

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COUNTY GOVERNMENT OF MIGORI**

**FOR THE YEAR
ENDED 30 JUNE 2015**



OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Government of Migori set out on page 7 to 22, 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 development for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. 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 compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Bank Balances

Included in the statement of assets as at 30 June 2015 balance of Kshs.538,738,279 are 21 bank account balances with various banks.

However, the following differences were noted between bank reconciliation statements cash book balances and financial statement figures;

Bank A/c	Cash Book figure	Financial statement figure	Variance
CBK 10001700948-Development	31,178,210	6,951,756	24,226,454
Revenue Fund 1000171537	68,378,731	499,378,731	431,000,000
Operations a/c KCB-114073454	100,444	34,384	66,060
Governor's Office	136,400	113	136,287
Ward Development Fund A/c 1154700062	374,256	13,489,084	13,114,828
KCB – Development A/c 1149215860	9,283,059.45	817,949	8,465,110
Agriculture A/c 1160261978741	664,877	(60,450)	725,327
Lands A/c 01141481907800	30,055	4,858	25,197

1.1. Unrecorded Cash Receipts

The bank reconciliation statement provided revealed that a total of Kshs.4,423,804.95 was received through the bank but were not recorded in the cash book thereby understating reported revenue amount. The unreported receipts are as analyzed below;

Bank account	Account no.	Amount (Kshs)
Development a/c-KCB	1149215860	1,154,959
Development a/c- CBK	10001700948	561,319
Salaries	1153149869	2,446,843
Agriculture, Livestock, fisheries	1160261978741	250,000
Operations	1140793454	10,683.95
Total		4,423,804.95

1.2 The bank reconciliation statement for operations account for June 2015, reflect as part of the un-presented cheques, cheque No 1882 of 19 June 2015 for Kshs.1,700,000. The amount was withdrawn from the revenue account at Kenya Commercial bank, and the cheque was to refund the same to Revenue account. No evidence was provided to confirm that the money was re-banked.

1.3 It was noted that eighteen bank accounts with total balance of Kshs.9,612,328 were not incorporated in the financial statements as tabulated below.

1.4 Variances between Operations Bank Account Cash Book and Financial Statements

Included in the cash in hand balance as at 30 June 2015 of Kshs.6,900,718 disclosed under note 22B to the financial statements, is of a balance of Kshs.6,900,115 held in cash office and Kshs.603 at Deputy Governor's office. However, the operations cash book availed reflected a balance of Kshs.4,876,831 resulting in unexplained variance of Kshs.2,023,887.

1.5 The County did not prepare bank reconciliation statements for the whole year in nearly all of its bank and cash books hence it was not possible to ascertain whether all bank transactions and bank balances during the year under audit were fairly stated.

Bank Account	Account Name	Bank Balance (Kshs)
NBK 01001095828800	OTHORO S District Hospital -Free Maternity Health Care	564,445.5
KCB 1157323995	KEHANCHI Dist. Hospital -Free Maternity Health Care	1,586,387
KCB 1158858434	ISIBANIA S County Hospital FIF	108,762
KCB 1158858353	KURIA S County Hospital FIF	1,178,817
KCB 1158858418	KARUNGU S County Hospital FIF	39,797
KCB 1158858485	NTIMARU S County Hospital FIF	9,235
KCB 1158858310	MACALDER S County Hospital FIF	27,725
KCB 1158858469	KEGONGA S County Hospital FIF	6,180

KCB 1157939538	MIGORI District Hospital -Free Maternity Health Care	680,848
KCB 1157360173	RONGO -Free Maternity Health Care	46,210
KCB 1157694837	KARUNGU S District Hospital -Free Maternity Health Care	910
KCB 1157367941	ISEBANIA Free Maternity HCS -Free Maternity Health Care	1,421,330
KCB 1157801641	KEGONGA District Hospital -Free Maternity Health Care	1,009
KCB 1157477380	NTIMARU S District Hospital -Free Maternity Health Care	201
KCB 1158858299	RONGO S County Hospital FIF	591,947
KCB 1158858221	MIGORI County Referral Hospital FIF	1,681,374
KCB 1157360548	AWENDO District Hospital -Free Maternity Health Care	143,554.8
KCB 1157323995	KURIA District Hospital -Free Maternity Health Care	1,523,597
	Total	9,612,328

