REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY GOVERNMENT OF MAKUENI

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 MAKUENI FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying consolidated financial statements of Makueni County Government set out on pages 6 to 33, which comprise the statement of assets as at 30 June 2015, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation: recurrent and 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 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 the 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 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 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 Cash and Cash Equivalents

1.1 County Executive

The statement of assets as at 30 June 2015 reflects a bank balance of Kshs.2,428,756,597 which comprises total balances from the County's twelve (12) bank accounts. However, bank confirmation certificates for nine accounts and bank reconciliation statements for seven (7) of the bank accounts were not made available for audit review.

Further, included in the five bank reconciliation statements that were availed, four of them had cash book balance figures which were not in agreement with the financial statements as shown below;

Bank Account No.	Balance as per Financial Statements (Kshs.)	Balance as per Reconciliation Statements (Kshs.)	Variance (Kshs.)
CBK 1000170937	2,063,453,333	1,261,000,423	802,452,910
KCB 1140751719	2,993,755	2,413,606	580,149
KCB 1147187010	535,049	283,869	251,180
KCB 1159711895	-	16,607,511	(16,607,511)

In addition, the statement of cash flow reflects cash and cash equivalents at the beginning of the year of Kshs.1,134,146,969 which differs with the certified balance for the financial year ended 30 June 2014 of Kshs.1,076,289,180 by Kshs.57,857,789. The differences have not been explained or reconciled.

1.2 County Assembly

A review of records at the County Assembly revealed that the Assembly had two CBK – PMG bank accounts for development and recurrent expenditure with balances of Kshs.27,485,032 and Kshs.11,470,427 respectively as at 30 June 2015. However, these two bank accounts balances have been omitted from the consolidated financial statements of the County Government. Further, the Assembly did not prepare and maintain cash books or prepare bank reconciliation statement for the two bank accounts contrary to Section 119 (5) of the Public Finance

Management Act, 2012 which requires the County Treasury to keep complete and current records of all banks accounts.

In the circumstances, the completeness and accuracy of the bank balance of Kshs.2,428,756,597 as at 30 June 2015 could not be ascertained.

2.0 Pending Bills

As reported in Note 26.1 to the financial statements, the County Government had pending bills of Kshs.77,652,634 as at 30 June 2015 which included Kshs.11,447,782 staff payables in form of travel claims. A review of records at the County Assembly revealed that the Assembly had pending bills totaling Kshs.99,579,377 which comprised of Kshs.88,738,487 and Kshs.10,840,890 for supply of goods and services and staff payables respectively. However, the figure of pending bills of Kshs.99,579,377 in respect of the County Assembly has been omitted from the consolidated financial statements for the year ended 30 June 2015. Further, no supporting documents were availed for audit review on how the debts were incurred.

In the circumstances, the completeness and accuracy of the pending bills of Kshs.77,652,634 as at 30 June 2015 could not be confirmed.

3.0 Acquisition of Assets

3.1 Fixed Assets Register

Annex 3 to the financial statements reflects total fixed assets of Kshs.641,310,765 for the year 2014/2015. However, the statement of receipts and payments shows assets acquired of Kshs.1,071,874,984 as at 30 June 2015 resulting to an unexplained difference of Kshs.430,564,219. Further, the previous years assets were not included in the fixed assets summary. In addition, the fixed assets inherited from the defunct local authorities have not been incorporated.

In the circumstances, the accuracy and completeness of the fixed assets register could not be confirmed.

3.2 Purchase of Land

Included in the acquisition of assets figure of Kshs.1,071,874,984 in the statement of receipts and payments is Kshs.29,550,000 for the purchase of four parcels of land by the County Government.

However, the management did not produce procurement documents for audit verification. Further, all the sale agreements were signed on 30 June, 2013 and executed before valuation was done on 14 November, 2014. The acreages of three of the parcels of land could not be verified as no official documents were produced by the County Government to authenticate the same and ownership documents for all the parcels bought had not been processed.

In the circumstances, the propriety of the expenditure of Kshs.29,550,000 for the purchase of land as at 30 June 2015 could not be confirmed.

3.3 Procurement of Computers, Printers and Digital Cameras

The County Government procured computers, printers and digital cameras from various suppliers between the months of September 2014 and February 2015 all costing Kshs.9,992,820. Scrutiny of the supporting documents showed that the purchases were not supported by quotations.

