

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL OPERATIONS OF
MOMBASA COUNTY EXECUTIVE

FOR THE PERIOD

1 JULY 2013 TO 30 JUNE 2014

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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF THE COUNTY EXECUTIVE OF MOMBASA FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

EXECUTIVE SUMMARY

Introduction

The Office of the Auditor-General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution of Kenya and the Public Audit Act, 2003.

Audit Objectives

The objective of the audit was to ascertain whether the systems formulated and applied by the County Executive were reliable for the management of the County Government's finances in the delivery of services to the local residents.

Terms of Reference

The terms of reference set for the audit included verification and confirmation of transactions in respect to but not limited to the following areas:

- Budgetary controls and performance
- Annual operational /Activity plan
- Procurement of goods, works and services
- Revenue
- Cash and bank balances
- County government Funds
- Human Resource Records
- IT Environment including IFMIS
- Non-Current Assets
- Devolved Funds
- Current Liabilities;
- Prior Audit Issue

Key Audit Findings

1.0 Procurement of goods and services

1.1 Procurement of Furniture

Records availed for audit review indicated that the County Executive paid a total of Kshs.9,599,000 in respect of furniture from various suppliers. However, the suppliers selected for making the supplies were not in the list of the prequalified suppliers. The

procurement was also not done through the open tender process, even though the amounts were above the request for quotation ceiling.

1.2 Procurement of Works

Information availed for audit review indicate that the County Executive awarded a contract for construction of perimeter fence around Tononoka Stadium worth Kshs.3,850,000 to a contractor through request for quotation method even though the amount was in excess of the Kshs.2,000,000 ceiling for procurement of works through request for quotation. In addition, records availed for audit indicate that the County Government spent Kshs.25,104,689 on funding various civil works in the County. However, the project records for all the civil works lacked contract documents, engineers payment certificates, bills of quantities and project monitoring minutes. Further, repairs and maintenance costing Kshs.6,319,726 were not supported with LSOs and BOQs.

1.3 Procurement of Motor Vehicles

Records availed for audit review indicated that the County Executive procured thirteen (13) motor vehicles for County Executive Committee Members under tender CGM/PRO/10/2013-2014. A review of the procurement documents revealed that the lowest evaluated bidder of Kshs.62,634,000 was disqualified at financial evaluation stage on account of supplying Mitsubishi Pajero Sports which were described as non-executive vehicles, a requirement/specification that was in the initial tender document. The tender was awarded to a higher bidder of Kshs.70, 850,000 to supply Medium Duty Utility Vehicles (Ford Everest). The new criterion was irregularly introduced at financial evaluation level resulting in additional cost of Kshs.8,216,000.

1.4 Procurement of Street Lighting Bulbs

Records availed for audit review indicated that a supply of street lighting bulbs at cost of Kshs.2,219,180 was not supported with requisition notes and stores receipt as evidence that the goods supplied were actually received by the County Government and that the specification of the goods received were as per the order.

1.5 Travelling and Accommodation Expenses

Examination of payments vouchers availed for audit review indicated that payments amounting to Kshs.1,504,040 in respect of air travel services could not identify the officer who travelled and were not supported by a signed Local Service Order.

Additionally, payments amounting Kshs.303,070 paid to staff in respect of travelling allowance to attend official seminars and workshops did not identify the officers being paid and were not supported by invitation letters as required by the Section F of the County Human Resource manual.

1.6 Motor Vehicle Running Expenses

Records made available for audit verification indicate that the County Executive spent Kshs.18,194,368 on motor vehicle running expenses. Verification of the payments revealed the following anomalies;

- There were cash purchases amounting Kshs.14,107,740 made from non-qualified suppliers without adhering to Public Procurement & Disposals Act, 2005 for services that had prequalified suppliers.
- Expense of Kshs.632,200 relates to settlement of supplies liability made to defunct Municipal Council without the liability being validated or confirmed by the Transition Authority.