1.6 Non Closure of Bank Accounts

Information available indicates the County Government operated twenty one accounts in various commercial banks that had not been closed contrary to paragraph 22 of the National Treasury circular No. 4 which required Accounting officers of the County Government entities to open and operate bank accounts only at Central Bank of Kenya except imprest, revenue and County Public Fund Accounts. In the circumstances, the County Government is in breach of Treasury regulations.

Consequently, the accuracy of the bank balance figure of Kshs.538,738,279 as at 30 June 2015 could not be confirmed.

2.0 Outstanding Imprests

The statement of assets as at 30 June 2015 and as disclosed under note 23 to the financial statements, reflects an outstanding imprest balance of Kshs.8,869,890 disclosed under note 23 to the financial statements which ought to have been surrendered or accounted for as at the same date remained unsurrendered up to the time of the conclusion of the audit exercise. Most of these imprests have been outstanding for long period with others relating to the year 2014 and staff issued with multiple imprests prior to surrender or accounting from previously issued contrary to financial regulations on imprest issuance. Consequently, the recoverability of the total outstanding balance of Kshs.8,869,890 could not be ascertained.

3.0 Receipts

3.1 Exchequer Releases

Included in the statement of receipts and payments total receipts of figure Kshs5,466,027,336 are exchequer releases of Kshs.5,092,809,787 during the year. However, bank statements reveal that Kshs.4,634,456,907 was the actual receipt for the year ended 30 June 2015 leading to unexplained and unreconciled difference of Kshs.458,352,880.

Consequently, the accuracy of the statements totals receipts figure of Kshs.5,466,027,336 for the year ended 30 June 2015 could not be confirmed.

3.2 Other Receipts

3.2.1 Unsupported Revenue Figures

Also included in the statement of receipts and payments total receipts is an amount of Kshs.355,157,549 representing other revenues generated by the County. However, monthly revenue analysis and information available indicates that a total of Kshs.355,111,556 was receipted during the year leading to unexplained difference of Kshs.45,993. Ledgers to provide details of revenue to support the monthly summaries as contained in the revenue analysis sheet were not availed for audit review.

3.2.2 Other Revenue Figures

Included in the receipts other revenue figure of Kshs.335,111,556 and as disclosed in Note 11 to the financial other revenues figures totaling tabulated below that are not supported with documentary evidence;

Item	Financial statement Kshs	Supporting documentation Kshs	Unsupported Kshs
Rents	28,947,647	174,540	28,773,540
Sales of market establishments	31,830,400	-	31,830,400
Receipts from administrative fees and charges	285,810,918	-	285,810,918
Other Local levies	8,118,734	-	8,118,734
Total			<u>354,533,592</u>

In the circumstances, completeness and validity of the receipts as reflected in this statements could not be confirmed in the absence of information, revenue control and adequate supporting documentation.

4.0 Compensation of Employees

4.1 The statement of receipts and payments reflected an amount of Kshs.1,679,203,481 for salaries and allowances for permanent employees and disclosed under note 12. However, this amount was not in agreement with the payroll summary figure of Kshs.1,542,375,977, leading to unexplained variance of Kshs.136,827,504

4.2 Over Expenditure on Compensation of Employees

The statements of receipts and payments disclosed expenditure on compensation of employees amounting to Kshs.1,760,328,343 for the year 2014/15, compared to Kshs.1,343,240,581 for the previous year representing an increase of Kshs.453,287,442 (34%) from the previous year. The county had budgeted to spend Kshs.1,440,000,000 during the year thereby exceeding budgetary allocation by Kshs.355,528,023 thus overspending by 25%. No justification has been provided for the Kshs.355,528,023 excess vote on budgeted salaries item.

