REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY GOVERNMENT OF TANA RIVER

FOR THE YEAR ENDED 30 JUNE 2015

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENT

I have audited the accompanying financial statements of County Government of Tana River set out on pages 6 to 23, which comprise the statement of financial assets as at 30 June 2015, and the statement of receipts and payments, statement of cash flows and summary statement of appropriations: recurrent and development combined 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, 2003.

Management's Responsibility for the Financial Statement

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 preparations 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 provision 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 of Kenya. 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 procedure 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

1.0 Inaccuracies in the Financial Statements

The financial statements availed for audit review contained the following anomalies in the comparative figures:

	Details	Audited 2013/2014 Financial Statements Kshs	2014/2015 Comparative financial statements Kshs	Variance Kshs
i	Bank balance	1,209,824,081.45	1,270,520,582	60,696,500.55
ii	Fund balance B/F	0	60,696,501	60,696,501
	Total	**1,209,824,081.45**	**1,331,217,083**	**121,393,001.55**

Consequently, the accuracy, completeness and validity of the County's financial statements for the year ended 30 June 2015 could not be confirmed.

2.0 Other Receipts

The statement of receipts and payments for the year ended 30 June 2015 reflects other receipts of Kshs.32,408,407 for the year ended 30 June 2015. However, examination of supporting schedules availed for audit review reflected a balance of Kshs.29,372,571, resulting to an unexplained or reconciled variance of Kshs.3,035,836.

Consequently, the accuracy and completeness of other receipts amounting to of Kshs.32,408,407 for the year ended 30 June 2015 could not be confirmed.

3.0 Unsupported Expenses

The statement of receipts and payments for the year ended 30 June 2015 reflect use of goods and services of Kshs.1,400,195,543, out of which the following expenses totalling Kshs.725,286,068 had no documentary supporting evidence:

	Expenditure	Amount not Supported (Kshs)
i.	Communication, supplies and services	7,065,586
ii.	Domestic travel and subsistence	23,377,421
iii.	Foreign travel and subsistence	89,354,697
iv.	Other operating expenses	66,033,270
v.	Specialized material and services	27,271,620
vi.	Office and general supplies	74,866,000
vii.	Routine maintenance – other assets	876,999
viii.	Fuel and lubricants	28,572,102
ix.	Hospitality supplies and services	37,552,962
x.	Transfers to other government units	7,110,000
xi.	Construction of buildings	9,981,916
xii.	Construction of roads	81,974,565
xiii.	Construction and civil works	178,078,519
xiv.	Office furniture and general equipment	22,900,361
xv.	Procurement of tractors	34,000,000
xvi.	Relief food	36,270,050
	Total	**725,286,068**

Consequently, the propriety of Kshs.725,286,068 spent on use of goods and services for the year ended 30 June 2015 could not be confirmed.

4.0 Misposting of Expenses

The statement of receipts and payments for the year ended 30 June 2015 reflect use of goods and services of Kshs.1,400,195,543, out of which the following expenses totalling Kshs.104,500,544 were misposted:

	Expenditure	Amount Kshs	Correct vote
i.	Domestic travel and subsistence	33,544,827	Consultancy
ii.	Foreign travel and subsistence	18,483,581	Contractors
iii.	Training	13,116,283	Contractors
iv.	Insurance cost	1,429,756	Contractors
v.	Office and general expenses	24,587,906	Beddings & vaccines
vi.	Routine maintenance - motor vehicles	1,032,000	Contractors
vii.	Fuel and lubricants	12,306,191	Contractors
	Total	**104,500,544**	

Consequently, the accuracy and completeness of the above expenditures totalling Kshs.104,500,544 and included in the income and expenditure for the year ended 30 June 2015 could not be confirmed.

