

*Damaaja Tutetea Haki*



KENYA HUMAN RIGHTS  
COMMISSION

Kwale County's

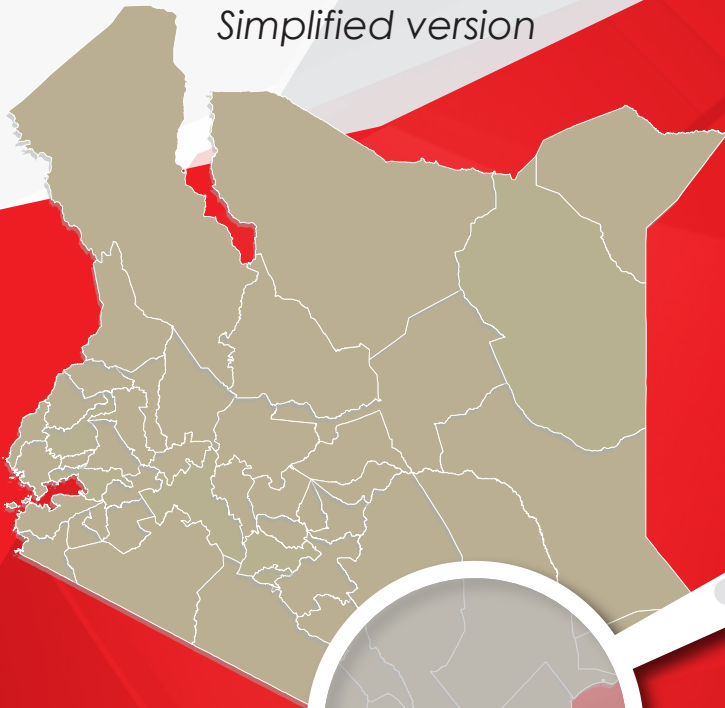
# AUDITOR GENERAL REPORT

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2016/2017

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*Simplified version*





**KENYA HUMAN RIGHTS  
COMMISSION**

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# BACKGROUND 1

## 1.1 Our History, Scope and Partnerships in Advocacy

The Kenya Human Rights Commission (KHRC) is a premier and flagship Non-Governmental Organization (NGO) in Africa that was established and incorporated on 9<sup>th</sup> April 1992 by Kenyans exiled in the United States of America (USA) and later registered in Kenya on 20<sup>th</sup> of January 1994. KHRC founders are among the foremost leaders and activists in struggles for human rights, good governance and democratic reforms in Kenya and beyond. Our **mandate** is to enhance a human rights-centred governance at all levels, while our **vision** is to secure human rights states and societies and our **Mission** is to foster human rights, democratic values, human dignity and social justice<sup>1</sup>. This mandate and vision are executed under four independent strategic objectives and thematic programmes; Economic and Social Justice (ESJ); Transformative Justice (TJ); Inclusion and Identity (I&I) and Institutional Support and Development (ISD). All these programmes work in synergy. The KHRC works with grassroots based organizations including over thirty Human Rights Networks (HURINETS) across the counties; partners with national level - state and non-state actors and coalitions; and with sub-regional, regional and international human rights organizations and networks.

## 1.2 Our Interventions against Corruption and Related Injustices in the Society

We have identified corruption at both the national level and in devolved governance as one of the issues for policy and political advocacy. Corruption has established bad governance characterized by the lack of transparency, accountability, public participation, an enabling legal/judicial framework in the conduct of public affairs, particularly in public procurement. This has institutionalized impunity allowing systemic abuse and ineffective use of public resources. As an attempt to disrupt the corrupt system, the KHRC has conducted anti-corruption researches/studies which has generated evidence for advocacy at both the national and county levels of governance. We also and actively convene anti-corruption dialogues, through the annual “People’s Anti-corruption Summits” with both political actors and the public. Moreover and through the above-mentioned HURINETs at the community level, we create citizens’ awareness on the prevalence of corruption and increase their capacity to effectively engage and demand for prudence and probity in the conduct of governments’ businesses at both the national and devolved levels.

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<sup>1</sup> KHRC strategic plan

### **1.3 The Initiative to Simplify and Disseminate the Auditor Generals Reports**

The Constitution provides that the Office of the Auditor General (OAG) has the primary oversight role of assuring accountability within the three arms of Government, Independent Commissions, Independent Offices and County Government entities. Specifically, the OAG has the mandate to audit and report to stakeholders on the fairness, effectiveness and lawfulness in the management of public resources. Vigilant citizens can then use these audit reports to oversight both county and national governments. Related to our interventions against Corruption, we are enhancing public understanding of the Auditor Generals' report around the select counties (Kwale, Wajir, Kisumu, Makueni and Kakamega), with the view to empowering Human Rights Networks to take appropriate actions on the implementation of the report's recommendations. It's in this regard that the KHRC is developing simplified version of these reports and unpacking manifestation of corruption, particularly in county governance. The key objective of this work is to deepen citizens' understanding of the auditor general's reports; unearth corruption in public procurement process, so that they can politically organize and take appropriate actions aimed at promoting transparency, accountability and participation in devolved governance, and influence policy and legislative reforms at both the county and national levels.