4.3 Unsupported Personal Allowances

Included in the figure for compensation of employees expenditure of Kshs.1,760,328,343 and as disclosed under note 12 to the financial statement is Kshs.3,552,129 on personal allowances paid as part of salary. This amount is not supported with documentation hence propriety of the expenditure could not be confirmed.

5.0 Use of Goods and Services

The statements of receipts and payments and as reflected under note 13 to the accounts reflects an expenditure of Kshs.1,910,282,931 under use of goods and services of which the following anomalies were noted;

- 5.1** The amount includes expenditure of KShs.184,015,199 on account of utilities, supplies and services of which an expenditure under payment voucher No 022 dated 8 May 2015 of Kshs.7,605,489 was not captured in the ledger, thus, understating the expenditure of use of goods and services in the statement of receipts and payments by the same amount.
- 5.2** Under Kshs.288,391,732 expenditure on specialized materials and services, the amount differs with documentation availed amounts of Kshs.28,839,173 by unsupported payments of Kshs.259,552,559.

6.0 Other Payments

Included in the Other Payments expenditure and as shown under note 21 of the financial statements of Kshs.127,676,902 is an amount of KShs.56,176,902 under expenses related to recurrent statements which has not been supported with documentation neither was nature of the expenditure revealed.

In the circumstance, the propriety of the Kshs.127,676,902 payment could not be confirmed.

7.0 Acquisition of Assets

1. Included in the statement of receipts and payment for the year ended 30 June 2015 is an expenditure of Kshs.1,280,703,799 on acquisition of assets which translated to 44% on the budgeted figure of Kshs.2,912,502,582. Included in the expenditure is purchase of office furniture and general equipment amounting to Kshs.95,471,690 under note 18 that were not supported with documentation and a list of specific assets purchased.

8.0 Assets and Liabilities of the Defunct Local Authorities

The statement of receipts and payment for the financial years 2013/2014 and 2014/2015 reflects acquisition of assets of Kshs.1,029,182,500 and Kshs.1,280,703,799 respectively, all totaling to Kshs.2,309,886,299. However, liabilities from the defunct authorities have not been included in these financial statements. In addition the Inter-governmental Relations Technical Committee which took over from the Transition Authority is yet to formally hand over the assets and liabilities of the defunct Local Authorities to the County Government. It is not clear when the assets and liabilities will be handed over to the County Government.

In view of the above, the completeness and accuracy of the assets and liabilities of the Migori County Government as presented in these financial statements could not be confirmed.

9.0 Pending Bills

- (i) Note 26.1 to the financial statements reflect Pending Accounts Payables of Kshs.426,733,710 as at 30 June 2015 compared to Kshs.,807,125,807 in 2013/2014. The following irregularities were noted:
- (ii) This amount differs with the figure contained in Controller of Budgets report that had Kshs.508,650,000 as pending bills as on June 30, 2015 by unexplained and unreconciled Kshs.81,916,290 difference. Reliability of the figure for pending bills in the financial statements could not be confirmed.
- (iii) Failure to pay bills in the year they relate distorts the financial statements for the year and adversely affects the provision for the subsequent years

they have to be charged. Had these bills been paid, the statement of receipts and payments would have a deficit of Kshs.262,323,691 instead of the surplus of Kshs.164,410,019 currently shown. No documentation in form of invoices or certificate for work done were presented to support the pending bills. These pending bills are in the names of the projects instead of contractors or suppliers whose payments were still outstanding.

9.1 Retention Funds

Included in the pending accounts payable figure of Kshs.426,733,710 is a deposits figure of Kshs.232,000,000 that comprise retention funds payable to contractors. However, management did not open a deposit account at Central Bank of Kenya specifically for retention funds before they are paid to the contractors, neither was bank account in which these deposits were banked disclosed. Consequently, I am unable to confirm the accuracy, completeness and validity of the Kshs.426,733,710 amount as reflected in these financial statements.