1.7 Expenditure on Consultancy Services

Records made available for audit review revealed that Kshs.93,844,000 was spent on payment for professional services. However, the payment vouchers were not availed for audit verification.

1.8 Expenditure on Repairs of Residential and Non-Residential Buildings

Examination of payment vouchers availed for audit indicate that payments amounting Kshs.8,602,037 for repair of unidentified residential and non-residential buildings which the management indicated are spread throughout the County were supported with incomplete documentary evidence.

2.0 Management of Imprest and Advances

2.1 Un-surrendered Imprest

Records availed for audit review in regard to imprest indicate the following;

- The County Executive had an outstanding imprest of Kshs.44,769,000 as at 30 June, 2014. However, the supporting warrants for the imprests were not availed for audit review hence was not possible to establish when they were issued or even whether they were multiple issuances.
- Imprest amounting Kshs.8,561,922 was omitted on the schedule of outstanding imprest as at 30 June 2014.
- Imprest amounting Kshs.4,616,217 held by several officers who had more than one imprest outstanding as at 30 June 2014.

2.2 Imprest Surrenders

Examination of records availed for audit in respect of imprest surrenders revealed that surrenders totaling Kshs.27,796,731 relating various staff were recorded without the corresponding surrender warrants and any documentary evidence in support of the incurrence of the expenditure or undertaking of the earmarked activity.

3.0 Revenue

3.1 Revenue Collection

According to the County budget, the County Executive budgeted to collect Kshs.5,074,615,602 from internal sources. However, according to revenue report, a total of Kshs.1,715,869,000 had been collected as at 30 June, 2014 which translates to 34%. Further scrutiny revealed that only three (3) revenue sources had attained more than 50% of the targeted budget. It was also observed that County Government still relied on the defunct Municipal Council's revenue collection system.

3.2 Waiver of Cess Fees

Information available indicate that the County Executive exempted ninety six (96) manufacturers from payment of cess fees leading to unquantified loss of revenue contrary to Article 210 (1) of the Constitution of Kenya, 2010 and Section 159 (1- C) of the Public Finance Management Act, 2012.

The office of the Auditor-General had not been notified neither was the waiver based on Act of Parliament or County Assembly legislation.

A sport check at Shanzu barrier revealed that one transport companies exempted from paying cess without following the due process had the County Government forego paid Cess revenue amounting to Kshs.85,451,500 over a duration of six months.

3.3 County Revenue Collection Bank Account

Examination of various bank account statements revealed that revenue totalling Kshs.217,330,354 was banked in other bank accounts other than the designated revenue collection account. A further review indicated that the funds were not transferred to County revenue fund account at Central Bank of Kenya (CBK) in line with the requirement of Public Finance Management Act, 2012.

3.4 Bankings in County Revenue Fund Account

According to the financial report, the County collected a total of Kshs.1,715,869,000 revenue from internal sources. However, according to the county revenue fund bank account statement, a total of Kshs.1,219,606,876 was transferred to the account as at 30 June, 2014 which implies that Kshs.496,262,124 was not banked in the county revenue fund account. This is an indication that the revenue was spent without the approval of the Controller of Budgets as per Government Financial Regulations and Procedures.

3.5 Parking Fees Revenue Collection Account

Information availed revealed that County Inspectorate was in charge of the collection of parking fees. However, there was no evidence that the inspectorate had been designated as collector of revenue in accordance with Section 157 of PFM Act, 2012. In addition, the revenue collected was not being remitted to the County revenue collection bank account but a new account for the parking fees which had been opened at National Bank of Kenya in Mombasa. Further, a physical verification of parking areas along Nkrumah road and Moi Avenue within Mombasa town revealed that there are parking spaces which are reserved for clients who were not on the list of reserved parking spaces.