Further, the orders were split into several smaller quantities contrary to Section 30 of the Public Procurement and Disposal Act, 2005 which requires that procurements exceeding Kshs.6,000,000 be done through open tender method of procurement. The County was therefore in breach of the law.

As a result it was not possible to ascertain whether value for money was realized in the Kshs.9,992,820 expenditure.

3.4 Irregular Purchase of Prime Mover

During the year under review, the County Government purchased a prime mover from M/s Central Farmers Garage at a cost of Kshs.11,530,000. However, the payment was supported by a print media cutting as proof of open tender method of procurement. Further, the cutting did not indicate the name of the newspaper, date and the closing date of the tender.

In addition, the lowest evaluated bidder who had quoted Kshs.8, 600,000 was not awarded the tender resulting to a Kshs.2,930,000 loss contrary to Part IV of the Public Procurment and Disposal Act, 2005. No valid reasons were given for the anomaly.

In the circumstances, it has not been possible to ascertain that the County Government got value for money in the expenditure of Kshs. 11,530,000 as at 30 June 2015.

4.0 Unsupported Expenditures

4.1 Unsupported Emergency Projects

During the financial year under review, the County Government made payments totaling Kshs.13,766,682 for the supply of emergency materials and construction of various projects under emergency expenditure category. However, the County Assembly approval was not made available for audit review to confirm that the expenditure and the projects qualified to be categorized under emergency projects. Further, the projects were procured through direct sourcing contrary to Section 29 of the Public Procurement and Disposal Act, 2005.

In the circumstances, it has not been possible to ascertain whether the expenditure falls under emergency category and that value for money was obtained by the County Government in absence of competitive bidding.

4.2 Unsupported Contracts and Services

The County Government procured services from various contractors and service providers on different dates totaling Kshs.146,824,281 for the year ended 30 June 2015. However, the tender/quotation documents in respect of the various contracts and services were not made available for audit review.

In the circumstances, the propriety of the expenditure of Kshs.146,824,281 could not be confirmed.

5.0 Construction of County Government of Makueni Office Block, Governor and Deputy Governor's Residencies

Included in the construction of buildings figure of Kshs.239,095,692 in note 18 to the financial statements is Kshs.21,911,832 for the construction of the Deputy Governor's residence of which there was no such budget provision contrary to Section 26 (6) of the Public Procurement and Disposal Act, 2005.

Further, the Salaries and Remuneration Commission circular SRC/TS/CGOVT/3/61 of 18 December, 2013 only provides for housing benefits to Governors and Speakers of the County Governments but not the Deputy Governors. In addition, contract agreements and bill of quantities for all the three projects were not availed for audit verification.

In the circumstances, the propriety of the expenditure of Kshs.239,095,692 could not be confirmed.

6.0 Construction of Kalamba Fruit Project

During the year under review, the County Government paid Kshs.31,706,748 to contractors for various preliminary works and services towards the construction of Kalamba fruit processing plant.

Included in this payment was Kshs.6,312,846 which was paid for consultancy services. However, management did not avail the relevant procurement documents for audit review.

In the circumstances, the validity and propriety of the expenditure of Kshs.31,706,748 on Kalamba fruit project could not be confirmed.

7.0 Construction of Institutes, Development Centers and Rural Electrification Projects

During the year under review, the County Government contracted for the construction of county technical training institutes, early childhood development centers and rural electrification projects in various Wards in the County at a total cost of Kshs.58,206,867. However, the County did not give full contracts to the contractors but instead split the contracts into two portions contrary to Section 30 of the Public Procurement and Disposal Act, 2005. The first portion was for the supply of the required materials and the second part was for supply of labour. This led to

poor workmanship of the projects and the delivery of some building materials on site could not be verified since the delivery notes were not maintained and filed.

Further, market survey for the building materials was not carried out as it was clearly demonstrated by inconsistencies in building materials prices for similar projects carried out in the wards. In addition, there were also inconsistencies in labour costs for similar projects across the wards and therefore it was not clear how the labour costs were being determined.

In the circumstances, it has not been possible to ascertain that value for money was received in respect to the two contracts totaling Kshs.58,206,867 as at 30 June 2015.