5.0 Foreign Travel and Subsistence Allowances

Included in the use of goods and services under note 6 to the financial statements are payments in respect of foreign travel and subsistence amounting Kshs.203,066,840 out of which an amount of Kshs.13,551,728 was spent on foreign travels and subsistence allowances while in Morocco, Israel, Belgium, Turkey and Dubai. However, quotations for air tickets, hire of training venues and consultants, signed expenditure schedules for payments, boarding passes and visa processing charges were not availed for audit in support of the expenditure.

Consequently, the propriety of foreign travel and subsistence allowances amount of Kshs.13,551,728 for the year ended 30 June 2015 could not be confirmed.

6.0 Insurance Costs

Included in the use of goods and services under note 6 to the financial statements are payments in respect of insurance amounting to Kshs.32,775,528. However, examination of records availed for audit review indicated that an amount of Kshs.7,589,000 was doubled posted in this vote, hence overstating the vote by Kshs.7,589,000.

Consequently, the propriety of insurance cost amounting to Kshs. 7,589,000 for the year ended 30 June 2015 could not be ascertained.

7.0 Car Services and Hire of Motor Vehicles

Included in the use of goods and services under note 6 to the financial statements are payments in respect of office and general supplies amounting to Kshs.122,453,523, out of which examination of motor vehicles records during the year indicated that the management paid Kshs.46,921,600 to various suppliers of car services and refund to staff in respect to hire of motor vehicles. However, requests from the user departments and the need to hire motor vehicles were not availed for audit verification. Further,the process of hiring the motor vehicles,rates charged and distance covered were not availed for audit verification.

Consequently, the propriety of the car services and hire of moror vehicles expenses of Kshs. 46,921,600 for the year ended 30 June 2015 could not be ascertained.

8.0 Integrated Urban Development Plan of Hola Town

Included in the use of goods and services under note 6 to the financial statements is other operating expenses amount of Kshs.144,035,439. Included in this figure is an amount of Kshs.8,500,000 spent to secure service for the pysical planning and consultancy services for the integrated urban development of Hola town. However, records availed for audit indicated that the management used quotations instead of open tendering to procure the services of the consultant. According to Section 73 of the Public Procurement and Disposal Act, 2005, request for quotation as an alternative procurement method can only be used after obtaining written approval from the tender committee and reasons given in writing as to why this alternative method is preferred. No documentary evidence of written approval from the tender committee was availed for audit verification.In addition, quotations were opened by two officers instead of the minimum three as required by the Act.

The management was therefore in breach of the Law and as a result the propriety of the expenditure of Kshs.8,500,000 on physical planning for the year ended 30 June 2015 coud not be confirmed.

9.0 Construction and Civil Works

Included in the acquisition of assets under note 9 to the financial statements is an expenditure of Kshs.421,369,019 for construction and civil works. However, documents availed for audit indicated that Kshs.27,909,000 was paid to a contractor for the construction of a water pipe line project whose engineer's estimates, procurement plan, contract agreement, valuation report and BQs were not availed for audit verification.

Consequently, the accuracy, completeness and propriety of construction and civil works amount of Kshs.27,909,000 for the year ended 30 June 2015 could not be ascertained.

10.0 Danisa Onkolde Foot Bridge

The statement of receipts and payments for the year ended 30 June 2015 indicates acquisition of assets amount of Kshs.1,852,744,986. Included in this figure under note 9 to the financial statements is an amount of Kshs.421,369,019 on construction and civil works, out of which Kshs.3,804,367 was for the construction of a foot bridge. However, a field audit visit in the month of March, 2016 revealed that the bridge was not in existence despite the payment of Kshs.3,804,367 done on 10 December 2014.

Consequently, the validity and propriety of the payment of Kshs.3,804,367 for the year ending 30 June 2015 could not be ascertained.