3.6 Revenue Advanced to Staff

According to records maintained by the cash office, it was revealed that a total of Kshs.15,139,639 had been lent to officers as I.O.U.s under unclear circumstances as documentary evidence was not availed for audit review.

3.7 Conditional Grant for Level 5 Hospital

Records availed for audit review indicate that the County Government received Kshs.414 million as conditional grant for level 5 hospitals. The money was supposed to be used on the Coast General hospital. However, by the time of audit, there was no evidence availed to show that the grant had been utilized on the hospital.

3.8 Cash Bail Records

According to information availed for audit review, a total of Kshs.10,289,365 was received by the cashier as cash bail from the County courts for various cases or offenses against the County law. However the supporting records reflecting the name of the offenders, amount received, refunds, forfeitures and banking slips were not availed for audit review.

3.9 Unutilized Exchequer Releases

Records availed for audit review indicate that as at the end of year under review the County Government had a total balance of Kshs.59,873,258 in various bank accounts which had not been remitted back to the County revenue fund account at CBK in line with the PFM Act, 2012.

4.0 Cash and Bank Balance

4.1 Defunct Municipal Council's Bank Accounts

According to records available, the County Government did not close seventeen (17) bank accounts of defunct Municipal Council as at 30 June 2014 contrary to the circular by the Transition Authority which required that the County Governments close all the bank accounts for the defunct local authorities on 28 February 2013. Records availed for audit

indicated that a total of Kshs.217,330,354 was banked in these bank accounts during the period under review. In addition, the records and bank statements for one of the bank accounts held at Imperial Bank were not availed for audit.

4.2 Lack of Bank Reconciliations

Information availed for audit verification revealed that, the County Government operated three main bank accounts at CBK. However the bank reconciliation statements for the bank accounts were not availed for audit review. In addition, reconciliations for defunct Municipal Council had several un-presented cheques out of which stale cheques amounted to Kshs.227,764,491. Further, records availed for audit indicated that the management closed Co-operative bank Kazi Kwa Vijana account during the year under review. However, no closure instruction by the Management including what happened to the bank balances in the account at the point of closure was availed for audit review. The bank reconciliation statement as at the date of closure was not availed for audit verification.

5.0 Debtors

According to the records availed for audit review, the County had rent arrears amounting to Kshs.184,718,290 from houses and stalls. There were no proper records on the properties and therefore it was not possible to determine whether the amount indicated was accurate. Similarly, no proper work plan had been put in place on how to collect the arrears. Further, Kshs.299,218,200 was in arrears in respect to Single Business Permits by the time of this audit. The demand notices availed for audit review were not serially numbered and therefore we could not determine how many had been circulated. No work plan was availed on how to enforce the collection.

5.1 Land Rates

Review of the County Treasury records indicated that, rates amounting to Kshs.25,969,040,798 were outstanding as at 30 June 2014. Most of the balance relate to debts transferred from the defunct Municipal Council of Mombasa which were reported to be inaccurate. However, the valuation roll which is used for billing the plot owners had not been updated with new land subdivisions while more than 4,000 plots had been registered in the name of owners who could not be adequately identified as pertinent details of the plot owners were missing on the valuation roll.

6.0 Casual Wages

According to the financial statements availed for audit review, the County Government spent a total of Kshs.6,454,000 on casual wages. Information available indicate that some casuals were engaged for a period longer than 3 months and for a long term task e.g. Traffic unit, revenue collection amongst other departments. In addition, there was no evidence that the casuals were recruited by the County Service Board.

Further, the daily attendance registers maintained and used to support payments were not regularly signed by the casuals as evidence of reporting to work.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

20 May 2015

DETAILED REPORT ON THE FINANCIAL OPERATIONS OF THE COUNTY EXECUTIVE OF MOMBASA FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

Detailed Findings

1.0 Procurement of Goods, Works and Services

1.1 Procurement of Furniture

Records availed for audit review indicated that the County Executive paid a total of Kshs.9,599,000 in respect of furniture from various suppliers. However, the suppliers selected for making the supplies were not in the list of the prequalified suppliers. The procurement was also not done through the open tender process, even though the amounts were above the request for quotation ceiling. No satisfactory explanation was provided for non-compliance with Public Procurement and Disposal Act, 2005 and the related Public Procurement and Disposal Regulations 2006 and 2013.