10.0 Expenditure for County Budget Implementation Report and Statement of Receipt and Payments

The actual payment analysis figures disclosed in the county Budget implementation report for the year 2014/2015 of Kshs.4,945,440,608 differed with the audited expenditure figure for the year of Kshs.5,301,617,317 by unreconciled and unexplained difference of Kshs.356,176,709.

11.0 Proposed Construction of General Ward for Ntimaru Hospital

A Contract awarded to a supplier of Kshs.7,891,745 was made during the year and a Kshs.1,700,000 payment made. However, the contract was not subjected to national open tender. The contractor had left the site before fixing the doors, curtains trucks, completing electrical works, painting works. The toilet block had not been fixed with doors, steel windows, not painted and paving slap had not been completed. In the circumstances, it could not be confirmed whether value for money was realized from the above contract.

11.1 Delay in Completion of Civil Works – Migori Stadium

A Kshs.5,031,000 civil works contract tender award was signed on 01/07/2014 and paid for delivery within fourteen weeks (14) from the date of the handing over, but by the time of the audit exercise, over one year and three months had lapsed with incomplete works. In the circumstances, it could not be confirmed whether value for money was realized from the above contract.

11.2 Delay in Completion of Masonry Fencing – Migori Stadium

Included in the acquisition of assets expenditure figure is a tender awarded to a contractor on 29 May 2014 at their quoted price of Kshs.24,015,144. The project was to last for sixteen weeks (16) from the date of the handing over.

Examination of contract documents, payment vouchers, and procurement records followed by a site inspection on 8/10/2015 revealed that after payment one year and three months had lapsed with uncompleted works. Consequently, it could not be confirmed whether value for money was realized from the above contract.

11.3 Construction of North Kadem Ward Administrator's Office

A tender contract to construct North Kadem ward administrator's office was awarded to a company at a tender sum of Kshs.8,907,488 and a Kshs.1,100,000 payment made on 8th December 2014.

Our physical verification established that construction was at window level and the contractor was not on site. No justification has been provided for the delay in completion and absence of contractor in site.

12.0 Irregular Expenses

Expenses totaling Kshs.18,953,603 as listed below were not supported with adequate documentation.

P.V/Cheque/IFMIS No	Details	Payee	Date	Amount (Kshs)	Remarks
963	General Office Supplies	Toyota Kenya Ltd.	07-11-14	6,165,028	Quotation for the vehicle did not have specifications
1937	Accommodation - Domestic Travel	Travel Time Leader Ltd.	06-05-15	3,598,422	Purpose of journeys not disclosed
1553	Travel Costs	Travel Time Leader CO	16-03-15	957,189	Purpose of journey not disclosed
627	Casual wages	Eunice Ouma	22/12/14	1,713,640	P.V not supported.
IFMIS 390077	Hospitality	Brima Outside Catering	9/12/2014	708,624	List of attendance is for one day but invoice for 12 days
IF 371266	Car hire	Travel Time Leader Co Ltd	20/2/15	1,302,100	Purpose of journeys not disclosed
IFMIS 1168513	Travelling	Travel Time Leader Co. Ltd	15/6/15	3,061,000	Purpose of journeys not revealed
273	Workshop	Onyancha Lazarus	20/5/15	1,447,600	means of transport to venues not disclosed
Total				18,953,603	

Consequently, propriety of the expenditure totaling Kshs.18,953,603 could not be confirmed and whether it was proper charge to public funds.

13.0 Unexplained Negative Balances in Vote Book

A total of Kshs.1,280,703,799 expenditure was incurred on Development and Kshs.4,148,590,419 recurrent vote by the County. However, Vote books for the two votes had negative balances totaling to Kshs.123,545,366 which were not explained. It is unclear how funds not available could be spent leading to negative balances. Although it was explained that as a result of errors and that it had since been corrected, no evidence to justify of this correction was provided.