11.0 Purchase of Land Cruiser Ambulances

The statement of receipts and payments reflect an amount of Kshs.1,852,744,986 with respect to acquisition of assets for the year 2014/2015. Included in this figure is purchase of vehicles and other transport equipment amount of Kshs.169,953,562, out of which an amount of Kshs.88,795,000 was spent on purchase of 10 fully loaded Land Cruiser ambulances. However, there were no documents availed for audit verification in support of the method used in the identification, selection and awarding of the tender to a private company for the supply of the ambulances. Furthermore, Toyota being a known brand name with a known and acceptable dealer with proven years of professionalism, it was not explained and made clear as to why the management procured ambulances from a private company, thus forfeiting guaranteed and professional service for the duration of the guarantee.

Consequently, the propriety of the expenditure on ambulances amounting to Kshs.88,795,000 for the year ending 30 June 2015 could not be ascertained.

12.0 Purchase of Armoured Vehicle

The statement of receipts and payments reflect an amount of Kshs.1,852,744,986 with respect to acquisition of assets for the year 2014/2015. Included in this figure is purchase of vehicles and other transport equipment amount of Kshs.169,953,562, out of which an amount of Kshs.16,724,422 being the final payment and flight charges spent on acquisition of an armored conversion Toyota Land Cruiser from Dubai valued at Kshs.31,311,372. The 1st payment of Kshs.14,586,950 was paid on 3 June 2014. It was however noted that the management used direct procurement as opposed to the preferred and recommended open tendering, contrary to Section 74 of the Public Procurement and Disposal Act, 2005, which states that a procuring entity may use direct procurement only if there is one supplier and there is no reasonable alternative or substitute for the goods, works or services and if there is an urgent need for the goods, works or services and because of this urgency other available methods of procurement are impractical.

The procurement of this vehicle did not meet requirement of the Law. In addition, no delivery notes and ownership documents were availed for audit verification.

In consequence, the management was in breach of the Law and the validity and propriety of the expenditure of Kshs.16,724,422 for the year ended 30 June 2015 could not be ascertained.

13.0 Purchase of ICT Equipment

Included in the statement of receipts and payments for the year ending 30 June 2015 are payments in respect of acquisition of assets amount of Kshs.1,852,744,986, out of which an expenditure of Kshs.14,218,793 was for purchase of office ICT equipment. However, the supporting schedules availed for audit review reflected Kshs.29,243,793 resulting to unexplained or reconciled variance of Kshs.15,025,000.
Consequently, the accuracy and completeness of the purchase of ICT equipment amount of Kshs.14,218,793 for the year ended 30 June 2015 could not be ascertained.

14.0 Emergency Relief and Refugee Assistance

Included in other grants and transfers under note 8 to the financial statements are payments of Kshs.102,242,708 for emergency relief and refugee assistance. Further, records availed for audit review indicated that Kshs.5,686,754 was paid to various transporters in respect to transportation of relief food to various areas within the County. However, details on how the transporters were identified, selected, rates determined and awarded the transport work were not availed for audit verification.

Consequently, it has not been possible to confirm the accuracy and completeness of the payments amounting to Kshs. 5,686,754 for emergency relief and refugee assistance for the year ended 30 June 2015.

15.0 Scholarships and Other educational Benefits

Included in other grants and transfers amount of Kshs.182,242,708 for the year ended 30 June 2015 is scholarships and other educational benefits of Kshs.80,000,000. Included in this figure are projects initiated and completed at a cost of Kshs.50,265,878 and as tabulated below:

No	Project Name	Location of Project	Amount (Kshs)	Purpose Currently Being Used For
1	Mandingo Dispensary	Mandingo	12,167,611	Office for the County Government
2	Staff House for Security	Hola	8,755,000	Kitchen for the County Staff
3	6 Staff houses for County employees	Bura	29,343,267	Idle – Not being used
Total			**50,265,878**	

The above status reveals that that although the projects were completed, they were not used as intended.

Consequently, the validity and propriety of the expenditure of Kshs.50,265,878 on staff houses and dispensary for the year ended 30 June 2015 could not be ascertained.

16.0 Mau Mau Secondary School Fencing

Included in other grants and transfers amount of Kshs.182,242,708 for the year ended 30 June 2015 is scholarships and other educational benefits of Kshs.80,000,000, out of which an amount of Kshs.10,632,560 was for the fencing of Mau Mau Secondary School. However, no records on how the contractor was procured including advertisements, procurement method used, minutes and approval were provided for audit verification.