1.2 Procurement of Works

Information availed for audit review indicate that the County Government awarded a contract for construction of perimeter fence around Tononoka Stadium worth Kshs.3,850,000 to a contractor through request for quotation method even though the amount was in excess of the Kshs.2,000,000 ceiling for procurement of works through request for quotation. In addition, records availed for audit indicate that the County Government spent Kshs.25,104,689 on funding various civil works in the County. However, the project records for all the civil works lacked contract documents, engineers payment certificates, bills of quantities and project monitoring minutes. Further, repairs and maintenance costing Kshs.6,319,726 were not supported with LSOs and BOQs.

Recommendations

The management should ensure that procurement of goods, works and services is done in line with Public Procurement and Disposal Act, 2005 and related Public Procurement Regulations, 2006 and 2013. Further the Management should ensure that all records for procurement of goods, works and services are availed for audit review failure to which the respective officers are held accountable and surcharged for expenditure on goods and services that has not been supported with documentary evidence.

1.3 Procurement of Motor Vehicles

Records availed for audit review indicated that the County Government procured thirteen (13) motor vehicles for County Executive Committee Members under tender CGM/PRO/10/2013-2014. A review of the procurement documents revealed that the lowest evaluated bidder of Kshs.62,634,000 was disqualified at financial evaluation stage on account of supplying Mitsubishi Pajero Sports which were described as non-executive vehicles, a requirement/specification that was in the initial tender document. The tender was awarded to a higher bidder of Kshs.70, 850,000 to supply Medium Duty Utility Vehicles (Ford Everest). The new criterion was irregularly introduced at financial evaluation level resulting in additional cost of Kshs.8,216,000.

Recommendation

The management should ensure that procurement of goods, works and services is done in line with Public Procurement and Disposal Act, 2005 and related Public Procurement Regulations, 2006 and 2013. Further the Management should ensure that all records for procurement of goods, works and services are availed for audit review failure to which the respective officers are held accountable and surcharged for expenditure on goods and services that has not been supported with documentary evidence. In addition, the management should justify the incurrence of the additional Kshs.8,216,000 due to introduction of a tender evaluation criteria that was not part of the original document.

1.4 Procurement of Street lighting bulbs

Records availed for audit review indicated that a supply of street lighting bulbs at cost of Kshs.2,219,180 was not supported with requisition notes and stores receipt as shown below as evidence that the goods supplied were actually received by the County Government and that the specification of the goods received were as per the order.

Payment Vouchers	Amount (Kshs)	Audit Gap
133	1,150,000	Form S13, Delivery Note, copy of invoice not attached
188	344,180	Form S13 not attached
41	725,000	Form S13 not attached
Total	2,219,180	

Recommendation

The management should avail all the supporting payments documents failure to which the respective officers are held accountable and surcharged for the amount without documentary evidence.

1.5 Travelling and Accommodation Expenses

Examination of payments vouchers availed for audit review indicated that payments amounting to Kshs.1,504,040 in respect of air travel services could not identify the officer who travelled and were not supported by a signed Local Service Order and boarding pass as shown below:

L.S.O. Number	Amount (Kshs)
0374948	392,900
0374947	203,000
0910510	908,140
	1,504,040

Additionally, payments amounting Kshs.303,070 paid to staff in respect of travelling allowance to attend official seminars and workshops did not identify the officers being paid and were not supported by invitation letters as required by the Section F of the Human Resource County manual as shown below:

Payment Voucher No.	Amount (Kshs)
228	177,200
Not Indicated	125,870
Total	303,070

Recommendation

The management should ensure all payments vouchers are supported with relevant documents as evidence of the expenditure failure to which the respective officers are surcharged for the amounts not supported with documentary evidence.