### **1.4 Simplification of the Auditor General's report for Kwale County**

Although the OAG has produced both the county assembly and county executive audit reports annually, there has been minimal citizen utilization to demand for transparency and accountability from the county government of Kwale. Part of the issue is that citizens in the county cannot easily access, read and understand the contents of the audit reports. The reports are mainly accessed on the website of the auditor general which is challenging for those without internet access and for those who do not understand how to access documents online. For those citizens who are able to access the reports, the language used in the reports is very technical making it difficult to understand. Accessing the documents online is also expensive to the common citizens. The reports are also quite lengthy making reading them difficult and time consuming. To empower citizens in Kwale County to effectively access, read, understand and demand action from their County Government, the Kenya Human Rights Commission (KHRC) has developed this simplified version of the Auditor General's report, for the financial year 2016/2017. The report uses easy to read language and explains technical terms to allow the reader to fully understand the contents.

***No changes were made to the figures, meaning, conclusions and other relevant content found in the full version of the Auditor General's report.***

# REPORT ON COUNTY EXECUTIVE OF KWALE 2

## 2.1 Overview of audit issues in the County Executive of Kwale

ISSUE	FINDINGS
County own generated receipts	
2.1.1. a) Unapproved waivers	Appropriateness and correctness of <b>Kshs.12,022,569</b> could not be confirmed
b) Un-receipted banked revenue	County Executive Management was in breach of the law
2.1.2. Compensation of employees	Correctness of <b>Kshs.33,048,425</b> paid to temporary employees could not be confirmed
Use of goods and services	
2.1.3 a) Unsupported expenditure/ spending	Correctness and accuracy of <b>Ksh.129,029,092</b> in Use of Goods and Services could not be confirmed
b) Errors in the financial statements	Accuracy and completeness of <b>Kshs.18,438,417</b> could not be confirmed
2.1.4 Acquisition of assets	
A) Construction of Buildin	
i. Proposed Construction of County Headquarters Offices	Correctness and value-for-money of <b>Kshs.129,000,000</b> could not be confirmed
ii. Construction of a Cereal store at Mwambalazi	Correctness and value-for money of <b>Kshs. 500,000</b> paid as provisional sum and temporary site office could not be confirmed. Also, it was not possible to confirm how the contract amount was to be adjusted from the bid price of <b>Kshs.6,829,186 to Kshs.6,000,000.</b>
iii. Proposed Renovation of Kikoneni market	Correctness of <b>Kshs.3,379,859</b> paid could not be confirmed
iv. Proposed construction of Bodaboda shed	Correctness of <b>Kshs.549,994</b> paid could not be confirmed
v. Furnishing of Matunga Biashara Centre	Correctness of <b>Kshs.1,106,466</b> paid could not be confirmed
vi. Expenditure on buildings without ownership documents	Value for money and correctness of <b>Kshs.317,262,477</b> in public funds used in construction of building and other social amenities on land whose ownership status could not be confirmed.
B) Construction of roads	Correctness and accuracy of <b>Kshs. 77,977,415</b> could not be confirmed
C) Rehabilitation of civil works	Correctness and accuracy of <b>Kshs.73,121,328</b> could not be confirmed



	D) Pending bills	
	i. Installation of fibre backbone network	Correctness of <b>Kshs.18,396,056</b> paid could not be confirmed
	ii. Proposed construction of Malomani road- Vinyunduni-Busho	Value-for money and correctness of <b>Kshs.4,288,085</b> paid could not be confirmed
	iii. Proposed storm water disposal and drainage at Ukunda	Value-for-money for the <b>Kshs.22,690,064</b> incurred could not be confirmed
	iv. Proposed construction of Juakali Sheds at Dzimanya Puma Ward	Correctness of <b>Kshs.966,830</b> spent on construction would not be confirmed
	v. Proposed erection and completion of stalls at Kinango	Correctness of <b>Kshs.9,849,049</b> incurred could not be confirmed
	vi. Supply, delivery and commissioning of telephone handsets	Correctness of <b>Kshs.3,730,000</b> paid could not be confirmed
	vii. Installation of LAN at Waa Ngombeni administration office	Correctness of <b>Kshs.2,752,216</b> paid could not be confirmed
	viii. Construction of a single column tower and community water point in Mwakogo and Pungu	Correctness of <b>Kshs.380,248</b> paid could not be confirmed
	ix. Proposed construction of Mwangoloto Pan in Samburu/ Chengoni	Value-for-money of <b>Kshs.14,758,808</b> paid could not be confirmed
	x. Proposed construction of Namwena water pan and its auxiliary facilities in Ndavaya ward	Value-for-money for <b>Kshs.12,647,510</b> paid could not be confirmed
2.1.5	Other payments	Correctness of <b>Kshs.63,955,191</b> paid as emergency could not be confirmed
2.1.6	Bank balances	Appropriateness, accuracy and completeness of <b>Kshs.1,080,700,658</b> bank balance could not be confirmed
2.1.7	Accounts payable- Deposits and retentions	Ownership and completeness of <b>Kshs.59,985,874</b> could not be confirmed
2.1.8	Outstanding imprests	Validity of the outstanding <b>Kshs.1,343,210</b> could not be confirmed
2.1.9	Pending bills	Correctness and validity of <b>Kshs.703,381,580</b> could not be confirmed. Also, it was unclear how the pending bills shortfall would be paid.