8.0 Irregular Use of Imprest

8.1 Use of Imprest to Construct a Primary School

During the year under review, the County Government entered into a contract for the construction of Yikisemei Primary School under emergency expenditure category and made payments totaling Kshs.16,080,875. However, no documents were made available for audit review to confirm that the expenditure and the project qualified to be categorized under emergency projects.

Further, the contracting process was not subjected to competitive bidding but instead management resorted to the use of imprest to carry out the works contrary to Section 91 of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, it has not been possible to ascertain that the County got value for money in the construction of the school at Kshs.16,080,875.

8.2 Use of Imprest to Procure Contract Services

During the year under review, the County Government, issued cash imprests amounting to Kshs.11,960,990 to various officers to undertake the procurement of goods and services contrary to Treasury circular No. 14/2013 dated 19 November, 2013, which states that imprest/cash should not be used to procure goods or services without involving the head of procurement.

In view of the foregoing, it has not been possible to ascertain that the County got value for money in the Kshs.11,960,990 expenditure.

8.3 Use of Cash/Imprest to Procure Goods and Services

The County Assembly made cash payments totaling Kshs.2,250,000 through imprests to various Members of the County Assembly (MCAs) for various public participation programmes across the County. However, these programmes were not supported and the imprest was allegedly used to procure goods and services worth Kshs.2,250,000 through direct procurement method.

In the circumstances, the propriety of the expenditure of Kshs.2,250,000 attributed to the public participation programmes could not be ascertained.

9.0 Direct Procurement of General Office Supplies

During the year under review, the County Government procured general office supplies items worth Kshs.2,378,335 without subjecting the process to competitive bidding contrary to Section 29 of the Public Procurement and Disposal Act, 2005.

As a result, the County was in breach of the law and value for money in the Kshs.2,378,335 expenditure could not be ascertained.

10.0 Irregular Training Expenses

Note 13 to the financial statements reflects training expenses amounting to Kshs.19,989,098. Included in this amount is Kshs.13,693,930 the County Government incurred in training of entrepreneurs, motor bike riders and other trainings for Kshs.5,655,022, Kshs.5,915,750 and Kshs.2,123,158 respectively. However, no procurement documents were made available for audit review.

In the circumstances, the propriety of the training expenditure of Kshs.19,989,098 could not be confirmed as at 30 June 2015.

11.0 Fabrication of Metal Stalls at Mbui Nzau Market

The County Government awarded a contract to M/s Shatit Enterprise Ltd for the fabrication of metal stalls at Mbui Nzau Market at a contract sum of Kshs.2,400,000. Audit verification revealed that four firms had tendered for the job with the highest having quoted Kshs.3,000,000, the third lowest had quoted Kshs.2,475,000, the second lowest had quoted Kshs.2,400,000 and the lowest had quoted Kshs.1,365,000. However, the second lowest bidder was awarded the contract and no explanation was given as to why the lowest bidder was not awarded the tender which could have resulted in a saving of Kshs.1,035,000.

Further, tender minutes and bill of quantities were not made available for audit verification. In addition, the cubical floors were not cemented in line with the set specifications, and only 5 of the 20 cubicles were occupied at the time of audit inspection.

As a result, it has not been possible to confirm whether value for money was obtained in the Kshs.2,400,000 expenditure.

12.0 Imprests Management

12.1 Outstanding Imprests

The financial statements reflect accounts receivables balance of Kshs.4,526,300 in respect of outstanding imprest as at 30 June 2015. Management has alleged that imprests surrender vouchers amounting to Kshs.1,536,400 were taken by the Ethics and Anti-Corruption Commission (EACC). However, there was no documentary evidence to support the assertion. In addition, the imprest register maintained did not indicate the personal numbers of the imprest holders and the imprest surrender voucher numbers. It was also noted that additional imprests were issued to officers with other un-cleared or un- surrendered imprests.

In the circumstances, it has not been possible to ascertain the recoverability of the Kshs.4,526,300 outstanding imprests as at 30 June 2015.

12.2 Unaccounted for Imprests

Verification of imprest surrender vouchers revealed that imprest surrendered amounting to Kshs.10,100,000 had the following anomalies;

i. Office of the Governor

Included in the surrendered imprest of Kshs.10,100,000, was Kshs.800,000 spent by the Office of the Governor out of which a total of Kshs.570,680 was spent on meals and refreshments without a list of attendance and purpose.

ii. Hire of Taxis

Also included in the imprest of Kshs.10,100,000 is Kshs.684,900 used for hire of taxi services. However, details of journeys made, purpose, vehicle registration numbers and quotations were not availed for audit review.

iii. Purchase of Airtime

Airtime worth Kshs.114,350 was bought by use of imprest. However, no schedule of recipients was availed for audit review.

iv. Inter-County Sports

An amount of Kshs.1,194,955 was paid as allowances to participants in the Inter County Sports. However, a registration list was not made available for audit review.