1.6 Motor Vehicles Running Expenses

Records made available for audit verification indicate that the County Government spent Kshs.18,194,368 on motor vehicle running expenses.

The verification of payment revealed the following anomalies;

- There were cash purchases amounting to Kshs.14,107,740 made from non-qualified suppliers without adhering to Public Procurement & Disposals Act, 2005 for services that had prequalified suppliers.
- Expense of Kshs.632,200 relates to settlement of supplies liability made to defunct Municipal Council without the liability being validated or confirmed by the Transition Authority.

Recommendations

Management should ensure that cash should only be used for minor non-essential expenses. Investigate the propriety of all cash payments and surcharge responsible officers for any contravention of procurement laws. In addition, the management should settle any liabilities taken over from the defunct Local Authority only after confirmation of liability by Transition Authority. Any liability settled before the verification of the same by Transition Authority should be surcharged to the officers who made the payment.

1.7 Expenditure on Consultancy Services

Records made available for audit review revealed that Kshs.93,844,000 was spent on payment for professional services. However, the payment vouchers were not availed for audit verification. In the circumstance, it was not possible to tell the purpose of the consultancy, how the consultant was identified, selected and the contract price determined.

Recommendation

The management should ensure that procurement of goods, works and services is done in line with Public Procurement and Disposal Act, 2005 and related Public Procurement Regulations, 2006 and 2013. Further the management should ensure that all records for procurement of goods, works and services are availed for audit review failure to which the respective officers are held accountable and surcharged for expenditure on goods and services that has not been supported with documentary evidence.

1.8 Expenditure on Repairs of Residential and Non-Residential Buildings

Examination of payment vouchers availed for audit indicate that payments amounting to Kshs.8,602,037 for repair of unidentified residential and non-residential buildings which the management indicated are spread throughout the County were supported with incomplete documentary evidence as detailed below:-

Payment Voucher	Amount (Kshs)	Remarks
133	1,462,551	Invoice, LSO, BoQs not attached
136	575,000	L.S.O not signed
58	244,760	L.S.O not attached
259	1,244,600	Completion certificate, BoQs not attached
1	4,095,000	Completion certificate, BoQs not attached
171	980,126	Completion certificate, BoQs not attached
Total	8,602,037	

In addition, the repairs did not indicate the specific building that were being repaired.

Recommendations

The management should ensure that procurement of all procurements are done in line with Public Procurement and Disposal Act, 2005 and related regulations and that all payments are supported with documentary evidence failure to which the respective officers are held accountable and surcharged for expenditure not supported with documentary evidence. In addition the management should provide documentation to support repairs to both residential and non-residential buildings and identify the expenditure with specific building including what was being done. Failure to provide the information should lead to surcharge of the expenditure to the responsible officers.

2.0 Management of Imprest and Advances

2.1 Un-surrendered Imprest

Records availed for audit review in regard to imprest indicate the following;

- The County Government had an outstanding imprest of Kshs.44,769,000 as at 30 June, 2014. However, the supporting warrants for the imprests were not availed for audit review hence was not possible to establish when they were issued or even whether they were multiple issuances.
- Imprest amounting to Kshs.8,561,922 was omitted on the schedule of outstanding imprest as at 30 June 2014.
- Imprest amounting to Kshs.4,616,217 held by several officers who had more than one imprest outstanding as at 30 June 2014.

No satisfactory explanation was provided for non-compliance with government financial regulations. It was unclear whether the intended purpose of applying for the imprest was had been fulfilled.

Recommendation

The management should ensure that regulations governing issuance of imprests are adhered to and that all imprest which is overdue is recovered from the respective officers' payroll in line with Government Financial Regulations and Procedures. All imprest issued and surrendered should be recorded in the IFMIS system. No imprest should be issued to an officer with un-surrendered imprest.