## 2.2 Adverse opinion

The Auditor-General audited the following Financial Statements of the County Assembly of Kwale as at 30 June 2017:

- Statement of financial assets and liabilities
- Statement of receipts and payments
- Statement of cash flows
- Summary statement of appropriation: recurrent and development combined
- Summary of significant accounting policies
- Other explanatory information

### Key note

*Adverse opinion* means that although the financial transactions are recorded and there are books of accounts, the Auditor General may be unsatisfied with the accuracy of significant amounts of expenditure.

Upon completion of the audit, the Auditor-General gave an adverse opinion finding that the financial statements do not present fairly the position of the County Assembly of Kwale. Also, confirming that public money was not applied lawfully and in an effective way.

## 2.3 Why the County Executive received an Adverse Opinion

### 2.3.1 County own generated receipts

The financial statements include County own generated receipts totalling Kshs.221,011,186. The following issues were noted:

#### a) Unapproved waivers

Kshs.53,682,884 were land rates received during the year. Waivers were granted to individuals (they did not have to pay) for interest on overdue Land Rates amounting to Kshs.12,022,569. However, the audit review revealed that the interest payable as at 30 June 2016 amounted to Kshs.9,911,359. Therefore, there was a difference of Kshs.2,111,210.41 which the management of the County Executive did not explain or reconcile. Also, no evidence was provided that these waivers were approved and authorised by County Legislation contrary to Section 159 1 (c) of the Public Finance Management Act, 2012 which requires that any waiver or variation of a charge of fees to be authorised by an Act of Parliament or County Legislation. Further, Management did not report the waiver to the Auditor-General as required by Section 210 (2)(b) of the Constitution.

Therefore, the appropriateness and correctness of **Kshs.12,022,569** could not be confirmed.

## b) Un-receipted banked revenue

Analysis from the revenue reports revealed that a total of Kshs.216,104,161 had been collected and banked. This meant that there was a difference of Kshs.4,907,025 unbanked. Section 63(4) requires all revenue to be paid into a designated bank account and shall not be used except as provided by law.

**Therefore, the County Executive Management was in breach of the law.**

### 2.3.2 Compensation of employees

The financial statements show Kshs.1,738,026,276 as compensation to employees. Out of this, the County Government paid Kshs.33,048,425 to temporary employees. This included Kshs.32,826,125 casual wages from Department of Health, Kshs.90,300 from the Infrastructure departments and Kshs.132,000 from the ICT department. However, the various departments failed to provide written authority from the County Public Service Board to engage these casual employees as required by the County Public Service Human Resource Manual Section B.16(1). Further, records on recruitment and the terms of engagement were not provided for audit.

**Therefore, the correctness of Kshs.33,048,425 paid to temporary employees could not be confirmed.**

### 2.3.3 Use of goods and services

#### a. Unsupported expenditure/spending

Of the Kshs.1,025,180,904 for Use of Goods and Services, Kshs.129,029,092 was for unsupported expenditure. The following table details observations on the unsupported expenditure:

**Table 1: Observations on unsupported expenditure/spending**

No.	Item/Component	Amount (Kshs.)	Particulars	Observations
1	Insurance	92,293,861	Expenditure on all county motor vehicle insurance	Not supported with valuation reports for all the vehicles insured. The insurance policies were not provided for audit verification

2	Other operating expenses	4,896,184	Subsistence allowances for Kaya and Mbuguni settlement scheme elders on consultative meetings	Not supported with attendance register and meeting minutes
3	Other operating expenses	3,358,277	Medical bills for staff members	Not supported with approvals by County Executive Member for Finance. Application for approval was sent to County Executive Member for Finance but no approval provided for audit
4	Routine maintenance- Vehicles and other equipment	12,309,489	Repairs and maintenance of motor vehicle, supply of tyres and rims, plumbing works in offices, electrical repairs and borehole repairs	Repairs and maintenance not requested by the user departments or section heads of departments. No evidence of approval sought from transport officer to confirm that the repairs were required. No inspection report raised to estimate the cost of repairs. After repairs, inspection not done to ensure that the stated or required works had been done to satisfaction.
5	Purchase of vehicles and other transport equipment	8,876,000	Purchase of 3 boats from M/s Zeif Invest Comp Ltd.	Boats were delivered more than 9 months ago but had not been commissioned as indicated by the fisheries section in the department. Only 2 boats were available for verification but did not include dingy boats as required by the specifications. The department did not maintain stores records to confirm that accessories supplied together with the boats. One of the boats did not have a fishing platform as required by the specifications

