553,651 as at 30 June 2015.

16.7 Pending bills – Ministry of Industrialization

The Ministry of Trade, Industrialization and Tourism had pending bills totaling to Kshs.17,039,323 comprising of Kshs.13,710,636 for development and Kshs.3,328,687 under recurrent. The adverse cash position is likely to interfere with the department's ability to sustain services.

17.0 Unsupported Expenditure - County Treasury

17.1 Unimplemented Projects

The County Treasury's development expenditure amounted to Kshs.34,079,990 (11%) against the approved budget of kshs.300,000.000. The resultant huge under expenditure of Kshs.265,920,010 implies the County residents were denied the planned and promised development facilities.

17.2 Procurement - Re-roofing works of the County Headquarters

The department incurred expenditure amounting to Kshs.4,987,768 on re-roofing of the Headquarters. Although restricted tender was used in the procurement of the roofing works only six bidders were invited instead of the required ten. Further, tender documents for the unsuccessful bidders for the roofing works were not availed for audit rendering it impossible to confirm the authenticity of the bidding process.

No documents were availed to confirm that at least ten bidders were invited under restricted tendering used for the office partitioning works. Further, no explanation has been provided for not using open tender the preferred method of procurement. In addition, all quoted prices were varied upward during evaluation for the three unsuccessful bidders and downwards for the winning bidders as demonstrated below;

Number	Bidder	Amount Quoted Kshs.	Corrected amount Kshs.
1	Dasaba Enterprises	6,194,164.49	6,690,303.75
2	Shamfic Enterprises	5,727,408.00	5,672,293.25
3	Butematu Contractors	5,985,500.24	6,174,901.20
4	Omboki Building Contractors	6,508,903.55	6,779,717.75

These variations were not explained. The award price of Kshs.5,727,408 was also for unexplained reasons different from the evaluated price of Kshs.5,672,293.

It could not be confirmed whether the procurement process in the works billed was transparent and fair as required by the Constitution.

17.3 Unaccounted for Stores

The department spent Kshs.491,000 on fuel and Kshs.946,040 on general supplies. However, stores records were not maintained making it difficult to account for the items.

As a result, the stores worth Kshs.1,437,040 were not accounted for as at 30 June 2015.

18.0 Irregular Consultancy Services - County Public Service Board

Price Water House Coopers was contracted to develop an organization structure and determine the optimal staffing levels for the County Government at a cost of Kshs.7,500,000.00 where Kshs.3,750,000.00 was paid on receipt of an interim report.

The service was not competitively sourced but instead negotiated with the consultant and agreed. This rendered the procurement process irregular. Further, as at December, 2015, the consultant's report had not been commissioned.

In view of the foregoing, the propriety of the expenditure of Kshs.7,500,000 could not be ascertained as at 30 June 2015.

19.0 Unsupported Expenditure - Ministry of Lands, Housing and Urban Planning

The Ministry spent Kshs.26,873,231.95 out of the approved budget of Kshs.252,050,000.00. Further, tender documents in support of expenditure on landscaping amounting to Kshs.10,943,136.00 for Muliro Gardens and County headquarters were not made available for audit review. In addition, stores and security equipment amounting to Kshs.1,203,725.00 were not supported. Consequently, the propriety of the expenditure of Kshs.12,146,861.44 could not be confirmed as at 30 June 2015.
Meanwhile, the department had pending bills of Kshs.13,235,380.00 as at 30 June 2015.

Consequently, the under expenditure of Kshs.225,176,768.05 and the propriety of the unsupported expenditure of Kshs.39,020,092.95 could not be ascertained as at 30 June 2015.

20.0 Ministry of Transport and Infrastructure

20.1 Under Expenditure

The Ministry's budgeted expenditure amounted to Kshs.1,320,690,660.00 including an amount of Kshs.1,277,000,000 on development vote but spent only Kshs.829,759,254 leading to under-expenditure of Kshs.490,931,406 including an amount of Kshs.471,586,000 for development projects.

20.2 Unspecified Projects Payments

Returns for disbursement of Kshs.169,000,000.00 to the wards for unspecified projects were not provided for audit review. As a result the propriety and legality of the expenditure could be confirmed.