2.2 Imprest Surrenders

Examination of records availed for audit in respect of imprest surrenders revealed that surrenders totaling Kshs.27,796,731 relating various staff were recorded without the corresponding surrender warrants and any documentary evidence in support of the incurrence of the expenditure or undertaking of the earmarked activity.

Recommendations

The management should ensure that all imprest that is not supported with surrender vouchers is recovered from the respective officers in line with Government Financial Regulations and Procedures.

3.0 Revenue

3.1 Collection Revenue

According to the County budget, the County Government budgeted to collect Kshs.5,074,615,602 from internal sources. However, according to revenue report, a total of Kshs.1,715,869,000 had been collected as at 30 June, 2014 which translates to 34%. Further scrutiny revealed that only three (3) revenue sources had attained more than 50% of the targeted budget. It was also observed that County Government still relied on the defunct Municipal Council's revenue collection system.

Recommendations

The head of County treasury should come up with efficient and effective revenue collection system including automation of revenue collection in order to minimize chances of revenue leakages due to non-payment or embezzlement. Additionally, the County government should come up with realistic budget revenue estimates based on available resources.

3.2 Waiver of Cess Fees

Information available indicate that the County Executive exempted ninety six (96) manufacturers from payment of cess fees leading to unquantified loss of revenue contrary to Article 210 (1) of the Constitution of Kenya, 2010 and Section 159 (1- C) of the Public Finance Management Act, 2012.

A sport check at Shanzu barrier revealed that one transport companies exempted from paying cess without following the due process had the County Government forego paid Cess revenue amounting to Kshs.85,451,500 over a duration of six months.

In addition, there were no records maintained at the barrier station on revenue collected, vehicles levied etc.

Recommendations

- The County Treasury should ensure that exemption of payment of cess is in line with the Public Finance Management Act, 2012 (PFM). The management should be surcharged for revenue lost due to irregular waiver.
- The County Treasury should ensure that proper records are kept at the barriers;
- The County Executive should automate revenue collection at all barriers to reduce revenue leakages;
- The current barriers should be strategically located to maximize on revenue for example Likoni barrier should be moved to capture titanium trucks;
- The County Treasury should collect all regularly waived revenue from the affected transporters failure to which the respective officers are surcharged for irregularly waived cess.

3.3 County Revenue Collection Bank Account

Examination of various bank account statements revealed that revenue totalling Kshs.217,330,354 was banked in other bank accounts other than the designated revenue collection account as follows:-

• Kazi Kwa Vijana account	-	Kshs.177,731,868
• Project A/C	-	Kshs.310,191
• Capital Project A/C	-	Kshs39,288,295

A further review indicated that the funds were not transferred to County revenue fund account at Central Bank of Kenya (CBK) in line with the requirement of Public Finance Management Act, 2012.

Recommendations

The management should bank all the collected revenue funds in the designated accounts and funds transferred to CBK revenue account as per the Law. Further there is need to investigate how the funds banked in these accounts were utilized.

3.4 Bankings in County Revenue Fund Account

According to the financial report, the County collected a total of Kshs.1,715,869,000 revenue from internal sources. However, according to the County Revenue Fund bank account statement, a total of Kshs.1,219,606,876 was transferred to the account as at 30 June, 2014 which implies that Kshs.496,262,124 was not banked in the County Revenue Fund account. This is an indication that the revenue was spent without the approval of the Controller of Budgets as per Government Financial Regulations and Procedures.

Recommendations

All revenue collected must be banked intact in the County revenue collection bank account and transferred to County revenue fund account at CBK. Further the Management should fully account for the unbanked revenue totalling Kshs.496,262,124 failure to which the responsible officer is surcharged for the unaccounted balance.