In the circumstances, it was not possible to ascertain that the Kshs.10,100,000 imprest surrender was fully accounted for as at 30 June 2015.

13.0 Unsupported Foreign Travel

During the year under review, the County Government paid Kshs.5,535,044 to facilitate various officers on trips outside the country. However, the officers had not tabled back to office reports of the various training, workshops/seminars and conferences attended.

Further, out of the Kshs.5,535,044 only Kshs.2,826,680 incurred during a trip to Arusha was supported leaving an unsupported balance of Kshs.2,708,364.

In the circumstances, the propriety of Kshs.5,535,044 foreign travel expenditure as at 30 June 2015 could not be ascertained.

14.0 Supply and Delivery of Mock Exams and Textbooks

The County Government procured KCPE and KCSE Mock examination at a cost of Kshs.6,420,000. However, mock examinations had been outlawed by the Ministry of Education, Science and Technology. Further, the management did not avail for audit review the procurement documents for purchase of the textbooks. It was therefore not possible to confirm whether the management adhered to the procurement procedures as stipulated in Part III of the Public Procurement and Disposal Regulations 2006 and that the Kshs.6,420,000 expenditure was a proper charge to public funds.

15.0 Irregular Promotion

An employee who was the political advisor to the Governor was appointed in the month of October 2014 in Job Group R. The basic salary as at 1 October 2014 for his entry point BAR0 (as per IPPD Data Capture Sheet) was Kshs. 109,089.

A scrutiny of the payroll revealed that the employee moved from BAR0 (basic salary Kshs.109,089) to BAR6 (basic salary of Kshs.138,501) of the salary scale in June 2015 as per letter dated 29 June 2015, signed by the Secretary County Public Service Board (CPSB). The new basic salary was backdated to January 2015 meaning the officer was upgraded after only three (3) months in the service. No authority to move the officer six scales higher within 3 months of appointment was provided.

Salary arrears totaling Kshs.176,472 were paid in the month of June 2015 and the officer has continued to enjoy the new salary. However, the officer had not completed the 6 month mandatory probation period.

In the circumstaces, the six scales upgrading and the salary arrears of Kshs.176,472 as at 30 June 2015 were irregular.

16.0 Unconfirmed Employee Compensation Payments

Examination of personnel records for the period under review revealed that the County had two parallel payroll systems, the IPPD payroll and a manual payroll.

A total of 1185 employees were paid through the manual payroll every month. The only authorized mode of payment is through the IPPD (Integrated Payroll And Personnel Database). A copy of the manual payroll provided for audit review did not show details of the officers' job group, basic salary and deductions but only the net pay of Kshs.224,503,611 during the year.

In the circumstances, it has not been possible to ascertain the propriety and authenticity of the Kshs.224,503,611 compensation to employees expenditure.

17.0 Avoidable legal Fees

During the year under review, the County Government engaged the services of an advocate to represent it in a case between the County Assembly and County of

Makueni Executive Committee Member for Finance in a constitutional petition case No.565 of 2014, Nairobi at a cost of Kshs.13,586,400. Further, the County Assembly had a pending legal bill of Kshs.74,660,000. However, the County Government did not provide the basis for the huge legal fees.

In the circumstances, the propriety of the legal fees expenditure of Kshs.13,586,400 and a further pending bill of Kshs.74,660,000 could not be confirmed as a proper charge to public funds as at 30 June 2015.

Adverse Opinion

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

Other Matter

1.0 Budgetary Analysis

1.1 Un-Utilized Budget

The County Government had an approved budget of Kshs.6,971,128,728 for the financial year 2014/2015. However, only Kshs.4,777,453,637 was requisitioned with Kshs. 2,193,675 being un-requisitioned. Further, the County Government spent only Kshs.4,111,486,649 (86%) of the released exchequers of Kshs.4,777,453,637 leaving an unspent balance of Kshs.665,966,988.