Consequently, the validity and propriety of the expenditure of Kshs.10,629,118 for the year ended 30 June 2015 could not be ascertained.

17.0 Bank Balances

The statement of assets reflects bank balances of Kshs.495,897,373 as at 30 June 2015. However, examination of the cash books availed for audit review indicated bank balances of Ksh.494,790,860, resulting to unexplained or reconciled variance of Kshs.1,106,513. In addition, the County Government was operating twelve (12) bank accounts with a total credit balance of Kshs.494,790,869 as at 30 June 2015 and whose monthly bank reconciliations statements were not availed for audit verification. Further, only eight (8) out of the 12 bank accounts had bank certificates availed for audit verification.

Consequently, the accuracy, completeness and validity of the bank balances of Kshs.495,897,373 as at 30 June 2015 could not be confirmed.

18.0 Outstanding Imprests

Note 12 to the financial statements indicate outstanding imprests balances of Kshs.28,095,087. Included in this amount is a balance of Kshs.23,363,341 in respect of outstanding imprests. Records availed for audit revealed that a balance of Kshs.1,087,000 was outstanding for more than 6 months contrary to Section 5.6.5 of the Government Financial Regulation and Procedures which requires imprests to be surrendered within 48 hours after returning to the office. Further, an amount of Kshs.5,520,875 was issued as multiple imprests contrary to Section 5.6.6 of the Government Financial Regulation and Procedures which requires first imprest to be surrendered before issuing a second imprest. In addition, included in the in note 12 is a salary advances balance of Kshs.4,731,746. However, no schedule was availed for audit verification to indicate the officers who were given the salary advance and the date of recovery.

Consequently, the accuracy and completeness of outstanding imprests balance of Kshs.28,095,087 as at 30 June 2015 could not be ascertained.

19.0 Budgetary Control and Performance

19.1 Budget Absorption

The County Government of Tana-River had a total budget of Kshs.4,154,585,008 comprising of Kshs.2,804,383,922 for development and Kshs.1,350,201,086 for recurrent expenditure. Further, the County Government's actual expenditure amounted to Kshs.4,270,433,234, resulting to over absorption on recurrent vote of Kshs.1,067,487,162 or 79% and under absorption on development vote of Kshs.951,638,936 or 34% as summarized below:

Item	Approved Budget for 2014/2015	Actual Expenditure-2014/2015	Under Absorption (Kshs)	Over Absorption (Kshs)	Under/Over Absorption (%)
Development Vote	2,804,383,922	1,852,744,986	951,638,936		34
Recurrent Vote	1,350,201,086	2,417,688,248		1,067,487,162	(79)
Total	**4,154,585,008**	**4,270,433,234**	**951,638,936**	**1,067,487,162**	**(3)**

The under absorption of the approved development budget by Kshs.951,638,936 reflect non-adherence to budget provision and is an indication of poor budgetary process, hence the need to re-think on the County Government budget mechanism with a view to directing resources into priority areas. Further, the county had an over absorption on recurrent vote by Kshs.1,067,487,162. However, management did not avail for audit review the approvals from the County Assembly in line with Public Financial Management Act, 2012 Section 135 which states that the approval of the county assembly for any spending beyond the budget shall be sought within two months after the first withdrawal of the money and when the county assembly has approved spending under subsection (2), a supplementary Appropriation Bill shall be introduced for the appropriation of the money spent.

The County Assembly was therefore in breach of the Law.