6	Purchase of vehicles and other transport equipment	1,689,675	Procured bicycles by the Department of Agriculture	The Local Purchase Order raised by the department was not dated and signed by the accountant. Invoice received from the supplier was also not dated. A list of the officers issued with the bicycles was not produced for audit review. No professional inspection report to confirm the specifications of the delivered bicycles conform with the specifications requested
7	Routine maintenance- other assets	5,605,606	Purchase of tyres, building and electrical materials- Department of Infrastructure	Stores ledger and motor vehicle repair records including logbooks availed indicate that tyres were not recorded in stores and the relevant vehicle logbook. Building and electrical materials were not received in stores to confirm receipt, issue and utilisation to the point of use
<b>Total</b>		<b>129,029,092</b>		

Therefore, the correctness and accuracy of **Ksh.129,029,092** in Use of Goods and Services could not be confirmed.

### c) Errors in the financial statements

A review of the records provided show that Kshs.14,682,917 were incorrectly posted to the wrong expenditure item as shown below.

**Table 2: Items posted to the wrong expenditure**

	Item charged	Amount	Correct item
1	Domestic travel	12,227,517	Foreign travel
2	Rentals of produced assets	2,455,400	Domestic travel and subsistence
3	Printing and advertising	3,755,500	General office supplies
		<b>18,438,417</b>	

Therefore, the accuracy and completeness of **Kshs.18,438,417** could not be confirmed.

### 2.3.4 Acquisition of assets

The financial statements show Kshs.1,880,606,496 was spent on Acquisition of assets. Notable was what was spent for Construction of Buildings (Kshs.328,280,456), Construction of Roads (Kshs.86,529,852), Rehabilitation of Civil Works (Ksh.238,634,155) and Pending Bills (Kshs. 941,413,025). The following observations were made on these three development expenditure items:

#### A) Construction of Buildings

##### i. Proposed Construction of County Headquarters Offices

Kshs.129,000,000 was paid to a local construction company for the proposed construction of the County Headquarters Offices. The contract for the construction was procured through a national open tender for Kshs.462,197,054. However, the project file was not provided for audit review.

**Therefore, the correctness and value-for-money of Kshs.129,000,000 could not be confirmed.**

##### ii. Construction of a Cereal store at Mwambalazi

Kshs.6,829,186 was paid to a local construction company for construction of a cereal store at Mwambalazi, Pongwe Kikoneni. Records provided revealed the following issues:

- The County issued a letter of notification of the award on 18 January 2017 with a contract price of Kshs.6,000,000 which was Kshs.829,186 less than the quoted price by the bidder. The bidder accepted the revised contract sum citing reduced scope of work from the original Bills of Quantities (BOQ) bid of Kshs.6,829,186. The County Executive Management did not communicate how the price was to be adjusted during the settlement of invoices nor were details or information regarding the scope that had been reduced produced for audit review.

- Management paid the bidder Kshs. 4,002,893 in settlement for certificate number 1. A review of the certificate showed that it included provisional sum and prime cost amounting to Kshs.250,000 which was not broken down to the specific items paid for. It also included a temporary site office for Kshs.250,000 being the whole amount despite the fact that the contract was not complete.

#### Key note

*Bill of Quantities (BOQ) is a document prepared by consultant/contractor that provides a specific itemized list of quantities and components needed to build, construct, maintain or repair a specific structure*

*Prime Cost is an allowance for the sum of the direct cost of materials and labour associated with a production process*

*Provisional sum is an allowance, usually an estimated sum for specific element of work not yet defined accurately to price*

Therefore, the correctness and value-for money of **Kshs. 500,000** paid as provisional sum and temporary site office could not be confirmed. Also, it was not possible to confirm how the contract amount was to be adjusted from the bid price of **Kshs.6,829,186 to Kshs.6,000,000**.

### iii. Proposed Renovation of Kikoneni market

Ksh.3,379,859 was paid to a construction company to renovate the Kikoneni market and 3 door VIP Latrine with a urinal block, fence and guard room. Records provided revealed the following issues:

- The tender was opened on 5 April 2017 with the minutes indicating that there were 3 bidders. The evaluation committee members were 6 people appointed by the Chief Officer, more than the prescribed number of 5 required by Section 46(4)(b) of the Public Procurement and Asset Disposal Act of 2015 (hereinafter PPADA).
- The evaluation committee indicated that 2 bidders were non responsive since they did not have National Construction Authority certificates. An enquiry on the National County Authority website revealed that the bidder who qualified in the preliminary was not registered on the website while one of the disqualified was registered. The evaluation committee proceeded to recommend for award at a contract sum of Kshs.3,379,859 while the bidders' quotation price was Kshs.4,141,036.44.