In the circumstances, the County residents did not get the budgeted services expected.

1.2 Recurrent Budget

The County Government budgeted to spend Kshs.3,616,046,273 as recurrent expenditure but the actual expenditure was Kshs.3,343,499,581 for the year ended 30 June, 2015 occasioning an underexpenditure of Kshs.272,546,692 as detailed below.

Recurrent Budget Vs Expenditure for the Period ended 30th June, 2015

Departments	Budget Revised (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	% Variance
Governer	166,216,551.59	151,700,829.54	14,515,722.05	8.73
County	228,073,354.86	217,181,446.46	10,891,908.40	4.78
Devolution	44,753,084.45	49,749,329.85	(4,996,245.40)	
Education	203,764,504.82	140,066,438.77	63,698,066.05	31.26

Departments	Budget Revised (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	% Variance
Finance	355,404,094.11	307,187,616.74	48,216,477.37	13.57
Health	1,437,171,700.85	1,350,754,556.73	86,417,144.12	6.01
ICT	32,117,655.77	30,979,342.50	1,138,313.27	3.54
Trade	53,784,155.32	55,051,420.57	(1,267,265.25)	(2.36)
Transport	158,303,409.50	132,980,447.54	25,322,961.96	16
Water	98,701,769.01	90,593,065.81	8,108,703.20	8.22
Cpsb	59,182,239.50	42,784,583.18	16,397,656.32	27.71
Lands	36,069,586.46	42,335,148.51	(6,265,562.05)	
Gender	42,948,337.25	47,709,267.54	(4,760,930.29)	
Agriculture	197,723,542.85	221,034,421.48		
County	442,948,593.00	432,785,894.00	10,162,699	2.29
Legal	58,883,693.70	30,605,772.70	28,277,921	48.02
Totals	**3,616,046,273**	**3,343,499,581.92**	**272,546,691.11**	**7.54**

Though the County may be commended for the savings in its recurrent budget, the 7.5% under – expenditure of its budgeted recurrent expenditure indicates the County's budget for the financial year 2014/2015 was not realistic.

1.3 Development Budget

The County Government had a development budget of Kshs.3,355,082,455 with actual expenditure of Kshs.1,224,816,842 resulting in an underexpenditure of Kshs.2,130,265,613 or 63.49% of the budget. This is detailed below:

Development Expenditure

Department	2014/15 Revised/Final Development budget (Kshs)	Development Expenditures Actual (Kshs)	Variance (Kshs)	%
Department of ICT	96,338,200.57	56,473,920.65	39,864,279.92	41.38
Department of lands, Physical Planning & Mining	223,892,307.70	98,936,039.79	124,956,267.91	55.81
Department of Trade, Tourism & Cooperatives	315,966,121.75	120,494,534.10	195,471,587.65	61.86
Department of Gender, Youth & Social services	298,091,846.37	87,760,633.17	210,331,213.20	70.56
Department of finance & Socio Economic	55,090,960	36,668,638.40	18,422,321.60	33.44

Department	2014/15 Revised/Final Development budget (Kshs)	Development Expenditures Actual (Kshs)	Variance (Kshs)	%
Planning				
Department of Education & ICT	254,557,963	132,638,711.30	121,919,251.70	47.89
Department of Transport & Infrastructure	459,527,630.45	220,729,600	238,798,030.45	51.97
Department of Agriculture, Livestock & Fisheries development	302,853,643.55	71,588,552.06	231,265,091.48	76.36
Department of water, Irrigation & Environment	854,939,049.83	252,345,094.55	602,593,955.28	70.48
Department of health	381,936,871.02	80,982,377	300,954,494.02	78.80
Department of Devolution & Public Service	39,000,369.64	20,796,281.60	18,204,088	46.68
County Assembly	72,887,492	45,402,460	27,485,032	37.71
Sub Totals	**3,355,082,455.87**	**1,224,816,842.62**	**2,130,265,613.25**	**63.49**

1.4 Development Projects Status

The County Government had budgeted to spend Kshs.3,355,082,455 on development. However, scrutiny of projects implementation status report availed indicated that only 639 projects with a total budget value of Kshs.1,363,774,183 had been earmarked for implementation occasioning an unexplained variance of Kshs.1,991,310,273 between the budget figure and the implementation status figure.