19.2 Development Budget

During the year under review, Tana-River County Government allocated Kshs.2,804,383,922 for development projects and spent Kshs.1,852,744,986, resulting to under expenditure of Kshs.951,638,936 or 34% as detailed below;

Development Item	Budgeted Amount (Kshs)	Actual Expenditure as per F.S	Under/ Over Absorption (Kshs	Under/ Over Absorption (%)
Construction of Buildings	1,054,383,922	963,441,519	90,942,403	8.6
Refurbishment of Buildings	150,000,000	74,714,056	75,285,944	50
Construction of Roads	565,000,000	182,466,725	382,533,275	677
Construction and Civil Works	700,000,000	421,369,019	278,630,981	39.8
Purchase of Vehicles & Equipment	250,000,000	169,953,562	80,046,438	32
Purchase of Office Furniture & Gen Equip	50,000,000	26,581,313	23,418,687	46.8
Purchase of ICT	35,000,000	14,218,793	20,781,207	59
Total	**2,804,383,922**	**1,852,744,987**	**951,638,935**	**33.9**

From the above table, it is clear that the County Government did not utilize Kshs.951,638,935 or 34% on construction of buildings, refurbishment of buildings, construction of roads and on construction and civil works. This means that the County Government did not implement or complete some projects as planned, hence the intended objectives may not have been achieved. There is need, therefore, for the County Government to re-think on budget formulation in order to make it as realistic and inclusive as possible.

19.3 Recurrent Budget

During the year under review, Tana-River County Government allocated Kshs.1,350,201,086 for recurrent expenditure while spending a total of Kshs.2,417,688,248 resulting in excess expenditure of Kshs. 1,067,487,162 or 79%. The over expenditure was mainly on the following items:

Expenditure Item	Budgeted Amount	Actual as per F.S	Over Expenditure (Kshs)	Under Expenditure (Kshs)	% Variance
Compensation of Employees	769,345,506	828,139,996	58,794,490		(7.6)
Use of goods and services	536,139,376	1,400,195,543	864,056,167		(161)
Transfer to Other Government Units		7,110,000	7,110,000		(100)
Other Grants and Transfers		182,242,708	182,242,708		(100)
Acquisition of Assets	44,716,204			44,716,204	100
Total	**1,350,201,091**	**2,417,688,247**	**1,112,203,365**	**44,716,204**	**79.1**

From the above table, it is clear that the County Government exceeded its recurrent expenditure. However, the management has not provided for audit review approval from the County Assembly for the excess expenditure in line with Public Finance Management Act, 2012.

'19.4 Governor's Budget

The office of the Governor was allocated a budget of Kshs.567,658,110 voted as Kshs.186,844,382 for development expenditure and Kshs.380,813,727 for recurrent expenditures. Analysis of the vote book indicated that the actual expenditure was Kshs.507,857,868 resulting to under expenditure of Kshs.59,800,241 or 10.5%. Further scrutiny of the budget revealed that the actual expenditure for the recurrent vote was Kshs.283,933,664, thereby resulting to under absorption of Kshs.96,880,064 or 25.4%, while the actual expenditure on the development vote was Kshs.299,426,322, resulting to over absorption of Kshs.112,581,940 or 60.25%. Below is the summary of the Governor's recurrent and development expenditures:

TANA RIVER COUNTY GOVERNMENT					
RECURRENT EXPENDITURE					
DEPARTMENT:OFFICE OF THE GOVERNOR					
Executive	**Budget Vote**	**Budgeted Amount**	**Actual Expenditure**	**Under/Over Absorption**	**% Under/ Over Absorption**
2,210,101.00		500,000.00	491,233.00	8,767.00	1.75
2,210,102.00	Water & sewerage charges	306,000.00	157,230.00	148,770.00	48.62
2,210,201.00	Telephone, telex	1,632,000.00	1,022,400.00	609,600.00	37.35
2,210,203.00	Courier & postal services	408,000.00	33,200.00	374,800.00	91.86
2,210,303.00	Daily subsistence all.	31,282,873.00	29,914,008.00	1,368,865.00	4.38
2,210,401.00	Travel costs-foreign	20,000,000.00	19,996,690.00	3,310.00	0.02
2,210,402.00	Accommodation	10,000,000.00	10,032,617.00	-32,617.00	-0.33
2,210,403.00	Daily subsistence all.	20,000,000.00	19,987,810.00	12,190.00	0.06
2,210,702.00	Remuneration of instructors	8,160,000.00	100,000.00	8,060,000.00	98.77
2,210,704.00	Hire of training facilities	8,000,000.00	5,047,974.00	2,952,026.00	36.90
2,210,801.00	Catering services	15,000,000.00	14,998,053.00	1,947.00	0.01
2,210,802.00	Boards, committees, conferences	8,160,000.00	8,151,780.00	8,220.00	0.10
2,210,805.00	National celebrations	500,000.00	383,350.00	116,650.00	23.33