14.0 Reallocation of Funds

Funds totaling Kshs.63,885,702 were reallocated from their original vote heads to other uses in health, Environment and Agriculture sectors for Kshs.36,315,106, Kshs.10,773,356 and Kshs.16,797,240 respectively. No authority was sought as required by the regulations or justification was provided for the reallocation of funds from their intended use.

15.0 Expenditure from unspent balances after year end.

Migori County Treasury facilitated spending of Kshs.39,281,800, funds which had lapsed, without repaying them into County Exchequer account and seeking authority from Controller of Budget to spend the money as per the Public Financial Management Act 136 (2).

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 Migori as at June 30 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 the Public Finance Management Act, 2012.

Other Matter

1.0 Procurement of Toyota Double Cabin

Included in the acquisition of assets figure of 1,280,703,799 is a purchase of a Toyota double cabin, chassis No 9123040 at Kshs.5,571,422 from Toyota Kenya Ltd. The motor vehicle was purchased through direct procurement instead of the open tender recommended by the Procurement and Disposal Act 2005. In the absence of competitive bidding, the objective of public procurement to promote efficiency, effectiveness and economy could not be established in the above procurement.

2.0 Consultancy Services for Assessment of ICT Application in Public Health Services

Included in the figure for use of goods and services was a payment to M/S Seletrack Consultants of Kshs.9,542,149. The process was not supported by approved request for assessment. The service offer was not subjected to request for proposal advertisement and bid documents were not availed. Although the final report on the findings by the consultant was provided, management minutes deliberating and adopting the report for implementation was not provided.

Consequently, the accuracy and propriety of the expenditure of Kshs.9,542,149 for use of goods and services could not be confirmed.

3.0 Budget Performance Analysis

During 2014/2015 financial year the County Budget Implementation and Expenditure Report and Bank records availed indicate that the County as at 30 June 2015 received from the Exchequer amounts totaling Kshs.4,652,516,907 and a further Kshs.458,352,880 on 1 July 2015 making a total of Kshs.5,110,869,787. Of this amount, Kshs.4,148,590,419 was spent on the recurrent and Kshs.1,280,703,799 on Development vote expenditures as analyzed below;

	Budget Kshs.	Actual Kshs.	Variance Kshs.	% Absorption
Development Expenditure	2,912,502,582	1,280,703,799	1,631,798,783	44%
Recurrent Expenditure	2,890,367,205	4,148,590,419	1,258,223,214	144%
Total	5,802,869,787	5,301,617,318	501,252,469	91%

The County therefore utilized 24% of receipts on development activities and 76% on recurrent expenditure.

3.1 Development Budget

Low absorption of development funds was recorded in a number of sectors; Agriculture, Lands, Trade, Environment, Health, Education, Finance sectors and County Assembly utilized less than 50% of development funds allocated to them, with Environment sector achieving a paltry 2% absorption as tabulated below;

Sector	Budget	Actual	Difference	Absorption rate
Agriculture, Livestock Production, Fisheries, Veterinary Services, Water and Energy	446,613,610	71,528,826	375,084,784	16%
Lands, Housing, Physical Planning and Survey	60,430,745	24,546,013	35,884,734	41%

Roads, Public Works and Transport	646,985,321	496,697,134	150,288,187	77%
Trade Development and Regulation	135,617,562	31,041,612	104,575,950	23%
Health	392,361,975	122,269,086	240,092,889	31%
Education, Youth, Sports and Culture	299,753,594	121,469,893	178,484,508	41%
Public Service Management	412,275,229	339,451,295	72,823,934	82%
Finance and Economic Planning	157,690,585	18,234,167	139,456,418	12%
Environment and Disaster Management	132,750,000	2,754,726	129,995,274	2%
County Assembly	228,023,961	52,711,047	175,312,914	23%
Total	2,912,502,582	1,280,703,799	1,631,798,783	44%

Although the County absorption rate was only 44%, it is clear that some budget allocation were unnecessary like the Environmental and Disaster Management where only 2.7million out of 132.7 million or about 2% expenditure was incurred and these denies funds to other more deserving departments. Management has not justified why more than 54% of the development vote has not been utilized. There is the risk that projects may not be undertaken in time and that funds may be used or reallocated for other purposes.