Department	Total No. of Projects (Budgeted)	Amount Budgeted Kshs.	Projects not Begun	Completed Projects	On going Projects	Stalled Projects
Department of Lands, Physical Planning and Mining	39	40,654,650	14	7	18	0
Department of Trade, Tourism and Cooperatives	63	282,935,000	46	8	9	0

Department	Total No. of Projects (Budgeted)	Amount Budgeted Kshs.	Projects not Begun	Completed Projects	On going Projects	Stalled Projects
Department of Gender, Youth and Social Services	25	40,691,667	19	4	2	0
Department of Education and ICT	158	167,034,701	92	51	17	0
Department of Transport and Infrastructure	99	174,670,935	58	24	17	0
Department of Agriculuture, Livestock and Fisheries Development	14	135,350,000	6	3	4	1
Department of Water, Irrigation and Environment	142	302,876,277	111	17	12	1
Department of Health	99	219,560,953	59	16	21	2
Sub Totals	**639**	**1,363,774,183**	**405**	**130**	**100**	**4**

Further, it was not clear how the entire development budget was to be implemented without a complete list of the projects envisioned during the year. The projects implementation status report did not indicate the amount spent against each project listed.

During the year under review, only 130 projects with a budget value of Kshs.174,319,445 were started and completed. Further, 100 projects budgeted at Kshs.313,543,604 were ongoing during the year in which they were supposed to be completed. In addition, 405 projects with a budget provision of Kshs.864,446,134 earmarked for implementation during the year under review were not implemented. In addition, 4 projects with a budget of Kshs.11,465,000 were stalled.

Failure by the County Government to spend Kshs.2,130,265,613 or approximately 64% of the budgeted development funds means that the public did not enjoy the associated benefits and services for the year ended 30 June 2015.

1.5 Unsatisfactory Utilization of the County Assembly Budget

The County Assembly operated under a revised budget of Kshs.515,836,084 during the financial year 2014/2015. Scrutiny of expenditure documents indicated that the

County Assembly spent a total of Kshs.478,193,853 occasioning an under expenditure of Kshs.37,642,231 (7.3%). Further, compensation of employees was budgeted at Kshs.195,874,914 but the expenditure was Kshs.244,447,458 leading to an over-expenditure of Kshs.48,572,544 or 24.8% of the budget.

In the circumstances, the county Assembly did not adhere to the budgetary guidelines.

2.0 Revenue Collection

Examination of revenue collection records indicated that the County Government's annual revenue target for the year under review was Kshs.400,000,000. However, the County collected only Kshs.215,769,267 occasioning an under collection of Kshs.184,230,733 or approximately 46%. Although there was an increase of revenue by Kshs.26,581,526 from 2013/2014 figure of Kshs.189.187,741 to Kshs.215,769.267 in the year under review, the County was unable to meet its performance target in revenue collection as shown below;

2014/2015 Revenue Under Collection

Revenue Type	Budgeted Amount (Kshs.)	Actual Collection (Kshs.)	Under Collection (Kshs.)	%Under Collection
Parking fees	35,000,000	22,737,626	12,262,375	35
Plot Rent fees	18,200,000	8,065,108	10,134,892	56
Single Business Permits	80,000,000	66,279,779	13,720,221	17
Plan Approval fees	15,750,000	6,353,370	9,396,630	60
Plot Dues	17,750,000	4,034,175	13,715,825	77
Liquor Licences	35,900,000	22,184,620	13,715,380	38
Agriculture and Livestock	6,550,000	-	6,550,000	100
Public Health	85,250,000	-	85,250,000	100
Water and Environment	36,400,000	-	36,400,000	100
Market Fee	30,000,000	26,371,345	3,628,655	12
Consultancy fee	4,550,000	4,298,807	251,193	6
Penalty fee	1,500,000	1,698,194	(198,194)	(13)
Stock Market fee	10,000,000	8,516,490	1,483,510	15
Cess	11,100,000	14,608,953	(3,508,953)	(32)
Kiosk Revenue fee	4,550,000	2,969,900	1,580,100	35
Other	450,000	24,180,400	(23,730,400)	(5273)
Stock Movement fee	3,550,000	1,929,580	1,620,420	46
Sale of Tender E	2,000,000	304,920	1,695,080	85
Sale of Tender A	1,500,000	1,236,000	264,000	18
Totals	**400,000,000**	**215,769,267**	**184,230,733**	

3.0 Procurement

3.1 Irregular Purchase of Two Drum Rollers

The County purchased two drum rollers from Achelis Material Handling Ltd on 22 October 2014 at a total cost of Kshs.18,388,000. However, the log book for the drum rollers procured under government contract indicated that the year of manufacture was 2014 while the pre-delivery inspection indicated 2013. Further, the engineer's recommendations were not provided.