3.5 Parking Fees Collection

Information availed revealed that County Inspectorate was in charge of the collection of parking fees. However, there was no evidence that the inspectorate had been designated as collector of revenue in accordance with Section 157 of PFM Act, 2012. In addition, the revenue collected was not being remitted to the County revenue collection bank account but a new account for the parking fees which had been opened at National Bank of Kenya in Mombasa. Further, a physical verification of parking areas along Nkrumah road and Moi Avenue within Mombasa town revealed that there are parking spaces which are reserved for clients who were not on the list of reserved parking spaces availed for verification.

Recommendation

The management should bank all the collected revenue funds in the designated accounts and funds transferred to CBK revenue account as per the Law. Further there is need to investigate how the funds banked in these accounts were utilized.

3.6 Revenue Advanced to Staff

According to records maintained by the cash office, it was revealed that a total of Kshs.15,139,639 had been lent to officers as I.O.U.s under unclear circumstances as documentary evidence was not availed for audit review.

Recommendations

The management should ensure that all the outstanding I.O.U.s from the respective officers are availed for audit review failure to which the respective officers are surcharged for irregular spending of revenue. Further, the management should ensure that no revenue collection is issued to officers as I.O.U.

3.7 Conditional Grant for Level 5 Hospital

Records availed for audit review indicate that the County Government received Kshs.414 million as conditional grant for level 5 hospitals. The money was supposed to be used on the Coast General hospital. However, by the time of audit, there was no evidence availed to show that the grant had been utilized on the hospital.

Recommendations

The Management should ensure that all grants to the hospital are expended for the intended purpose within the time frame provided in the grant agreement failure to which the responsible officers for the non-utilization of the grant are held liable and accountable for any resultant loss or damage.

3.8 Cash Bail Records

According to information availed for audit review, a total of Kshs.10,289,365 was received by the cashier as cash bail from the County courts for various cases or offenses against the County law. However the supporting records reflecting the name of the offenders, amount received, refunds, forfeitures and banking slips were not availed for audit review.

Recommendations

The management should open special bank account for deposit and refund on cash bails. Further, the Management should avail all documentary evidence in support of cash bank, received, refunded and forfeited failure to which the respective officers are surcharged for the cash not supported with documentary evidence.

3.9 Unutilized Exchequer Releases

Records availed for audit review indicate that as at the end of year under review the County Government had a total balance of Kshs.59,873,258 in various bank accounts as shown below and which had not been remitted back to the County revenue fund account at CBK in line with the PFM Act, 2012:-

Detail of Bank	Amount (Kshs)	Bank	A/C Number
Cooperative bank Salary	210,307	Co-operative	1120078671601
Cooperative bank Instant	1105.10	Co-operative	110078671600
KCB- LATF	22,812,059.57	KCB	1107637147
Consolidated Bank KRB	229,124.95	Consolidated Bank	1200350556800
Standard Bank-LASDAP	969,380.00	Standard Bank	106097647100
National Bank Christmas Tree	16,385.70	NBK	1242007650600
Barclays Bank- Uwezo	1,036,472.40	BBK	0168418256
Eco Bank- Cost Sharing	175,154.50	Eco Bank	0020135007877901
Cooperative Bank –AFD	71,581.90	Co-operative	0112007877901

Cooperative bank –KKV	33,812,960.23	Co-operative	0112007871606
Equity Bank –Mock	624,345.00	Equity Bank	0460299587862
KCB-Rf	2,350.00	KCB	1129508811
Total	59,873,258		

Recommendations

The management should ensure that all unspent cash in the County Government’s bank accounts is transferred to Central Bank of Kenya in line with the PFM Act, 2012.

4.0 Cash and Bank Balance

4.1 Defunct Municipal Council’s Bank Accounts

According to records available, the County Government did not close seventeen (17) bank accounts of defunct Municipal Council as at 30 June 2014 contrary to the circular by the Transition Authority which required that the County Governments close all the bank accounts for the defunct local authorities on 28 February 2013. Records availed for audit indicated that a total of Kshs.217,330,354 was banked in these bank accounts during the period under review. In addition, the records and bank statements for one of the bank accounts held at Imperial Bank were not availed for audit.