- No professional opinion in the file to the Accounting Officer as required by Section 84 of PPADA.
- The Department forwarded the minutes of the evaluation committee to the Head of Procurement and Supplies on 2 May 2017 but the Accounting Officer had already issued a notification of award 16 days earlier on 15 April 2017
- The Accounting Officer had on 31 March 2017 issued a Local Service Order (LSO) to the same contractor for similar works before the tender process was done
- Management signed the contract on 1 May 2017 one month after LSO had been issued to the contractor

**Key note**

*Local Service Order (LSO)* is used to control the purchasing of services from external suppliers. It is a document issued by a buyer to a seller indicating types, quantities and agreed prices for services.

Therefore, the correctness of **Kshs.3,379,859** paid could not be confirmed.

**iv. Proposed construction of Bodaboda shed**

Kshs.549,994 was paid to a construction company to construct a bodaboda shed at Tiwi Ward. However, it was noted that the evaluation committee minutes were not signed by 2 members contrary to Section 80(7) of PPADA.

Therefore, the correctness of **Kshs.549,994** paid could not be confirmed.

**v. Furnishing of Matunga Biashara Centre**

Kshs. 1,106,466 was paid to a construction company for furnishing of Matunga Biashara Centre. However, the Accounting Officer appointed 7 members for the evaluation committee contrary to Section 46 of PPADA which provided for a maximum of 5 members. Also, the Accounting Officer issued a LSO which was dated 31 March 2017, the same date as the requisition from the user department. Therefore, the Accounting Officer was in breach of Section 46 of PPADA.

Therefore, the correctness of **Kshs.1,106,466** paid could not be confirmed.



#### vi. Expenditure on buildings without ownership documents

Kshs.317,262,477 was for Construction of buildings expenditure. However, the County Executive did not produce ownership documents for the properties on which the developments were undertaken neither did they provide the official land search (R.L.26) or legally executed agreement (between the County government and the community) to confirm the status of the properties where the projects were being done.

Therefore, the county was exposing public funds amounting to **Kshs.317,262,477** used in construction of building and other social amenities on land whose ownership status could not be confirmed.

#### B) Construction of roads

Kshs.86,529,852 was spent on Construction of roads. The audit review revealed the following issues:

**Table 3: Issues with Construction of roads expenditure**

	Project name and contractor	Contract (Kshs.)	Issues
1	Spot gravelling, construction of drift and culverts at Mkilo-Mavarata and Maweu-Pemba roads- Wintech systems Ltd	8,873,990	Management approved procurement for contract sum Kshs. 8,873,990 which was higher than budget of Kshs.8,000,000 by Kshs. 873,990 (Contrary to Section 53 (8) of PPADA)
2	Cabro paving at Ukunda Airstrip- Native Construction	43,267,985	Management awarded contract sum Kshs.43,267,985 while funds allocated for this project was Kshs.20,000,000 (Contrary to section 53 (8) PPADA). Also, total payments towards the project was Kshs.43,836,702 which was Kshs.568,717 higher than the bidders amount.
3	Spot improvement and drift at Mwachanda-Mbita road at Ndavaya- Power Lead	5,936,640	Management procured works without adequate budget for the same and did not indicate where the Kshs.1,936,640 over and above the budgetary allocation would be financed from

	Project name and contractor	Contract Kshs.)	Issues
4	Patchwork and surface dressing of Msambweni Hospital Road 2.5Km- End to End Ltd	19,898,800	Management procured works without adequate budget for the same and did not indicate where the Kshs.9,898,800 over and above the budgetary allocation would be financed from
	<b>Total</b>	<b>77,977,415</b>	

Therefore, the correctness and accuracy of **Kshs. 77,977,415** could not be confirmed.

### C) Rehabilitation of civil works

Ksh.238,634,155 was spent on Rehabilitation of civil works. The following observations were made:

**Table 4: Observations on rehabilitation of civil works**

No	Project	Contract amount (Kshs)	Observations
1	Busho Kilibasi water pipeline- Mackinon Ward Gubba Investments	44,599,912	Using more funds than provided for in the procurement plan by Kshs. 34,599,912. May result in incomplete work on other projects due to possible re-allocation of funds
2	Taru Fuleye Pipeline- Macknon Ward Suhufi Agencies	24,992,760	Using more finds than provided for in the procurement plan by Kshs.14,992,760. May result in incomplete work on other projects due to possible re-allocation of funds
3	Construction of Ngathini tank Lungalunga Tunga General Contractors	3,528,656	Non- compliance with PPADA section 45 as project was not included in the procurement plan
	<b>Total</b>	<b>73,121,328</b>	

Therefore, the correctness and accuracy of **Kshs.73,121,328** could not be confirmed.