20.3 Payments for Incomplete and Abandoned Projects

Road works procured at a total amount of Kshs.26,879,641.00 and over which Kshs.17,123,855.00 had been paid were incomplete. and abandoned by the contractors. In addition, retention monies totaling to Kshs.13,102,764.85 was released to contractors without final works completion certificates.

21.0 Ministry of Water

21.1 Procurement of Goods and Services

Payments amounting to Kshs.63,870,717.00 were made to various merchants in respect of procurement of mostly cleaning services including an amount of Kshs.5,221,000.00 for the supply of galvanized steel pipes. However, bid documents for unsuccessful bidders were not made available for audit review to confirm that the items were competitively sourced and that the requirements of the Public Procurement and Disposal Act, 2005 were adhered to.

Further, Kshs.6,557,363.00 was incurred in drilling of borehole, construction of a tank and fixing related accessories at St. Cecilia Girls Secondary School through request for quotations even though the amount involved called for open tender method rendering the expenditure irregular.

In the circumstance, the propriety of the procurement of goods and services worth Kshs.63,870,717 could not be confirmed as at 30 June 2015.

21.2 Unsupported Pending Bills

The Ministry of Water procured goods and services amounting to Kshs.13,235,380.00 for various activities which were not paid for during the year. However, proper records including creditors' ledger and Kenya Revenue Authority compliant invoices in support of the outstanding amounts were not made available for audit review.

As a result, authenticity of these pending bills could therefore not be confirmed as at 30 June 2015.

22.0 Ministry of Labour

22.1 Unreconciled Development Expenditure records.

Actual expenditure as reflected in IFMIS returns (VOTE 4817) amounted to Kshs.80,134,932.00. However, the schedules drawn from the appropriation account added to Kshs.70,439,993.60, The difference of Kshs.9,694,939.00 was not explained. Further authority for the transfer of Kshs.25,000,000.00 to the Trade Loans Fund was not made available for audit review.

In the circumstances, the accuracy, validity and propriety of the expenditure of Kshs.80,134,932 and transfer of Kshs.25,000,000 could not be confirmed as at 30 June 2015.

22.2 Low Absorption of Development Funds

The Ministry's approved development budget amounted to Kshs.256,250,000 but only a total of Kshs.80,134,932 was expended translating to an under absorption of 69%.

Consequently, the department of labour budget was unrealistic and the County residents did not get services worth Kshs.176,115,068 as at 30 June 2015.

23.0 Oparanya Care Program

23.1 Pending Payments to Mothers

The Oparanya care program was started with the objective of reducing child malnutrition and reduction of new born mortality. The identified, needy mother was entitled to financial assistance after attending Ante Natal Clinic at least four times. The financial support was to be provided in at least six stages at Kshs.2,000 in each stage until the new born attains 18 months.

At the time of this audit in December,2015, a total of Kshs.17,878,000 was due and payable to over 16,145 mothers. The reason given for delay to release the money to the mothers is that physical verification was yet to be done to confirm if the mothers identified for payment met all the agreed requirements. Although money was allocated and available in the account, such mothers did not benefit from this program at the right time.

23.2 Irregular Recruitment

The County Government recruited and paid an Accounts Assistant, Receptionist and the field officers a total of Kshs.5,304,000 during the year under review.

However, it is not clear how the staff were recruited as no records were provided for audit review.

As a result, the expenditure of Kshs.5,304,000 could not be confirmed as a proper public funds charge as at 30 June 2015.

24.0 Ministry of Transport, Infrastructure and Public Works

24.1 Under Expenditure

The Department had approved budget of Kshs.1,320,690,660 composed of Kshs.1,277,000,000 for development and Kshs.43,690,660 for recurrent votes. It incurred expenditure amounting to Kshs.829,759,254 composed of Kshs.805,414,000 from development vote and Kshs.24,345,254 on recurrent vote respectively resulting to an under expenditure of Kshs.490,931,406 or 37% of the approved estimates.

24.2 Unsupported and Unaccounted Disbursement of Ward Funds

Disbursements totaling Kshs.169,000,000 or 20% of the total expenditure was made to 60 wards as Ward Funds in two tranches of Kshs.90,000,000 in February 2015, and the balance of Kshs.79,000,000 in April 2015. However, the budget statement did not specifically detail the projects involved and the disbursements were not supported by a schedule indicating the specific ward activities to be funded. Further, no returns at the County headquarters were provided to indicate how the funds were utilized. In addition, regulations were not developed to govern use of such devolved funds.