2,210,899.00	Hospitality supplies	300,000.00	139,400.00	160,600.00	53.53
2,211,101.00	General office supplies	500,000.00	194,850.00	305,150.00	61.03
2,211,102.00	Supplies & accessories for comps.	2,040,000.00	2,212,500.00	-172,500.00	-8.46
2,211,103.00	Sanitary & cleaning materials	500,000.00	59,260.00	440,740.00	88.15
2,211,199.00	Office & generals supplies	510,000.00	411,240.00	98,760.00	19.36
2,211,201.00	Refined fuels & lubricants	17,000,000.00	16,306,596.00	693,404.00	4.08
2,211,301.00	Bank service commission	200,000.00	54,000.00	146,000.00	73.00
2,211,313.00	Security operation	3,315,000.00	3,698,300.00	-383,300.00	-11.56
2,220,101.00	Maintenance exp. motor vehicle	6,120,000.00	5,962,587.00	157,413.00	2.57
2,220,201.00	Maintenance of plant, machinery	500,000.00	428,490.00	71,510.00	14.30
2,220,202.00	Maintenance of office furniture	1,020,000.00	775,795.00	244,205.00	23.94
2,220,204.00	Maintenance of buildings-residential	3,060,000.00	2,868,169.00	191,831.00	6.27
2,220,205.00	Maintenance of buildings-non res.	2,040,000.00	2,004,220.00	35,780.00	1.75
2,220,210.00	Maintenance of computers, software	2,000,000.00	1,651,550.00	348,450.00	17.42
2,210,301.00	Travel costs	1,000,000.00	997,530.00	2,470.00	0.25
2,210,302.00	Accommodation	830,000.00	788,890.00	41,110.00	4.95
2,210,604.00	Hire of transport	392,500.00	310,000.00	82,500.00	21.02
2,210,799.00	Training expenses	3,000,000.00	2,921,700.00	78,300.00	2.61
2,210,801.00	Catering services	2,555,500.00	2,535,476.00	20,024.00	0.78
2,211,101.00	General office supplies	202,000.00	52,170.00	149,830.00	74.17
Sub Total		8,000,000.00	7,605,766.00	394,234.00	4.93
2,210,301.00	Travel costs	750,000.00	1,449,000.00	-699,000.00	-93.20
2,210,799.00	Training expenses	3,000,000.00	2,103,600.00	896,400.00	29.88
2,110,101.00	Basic salaries-civil service	118,488,474.00	118,086,230.00	402,244.00	0.34
Total		**380,813,728.00**	**283,933,664.00**	**96,880,064.00**	**25.44**