## D) Pending bills

### a. Installation of fibre backbone network

Kshs.18,396,056 was paid to a local firm for installation of a fibre backbone network. The contract was procured through open tender. However, the following issues were noted:

- The opening minutes indicated that there were 10 bidders. The bidders included KPLC (Kshs.1,960,400) and Telkom Kenya (Kshs.2,878,521).
- KPLC was knocked out at the preliminary stage because they did not provide Single Business Permit, business questionnaire was not completed and litigation history not provided
- Telkom Kenya passed the preliminary stage but was knocked out because the personnel CV attached did not have certificates attached (despite the fact that Telkom owns, operates and manages the main fibre Cable connecting the country to the world)
- Evaluation of the winning bidders' tender documents revealed that
  - The bid document did not have the whole of the tender document provided by the employer but returned only a bound document with testimonials and the Bills of Quantities (BOQ)
  - CVs attached were not supported by any certificates. One was supported by a proficiency certificate from KPLC
  - Review of the BOQ indicated that the bills had provision for 3.256Km for HDPE (*high-density polyethylene*) pipes. However, the excavation being done was for 4.07Km, an additional 0.8Km. This resulted in extra excavations costing an estimated Kshs.640,000 (soft rock excavations) or Kshs.954,000 (hard rock excavations).
  - The BOQ provided for 4.14Km of fibre optical cable which did not provide the specifications but stated normal fibre. The contractor had the option of providing any kind of fibre optic cable thus it was not possible to confirm the value-for-money for the item supplied

The County procured services at Kshs.18,396,056 which is more by Kshs.15,517,529 than would have been provided by KPLC which is a public institution resulting in loss of public funds.

Therefore, the correctness of **Kshs.18,396,056** paid could not be confirmed.

**b. Proposed construction of Malomani road- Vinyunduni-Busho**

Kshs.4,409,160 was paid to a local firm for constructing proposed Malomani road- Vinyunduni. The following issues were noted:

- The evaluation committee on 9 February 2015 awarded the contract to a firm for a sum of Kshs.4,409,160 being the lowest bid out of the 9 firms that responded. However, the tender opening minutes indicated that only 6 firms were responsive.
- The tender committee on 2 March 2015 awarded the contract to another firm who presented the 3<sup>rd</sup> lowest bid of Kshs.4,588,936.80
- The tender committee cited the initial firm was not pre-qualified under the category for the requested works. No explanation for why the 2<sup>nd</sup> lowest bidder was not awarded the contract
- The project manager on 10 August 2016 terminated the contract due to non-performance by the contractor who was already paid Kshs.4,288,085 or 93% of the contract sum. However, it was observed that the performance bond expired on 22 March 2016 prior to cancellation of the contract and therefore damages could not be claimed for non-performance
- Project visits during the month of February 2017 revealed that installation of 10 linear meters 900 millimetre culverts on the road that was to be undertaken by the contractor could not be confirmed as having been undertaken. The road measurement details were not provided to confirm the installation of the culverts at specific designated points along the road.

Therefore, the value-for money and correctness of **Kshs.4,288,085** paid could not be confirmed.

### c. Proposed storm water disposal and drainage at Ukunda

A contractor was engaged for construction of storm water disposal and drainage at Ukunda- Kwale County. Procurement was done through open national tender and a review of the project file revealed the following:

- Engineers estimate was Kshs. 44,309,912 but the contract was awarded at Kshs.22,690,064 without indicating which works were to be omitted
- Project awarded for Kshs.22,690,064 while the budget provided for Kshs.10,000,000
- Performance bond was valid until 28 January 2016
- Works were to be undertaken on a national government classified road but no evidence of approval from Kenya National Highways Authority was provided for review
- Kshs.7,388,000 was paid on 23 March 2016, long after expiry of performance bond without renewal
- Contractor provided a quotation for additional works amounting to Kshs.21,076,620 in 16 May 2016 before the completion of the BOQ originally provided. Also, while only Kshs.7,380,000 worth of works had been executed
- Local Service Order issued to contractor for Kshs.12,000,000 had no details provided for variation of contract or BOQ. Details of where the variation was to be charged not indicated since there was no budget

Physical verification showed that the project was disposing the storm water on swampy vacant land.

**Therefore, the value-for-money for the Kshs.22,690,064 incurred could not be confirmed.**

### d. Proposed construction of Juakali Sheds at Dzimanya Puma Ward

Kshs.4,341,931 was paid for construction and completion of stalls at Dzimanya Puma Ward. However, the records provided for audit showed the following:

- The BOQ included prime costs for electrical works of Kshs.200,000 but the amount approved for payment was Kshs.449,250. No BOQ was raised for these works

- The department undertook direct procurement for Kshs.417,580 for a 2 door VIP toilet without quotations
- Administration cost of Kshs.100,000 was expensed but no details provided for audit review

Therefore, the correctness of **Kshs.966,830** spent on construction would not be confirmed.

**e. Proposed erection and completion of stalls at Kinango**

Kshs.9,849,049 was paid for the construction and completion of stalls at Kinango. However, the records provided for audit showed the following:

- The contractors payment certificates indicated that the contract had changed with an amount of Kshs.3,426,660. Management failed to provide evidence of approval of the change by the tender committee
- The original BOQ included provisional sums for electrical works Kshs.400,000, contingencies Kshs.300,000, admin costs Kshs.50,000 and 4 door VIP latrine Kshs.600,000. Management procured these works from the same contractor directly after preparing a BOQ

Therefore, the correctness of **Kshs.9,849,049** incurred could not be confirmed.