As a result, the propriety and legality of the expenditure of Kshs.169,000,000 could not be confirmed as at 30 June 2015.

24.3 Incomplete/abandoned Road works

Physical verification revealed that three (3) road projects with a total Contract amount of Kshs.26,879,642 had been abandoned though Kshs.17,123,856 had been paid. The abandoned projects were:

Name of Road/works	Award price (Kshs)	Amount paid out (Kshs)	Value of work outstanding (Kshs)
Construct Kakamega High School Access road	21,192,470.70	15,793,454.50	2,233,623.50
Rehabilitate and maintainAkamba Loop B	3,906,225,85	1,330.400.70	585,311.29
Rehabilitate Nakumatt-Daisy Maraba primary	1,780,945	-	1,780,945
Total	**26,879,642**	**17,123,856**	**4,599,980**

No explanation was given as to why the contractors abandoned the road works worth Kshs.4,599,979.79 before completion.

Consequently, value for money may not have been obtained by the County government for the expenditure incurred of Kshs.17,123,856 as at 30 June 2015.

24.4 Irregular Release of Retention Funds

Retention monies amounting to Kshs.13,102,765 was released to the contractors without final certificates as at 30 June 2015. The same was charged to the appropriated funds thereby denying the public the use of the funds during the year to implement envisaged projects as approved by the County Government. The funds were not initially safely secured in a deposit account as required. Further, no Certificate of practical completion, final account, certificate of making good defects, or any evidence of recovered retention having been retained and therefore due for release was attached to the payment vouchers as required to support payment of the retention funds.
In the circumstances, it has not been possible to confirm the propriety of the payment of retention money of Kshs.13,102,765 as at 30 June 2015.

25.0 County Assembly of Kakamega

25.1 Budget Performance and Funding

The County Assembly's approved estimates amounted to Kshs.751,000,000 but the Assembly received only Kshs.644,462,126 from the County Treasury including an amount of Kshs.393,462,124 deducted at source by the County Treasury as personnel emoluments and Kshs.45,000,000 for development vote. The Assembly was underfunded by an amount of Kshs.106,537,874.

25.2 Cash and Cash Equivalents

During the year under review, bank reconciliation statements for all bank accounts maintained were not made available for audit review to confirm both the accuracy of the cash books and the authenticity of bank transactions. Further, both the recurrent and development bank accounts were maintained with Commercial banks contrary to the Guidelines from the National Treasury.

25.3 Car Loan and Mortgage Scheme Fund

The County Assembly set up Funds regulations before passing the County Assembly Car Loans and mortgage Act.

Bank statements examined indicates that only Kshs.180,000,000 was deposited into the Fund account by the County Treasury. However, a total of Kshs.440,000,000 was disbursed as loans to MCAs. The source of the additional Kshs.260,000,000 has not been explained.

In the circumstances, the propriety and security of the car loan and mortgage funds could not be confirmed as at 30 June 2015.

25.4 Unsupported Development Expenditure

25.4.1 An officer at the Assembly was reimbursed a total of Kshs.1,190,370 in respect of expenditure incurred on procurement of furniture. A process that did not adhere to the procurement regulations. There was also no assets register in place to account for the furniture purchased.

25.4.2 A Construction firm was paid Kshs.12,740,000 for civil and construction works at the Assembly without proper supporting documents. Out of the amount, more than Kshs.4,790,000 was paid for works that could not be physically verified.

25.4.3 Tender documents in respect of expenditure amounting to Kshs.7,720,000 on procurement of furniture for the county assembly chambers were not made available for audit review.

Consequently, the propriety of the expenditure of Kshs.21,650,370 could not be confirmed as at 0 June 2015.

25.5 Training Expenses and Domestic Travel, Subsistence and Transport Costs

All payment vouchers relating to training expenditure of Kshs.9,710,424 and travel expenses of Kshs.123,409,650 were not itemised.

It has not been possible to confirm whether these payments were charged to the correct accounts and thus negating the objective of the budgeting process.

As a result, the propriety and accuracy of the expenditure of Kshs.133,120,074 could not be confirmed as at 0 June 2015.

Adverse Opinion

In my opinion, because of the significance of matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of County Government of Kakamega as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with Public Finance Management Act, 2012.

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

Nairobi

26 September 2016