3.2 Recurrent Budget

There were deviations in achieving recurrent budget targets in a number of sectors in which a majority sectors spent over and above their budgets.

Sector	Budget	Actual	Difference	Absorption rate
Agriculture, Livestock Production, Fisheries, Veterinary Services, Water and Energy	111,788,592	215,958,259	104,169,667	193%
Lands, Housing, Physical Planning and Survey	50,362,220	36,380,436	13,981,784	72%
Roads, Public Works and Transport	20,605,760	48,496,727	27,890,967	235%
Trade Development and Regulation	28,446,800	29,416,056	967,256	103%
Health	194,489,178	281,652,007	40,514,072	145%
Education, Youth, Sports and Culture	29,277,823	118,952,205	89,674,382	406%
Public Service	1,420,590,938	2,678,898,950	1,258,308,012	189%

Management				
Finance and Economic Planning	535,222,294	348,057,239	187,165,055	65%
Environment and Disaster Management	14,583,600	83,927,195	169,343,595	575%
County Assembly	485,000,000	306,851,345	178,148,655	63%
Total	2,890,367,205	4,148,590,419	1,130,546,313	144%

Its worth noting that the:

- i) Agriculture, Livestock Production, Fisheries, Veterinary Services, Water and Energy exceeded its budget by 93%.
- ii) Roads, Public Works and Transport exceeded its budget by 135%.
- iii) Education, Youth, Sports and Culture exceeded its budget by 306%.
- iv) Public Service Management exceeded its budget by 89%.
- v) Environment and Disaster Management exceeded its budget by 475%.

There was no approval from the members of the County Assembly over the excess expenditures over budget on the account items and Kshs.1,130,546,313 total excess vote.

3.3 Governors' Expenditure

The Governor's Budget of Kshs.53,405,000 differs with IFMIS Vote Book Budget figure of Kshs.48,899,411 by unreconciled or unexplained difference of Kshs.4,505,589. The actual expenditure for Governor during the year was Kshs.44,468,597 hence an under expenditure of Kshs.3,829,815 as analyzed below;

Item	Budget	Actual	Under expenditure	% Absorption
Electricity	29,000	28,715	285	99%
Water & Sewerage	1,000,000	1,000,000	0	0%
Gas	200,000	0	200,000	0%
Telephone	2,423,237	2,423,237	0	100%
Internet connections	561,000	560,000	1,000	100%
Courier & postal services	456,763	150,000	306,763	33%
Travel costs	12,405,000	11,125,136	1,279,864	90%
Accommodation- Domestic travel	8,601,000	8,090,895	510,105	94%
Advertising	2,040,000	1,855,257	184,743	91%
Travel allowance	685,000	684,300	700	100%
Catering services	4,240,411	4,192,347	48,064	99%
General Office Supplies	4,200,000	3,031,704	1,168,296	72%
Refined fuels & Lubricants	3,200,000	3,200,000	0	100%
Membership fees &	1,800,000	1,669,844		93%

subscriptions			130,156	
Legal dues	1,160,000	1,160,000	0	100%
Maintenance of motor vehicles	3,662,000	3,662,000	0	100%
Maintenance of furniture	1,636,000	1,635,162	838	100%
Total	48,899,411	44,468,597	3,829,815	91%