**f. Supply, delivery and commissioning of telephone handsets**

Kshs.3,730,000 was paid for the supply and commissioning of telephone handsets. However, the following issues were noted:

- Preliminary evaluation indicated 5 bidders as responsive but only 4 bidders were evaluated leaving 1 from technical evaluations
- The recommended bidder's bid documents did not have the full tender document but selected pages. The bid was therefore non responsive and should not have passed the preliminary stage
- As a certificate of vendor, the bidder provided a letter from certain distributors indicating the bidder as partners
- The evaluation did not undertake a financial evaluation as required by the criteria set and only did a price comparison for the bidders
- There was no professional opinion offered by the Head of Procurement to the accounting officer on the procurement which is a mandatory requirement in Section 84 of PPADA

- Commissioning reports provided for audit review indicated that handsets operated well and that the departments would buy licenses to enable their deployment. However, physical verification revealed that all the telephone handsets were in the ICT department in boxes except for one which had been installed

Therefore, the correctness of **Kshs.3,730,000** paid could not be confirmed.

**g. Installation of LAN at Waa Ngombeni administration office**

Kshs.1,376,108 was paid for installation of local area network (LAN) at Waa Ngombeni administration office. However, the following issues were noted:

- Details of how the bidders were selected was not provided for audit review
- Opening minutes for the procurement was not provided for audit review
- The evaluation committee recommended the award at Kshs.1,376,108 but the Head of Procurement did not provide a professional opinion on the recommendation
- Works were invoiced 3 October 2016 and payment settled on 18 October 2016. The department had paid a similar amount for financial year 2015/2016 traced in the general ledger on 22 June 2016.
- The department irregularly paid for the works without deducting 3% income tax and 10% retention fee
- A visit to the site revealed that the office was vacant for over 1 year and the installation was not in use

Therefore, the correctness of **Kshs.2,752,216** paid could not be confirmed.

#### h. Construction of a single column tower and community water point in Mwakogo and Pungu

Kshs.380,240 was paid for construction of a single column tower community water point at Mwakogo and Pungu. However, the following issues were noted:

- The department entered into a contract with a firm on 10 June 2016 for the works and a Local Purchase Order was issued immediately after to the contractor
- The Project Manager requested for variation of the works from a single tower to a 4 column tower but no approval was provided. The contractor was paid Kshs.380,248 being the first certificate. However, due to non-performance by the contractor and eventual abandonment of the site, the tender was cancelled on 1 February 2017
- The department was not able to receive damages for non-performance because the performance bond had expired on 2 December 2016 without renewal

**Key note**  
*Local purchase order (LPO) is a document created by the buyer to the seller to purchase a product*

The project to date remains incomplete with no details on how the department is planning to complete it.

**Therefore, the correctness of Kshs.380,248 paid could not be confirmed.**

#### i. Proposed construction of Mwangoloto Pan in Samburu/Chengoni

Kshs.14,758,808 was paid for construction of Mwangoloto Pan and Samburu/Chengoni. However, the following issues were noted:

- The Contract and Local Service Order were signed on 13 June 2016 with the completion date given as 8 June 2017.
- The initial budget for the project was indicated to the Kshs.5,000,000 but the lowest bidder quoted Kshs.12,718,800 excluding tax
- The project cost was 195% more than the initial budgetary allocation. This change was not supported by a revised engineers estimate detailing the extra works from the initial estimate that the budget allocation was based on



- A supplementary budget indicates that the project was allocated Ksh.14,753,808, an additional Kshs.9,753,808
- No evidence was provided to indicate that the project was re-tendered and advertised and further, no evidence was provided to confirm the completion of the project which was delayed beyond the completion date

**Therefore, the value-for-money of Kshs.14,758,808 paid could not be confirmed.**

**j. Proposed construction of Namwena water pan and its auxiliary facilities in Ndavaya ward**

Kshs.12,647,510 was paid for the construction of Namwera water pan. However, the following issues were noted:

- The Contract and Local Service Order were signed on 4 June 2016 with the completion date given as 20 October 2016
- The initial budget for the project was Kshs.5,000,000 but the lowest bidder quoted Kshs.13,508,500 which was 170% above funds allocated. A site handing over meeting scaled down the works and revised to Kshs.10,000,000 and the contractor carried out the works with the revised contract sum
- A supplementary budget allocated Kshs.13,508,500 more funding towards the budget. However, the project cost was revised to Kshs.11,558,994 on 27 May 2016 by the project manager. Despite this, the contractor to date has been paid Kshs.12,647,510 which represents 109% of the latest revised contract sum by the project manager
- To date no completion certificate has been issued for the works

**Therefore, the value-for-money for Kshs.12,647,510 paid could not be confirmed.**

### **2.3.5 Other payments**

An examination of Other payments amount of Kshs.63,955,191 revealed that the expenditures were related to emergency. The County Executive did not transfer these funds to an Emergency Fund account but spent the same directly from the County Executive fund accounts. No evidence was provided to show that the County Executive Committee Member for Finance has sought approval from the County Assembly as required by Section 114 of the Public Finance Management Act, 2012.