TANA RIVER COUNTY GOVERNMENT					
DEVELOPMENT EXPENDITURE REPORT FOR THE YEAR 2014/15					
DEPARTMENT:OFFICE OF THE GOVERNOR					
ICT		Budgeted Amount	Actual Expenditure	Under/Over Absorption	% Under/ Over Absorb tion
2,110,202.00	Casual labourer-others	5,696,400.00	-	5,696,400.00	100.00
2,210,202.00	Internet connections	4,500,000.00	2,000,000.00	2,500,000.00	55.56
2,210,204.00	Leased communication lines	674,100.00	-	674,100.00	100.00
2,210,503.00	Subscriptions to newspapers, magazines	6,741,000.00	-	6,741,000.00	100.00
2,210,711.00	Tuition fees all.	531,642.00	-	531,642.00	100.00
2,210,799.00	Training expenses	150,000.00	-	150,000.00	100.00
2,211,010.00	Supplies for broadcasting & info. services	42,674,100.00	-	42,674,100.00	100.00
2,211,310.00	Contracted professional services	13,482,000.00	8,378,548.00	5,103,452.00	37.85
2,211,311.00	Contracted technical services	5,696,400.00	200,000.00	5,496,400.00	96.49
3,110,102.00	Purchase of non-res. building	134,820.00	15,798,700.00	(15,663,880.00)	(11,618.3 7)
3,110,202.00	Non-residential bldgs (offices, school etc.)	10,134,820.00	244,062,000.00	(233,927,180.00)	(2,308.15)
3,110,504.00	Other infrastructure & civil works	12,000,000.00	1,260,000.00	10,740,000.00	89.50
3,111,001.00	Purchase of office furniture	13,370,500.00	-	13,370,500.00	100.00
3,111,002.00	Purchase of computers, printers	24,500,000.00	15,727,200.00	8,772,800.00	35.81
3,111,004.00	Purchase of exchanges & other comm. equip	5,674,100.00	-	5,674,100.00	100.00
3,111,111.00	Purchase of ICT networking equip.	10,550,000.00	-	10,550,000.00	100.00
3,111,201.00	Overhaul of plant ,machinery	30,334,500.00	11,999,874.00	18,334,626.00	60.44
Total		**186,844,382.00**	**299,426,322.00**	**(112,581,940.00)**	**(60.25)**

The management has not explained the source of funding for the excess expenditure on the development vote of Kshs.112,581,940 neither did the management provide the approval for over expenditure for audit review. Further, the failure to utilize all approved budgetary provisions on the recurrent vote by Kshs.96,880,064 may result to non-implementation of planned development projects thus negatively affecting delivery of goods and services to the Citizens of Kilifi County.

19.5 Revenue Budget

Revenue records availed for audit review indicated that the County Government collected Kshs.32,408,4067 against a budget revenue of Kshs.120,000,000 resulting to under collection of Kshs.87,591,593.50 or 73% and a performance level of 27%. This may be attributed to unrealistic and non-achievable budget or failure to exploit revenue resources and weaknesses in collection and recording of revenue and enforcement of revenue control systems. This may negatively affect delivery of goods and services and delay in planned programs.

20.0 Receiver of Revenue

Revenue records availed for audit indicated that the County Executive had not appointed a receiver of revenue as per Section 157 (1) of the Public Finance Management Act, 2012 which states that the County Chief Executive Committee member shall, in writing, designate persons to be responsible for collecting, receiving and accounting for County Government revenue.

Management is therefore in violation of the Law.

21.0 Non-compliance with the County Human Resource Policy Manual

A review of the County Human Resource Policy Manual indicated that the County Government spent a total of Kshs.12,987,060 to conduct training during the year under review. However, the audit revealed that the county departments had not formulated the training needs assessment document. As a result, training expenses amounting to Kshs.12,987,060 was neither based on any projected training needs nor on any departmental training need assessment document. Further, the County Human Resource Policy Manual requires County departments to conduct induction training for newly recruited officers and those that have joined the County Public Service through transfer within three months. Nevertheless, out of the new 605 staff recruited during the year under review, only 42 officers underwent induction training.

Consequently, the management acted against its own policy documents.

22.0 Implementation of IFMIS

Records availed for audit indicates that expenditure amounting to Kshs.3,128,129,156 for the financial year 2014 / 2015 was not posted in the IFMIS system. Further, the audit

revealed that the Consolidated Revenue Fund (CRF) account and Commercial banks had not been configured in IFMIS. Hence, transactions related to these accounts were not posted in the IFMIS system and were recorded manually.

It was not clear and the management has not explained why IFMIS has not been fully operationalized. .

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

26 September 2016