No information was availed for audit regarding the details of the persons operating these accounts and the purpose for which they are used.

Recommendations

The management should be held liable and accountable for continuous operation of the banks account contrary to the directive of the Transition Authority.

The management should also avail for audit the records of the bank account held at Imperial Bank Limited.

4.2 Lack of Bank Reconciliations

Information availed for audit verification revealed that, the County Government operated three main bank accounts at CBK. However the bank reconciliation statements for the bank accounts were not availed for audit review. In addition, reconciliations for defunct Municipal Council had several un-presented cheques out of which stale cheques amounted to Kshs.227,764,491.

Further, records availed for audit review indicated that the management closed Co-operative bank Kazi Kwa Vijana account during the year under review. However, no closure instruction by the management including what happened to the bank balances in

the account at the point of closure was availed for audit review. The bank reconciliation as at the date of closure was not availed for audit verification.

Recommendation

The management should ensure that all bank reconciliation are prepared on monthly basis and senior officer verifies and sign off the reconciliation statements. Further all reconciling items are followed up to ensure that such items are resolved within the shortest time possible. There is also need to investigate and corrective measures taken on the stale cheques totalling Kshs.227,764,491.00 and any stale cheque is reversed in the cashbook and follow up is made.

5.0 Debtors

According to the records available, the County had rent arrears amounting to Kshs.184,718,290 from houses and stalls. There were no proper records on the properties and therefore it was not possible to determine whether the amount indicated was accurate. Similarly, no proper work plan had been put in place on how to collect the arrears. Further, Kshs.299,218,200 was in arrears in respect to Single Business Permits by the time of this audit. The demand notices availed for audit review were not serially numbered and therefore we could not determine how many had been circulated. No work plan was availed on how to enforce the collection.

Recommendations

The management should come up with efficient and effective debt collection strategies to collect all the rent arrears. All overdue rent should be demanded from tenants, failure to which legal actions is taken. Also proper records on County properties and the tenants should be maintained by the Management to track rents receivable per unit. All businesses within the County should be mapped and coded in the system for invoicing Single Business permit at the start of financial year.

5.1 Land Rates

Review of the County Treasury records indicate that, rates amounting to Kshs.25,969,040,798 were outstanding as at 30 June 2014. Most of the balance relate to debts transferred from the defunct Municipal Council of Mombasa which were reported to be inaccurate. However, the valuation roll which is used for billing the plot owners had not been updated with new land subdivisions while more than 4,000 plots had been registered in the name of owners who could not be adequately identified as pertinent details of the plot owners were missing on the valuation roll.

Recommendations

The management should map all plots within the County using GPS whose data should be used to update the Valuation roll. The County Government should liaise with office of the Transition Authority to validate all the receivable rates and strategy put in place to collect all rent arrears.

6.0 Casual Wages

According to the financial statements availed for audit review, the County Government spent a total of Kshs.6,454,000 on casual wages. Information available indicate that some casuals were engaged for a period longer than three (3) months and for a long term task e.g. traffic unit, revenue collection amongst other departments. In addition, there was no evidence that the casuals were recruited by the County Service Board. Further, the daily attendance registers maintained and used to support payments were not regularly signed by the casuals as evidence of reporting to work.

Recommendations

The management should ensure that engagement of casuals is as stipulated in the employment act and that all casuals sign attendance register and no payment is made to casuals without support of the signed attendance register.

Conclusion

The Mombasa County Executive should address the anomalies noted in order to ensure effective delivery of services to the people of Mombasa County. Laid down Government regulations and procedures should be adhered to ensure public resources are only utilized for purposes for which they were intended.



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AUDITOR-GENERAL

Nairobi

20 May 2015