In the circumstances, the propriety of the expenditure of Kshs.18,338,000 could not be ascertained as at 30 June 2015.

4.0 Construction of County Assembly Office Block

The County Assembly contracted the construction of its office block at a sum of Kshs.39,474,010. However, the works were later varied by Kshs.7,027,635, thus increasing the project cost to Kshs.46,501,645. The County Assembly did not revise the contract agreement to incorporate the variations.

Further, the bill of quantities included a provisional sum of Kshs.1,020,000 in respect of a sign board, cleaning of the area, project management and a site office. However, no documents were provided in support of the expenditure.

In addition, the project did not include electrical works and interior finishes casting doubt on the completeness of the project design and execution.

In the circumstances, the propriety of the expenditure of Kshs.46,501,645 as at 30 June 2015 could not be confirmed.

5.0 Construction of Market Shades

During the year under review, the County Government undertook the construction of 28 market and curio shades at various market centers across the County at a total cost of Kshs.39,014,468.

However, Makindu market and Mbui Nzau curio market shade costing Kshs.3,787,790 and Kshs. 1,971,390 respectively were not in use as they had not officially been commissioned and lacked the security infrastructure and adequate ventilations.

In the circumstance, the County did not receive value for money for Kshs.5,759,180 in respect to the two projects.

6.0 Extension of Kiboko Twaandu Water Project

The County Government entered into a contract for the extension of Kiboko Twaandu Water project at a contract sum of Kshs.5,200,000. Although the project started in the month of October 2014 and the contractor had been paid Kshs. 4,865,591 being 93% of the total cost of the project at the time of audit inspection, it was established that the project was half-way complete.

Further, the outstanding works included connection of the piping work through the railway line crossing which was not done due to way leave complications. In addition, installation of 2 plastic water tanks was not done.

In the circumstances, the project completion and subsequent use is in doubt and the expenditure of Kshs.4,865,591 had no value for money for the County residents.

7.0 Acquisition of Geographic Information System

During the year ended 30 June 2014, the County Government entered into a contract for the supply and installation of a geographical information system phase one at a cost of Kshs.5,650,000. The project was to be done in two phases. However, no funds had been put aside for phase two.

In view of the foregoing, value for the money for the Kshs.5,650,000 spent in phase one may not be realized without implementation of phase two.

8.0 Human Resource Management

8.1 Staff Establishment

The County Government did not maintain a staff establishment for the County. It was, therefore, not clear how the County Public Service Board advertised for vacancies in the various departments in the County. The organizational structure and staffing levels could also not be ascertained.

Further, scrutiny of the list of employees recruited during the period revealed that the Government of Makueni County did not adhere to Article 232(i) of the Constitution which requires that at least one third of employees recruited must be from other counties.

The County was therefore in breach of the Constitution.

8.2 Irregular Employment

The County Government employed 349 new officers to various positions during the period under review without an authorized staff establishment.

Further, officers employed since April 2014 had not been confirmed despite having completed the 6 months' probation period as provided for in the Employment Act, 2007. In addition, a scrutiny of a sample of personal files did not provide adequate information as letters of offer were missing while some appointment letters were not signed casting doubt on adherence to the recruitment procedures and Employment Act, 2007.

The validity and legality of the recruitment of the 349 officers could not be confirmed as at 30 June 2015.

9.0 Internal Audit Department and the Internal Audit Committee

(i) The internal audit department in the County Government had only one officer while it requires a fully-fledged internal audit department. The County having numerous transactions and also overseeing development projects in the 30 wards in its area of jurisdiction requires a strong internal audit department.

(ii) Section 155 (5) of the Public Finance Management Act, 2012 states that a County Government entity shall establish an audit committee whose composition and functions are to be prescribed by the Public Finance Management regulations. However, the County Government did not have an Audit Committee to oversee the implementation of both the internal and external audit reports.

My opinion is not qualified in respect of these matters.

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

Nairobi

6 September 2016