4.0 Revenue Budget

County government of Migori had budgeted Revenue receipts of Kshs.5,610,869,787 of which Kshs.18,060,000 was to be raised from foreign and domestic grants, Kshs.5,092,809,787 Exchequer releases and Kshs.500,000,000 from other receipts (Local revenue) as tabulated below;

Receipts	Budgeted	Actual	Budget Utilization difference	% Of Utilization
Proceeds from foreign and domestic grants	18,060,000	18,060,000	-	100%
Exchequer Releases	5,092,809,787	5,092,809,787	-	100%
Other Receipts	500,000,000	355,157,549	144,842,451	71%
Total	5,610,869,787	5,466,027,336		

However, the county realized a shortfall of Kshs.144,888,444 (29%) by collecting Kshs.355,111,556 out of the targeted Kshs.500,000,000 in Local Revenue. This represented 2.58% of the total receipts of which:

Management did not provide justification for the revenue shortfall.

Other observations made were as follows;

- i. The county disclosed in the financial statements other receipts (Local revenue) of Kshs.355,157,549 for 2014/15 and Kshs.238,630,499 for 2013/14 being an increase of Kshs.116,527,050 representing 48.8% increase from previous year.
- ii. Majority of the revenue streams improved compared to previous year's performance but there was significant decrease in taxi/car parking and Kiosk/Ground rent of 36% and 53% respectively.
- iii. Revenue ledgers were not maintained.
- iv. Hospitals irregularly banked Kshs.1,976,860 to FIF bank accounts instead of County Revenue bank account.

5.0 Staff Employment

The Public Service Board employed a total of Seven hundred and thirty seven employees in the financial year 2014/2015 without an approved staff establishment plan in place. The basis of employing these new officers was unclear.

6.0 Unsupported Expenditure

I was unable to confirm the propriety of the payments totalling Kshs.2,178,593 incurred on training, motor vehicle expenses and other General expenses for Migori County Assembly in the absence of adequate supporting documentation.

7.0 Grounded Machinery

A physical verification of machinery at the Roads and Public Works revealed that the department had various machinery which were grounded due to mechanical problems and therefore could not provide needed services to the residents of the County, as listed below;

Machinery	Mechanical Problem	Estimated repair cost
Komatsu KAW 731Z	Various parts	6,441,631
Shantui GK A079Y	Various parts	827,250
Komatsu GK A008U	Requires complete overhaul	2,605,592
Tipper GK A989L Daewoo	Requires overhaul	842,798
Tipper GK A979L Daewoo	Complete overhaul	341,330
	Total	11,058,601

8.0 Inaccuracies of the Accounts

The County Treasury during the year under review made payments totaling to Kshs.197,243,380 that were not processed through IFMIS, which is a tool for internal budget monitoring and accounts processing. This made it impossible to establish and verify the sums of money received and expenditure incurred on account of the County and the assets and liabilities of the County for the period up to 30 June 2015.

9.0 Tender Award to Youth, Women Groups and Persons with Disability

Migori County Government during the year advertised for tenders and reserved some of the tenders for the Youth, Women Groups and Persons with disability. However, only two tenders out of the thirteen reserved were awarded to the group; Provision of cleaning and garbage collection services and Pre-qualification of Contractors for supply and delivery of tree seedlings, dry manure, red soil and seedling polythene bags. The 30% rule for tenders to the Youth, Women Groups and Persons with disability was therefore not observed.

10.0 Lack of Audit Committee

The County had not constituted The Audit Committee three years from the time the County Government started operating. The Internal Audit staff are only three in number and only concentrates on monitoring revenue collection. No reports were available from Internal Audit unit concerning revenue Expenditure and controls of the County Government. We observed that institutions such as Hospitals have never been visited by Audit staff and verification of implemented projects as and when they occur are never carried out by the unit.

Without a strong internal audit function, the County Government may not be able to adequately identify weakness in financial and operational controls on timely basis in order to take corrective action.

My opinion is not qualified in respect of these matters.



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

Nairobi

28 September 2016