**Therefore, the correctness of Kshs.63,955,191 paid as emergency could not be confirmed.**

### 2.3.6 Bank balances

The bank balance of Kshs.1,080,700,658 included 9 bank accounts with various commercial banks holding Kshs.27,375,099. However, the County Management failed to provide evidence that the bank account opening was approved by the County Treasury as required by Section 82(4) of the Public Finance Management (County Government) Regulation, 2015.

Therefore, the appropriateness, accuracy and completeness of **Kshs.1,080,700,658** bank balance could not be confirmed.

### 2.3.7 Deposits and retentions

The financial statement shows Kshs.59,985,874 for retention fees. However, the County Executive Management failed to provide a retention fees register/ledger for recording the third parties to whom the retention moneys belonged to.

#### Key note

*Retention fees* is payment for a service or product what is withheld pending the completion of some specified condition. It is often a percentage of the amount due to a contractor.

Therefore, the ownership and completeness of **Kshs.59,985,874** could not be confirmed.

### 2.3.8 Outstanding imprests

The financial statements show an outstanding imprests balance of Kshs.6,238,488. Out of this were outstanding imprests of Kshs.1,343,210 all of which were 6 months as at the end of the financial year. A further annex to the statements showed that various County officers were issued with more than one imprest before accounting for the previous one. This is contrary to section 93(5) of the Public Finance Management (County Government) Regulation, 2015 which requires that the holder of a temporary impress account/surrender the imprest within 7 days of return to duty station.

#### Key note

*Imprest* means a form of cash advance or a float for travel or to attend meetings which an Accounting Officer may authorise to be issued to government or county officers. The officers are expected to return or refund the money to ensure it is properly accounted for.

Therefore, it was not possible to confirm the validity of the outstanding **Kshs.1,343,210**.

### 2.3.9 Pending bills

The financial statements reflect pending bills of Kshs.1,796,955,475 which were mainly due to contractors. However, information available indicated that Kshs.703,381,580 (development 694,051,039 and 9,330,541 for recurrent) were commitments which the Management failed to provide supporting documents for audit review.

The County did not have adequate funding to finance the pending bills as at 30 June 2017, since the cash available was Kshs.1,080,700,658 which was less by Kshs.716,254,817. This is contrary to Section 51(1)(f) of the Public Finance Management (County Government) Regulation, 2015 which requires public officers to not exceed the limit authorised. Further, the Management did not explain how these pending bill would be funded.

**Therefore, the correctness and validity of Kshs.703,381,580 could not be confirmed. Also, it was unclear how the pending bills shortfall would be paid.**

## 2.4 Other matters relating to the County Executive audit report

### 2.4.1 Budget control and performance

#### i. Revenue under collections

The financial statements reflected gross revenue of Kshs.6,207,555,398, an increase of Kshs.523,455,478.15 from the previous year's total revenue of Kshs.5,684,099,920. However, the revenue budget was Kshs.6,477,561,880 and therefore this was an under collection of Kshs.270,006,483 or 4 %.

#### ii. Inconsistent revenue collection

The financial statements show County own generated revenue of Kshs.221,011,186 compared to Kshs.248,617,586 collected in 2015/2016 resulting in a decrease of Kshs.27,606,400 or 11%. Below is a summary of the 3 years of revenue collection.

**Table 5: Revenue collection over 3 years**

Details	2016-2017	2015-2016
Rent	3,346,450	10,152,379
Other Property Income		39,534,783
Receipts from administrative fees and charges	4,832,314	-
Fines, penalties and forfeitures	-	11,255,058
Business permits	55,018,719	58,603,940
Cess	12,511,549	13,887,864
Poll rates	53,682,884	-
Plot rents	1,576,200	-
Other local levies	3,667,263	28,062,135
Various fees	-	11,687,988
Councils natural resources exploitations	18,562,866	21,195,193
Market/Trade centre fee	11,799,876	5,880,700
Vehicle parking fees	11,054,159	11,028,074
Public health services	2,233,200	-
Public health facilities operations	23,964,870	32,621,588
Environment & Conservancy administration	2,224,400	-
Slaughterhouse administration	1,554,954	840,189
Other health & sanitation revenues	-	3,867,695
Tender document sale	-	2,305,500
Technical service fees	14,981,482	-
<b>Total</b>	<b>221,011,186</b>	<b>248,617,586</b>

The above is an indication of possible revenue leakages or inefficient revenue collection systems contrary to Section 157(2) of the Public Finance Management Act, 2012 which requires that the receiver of County Government revenue ensures that revenue for which the receiver is responsible is collected, recovered and accounted for.

### iii. Budgetary absorption

The approved final budget for Kwale County Executive was Kshs.7,120,345,442 (3,716,243,371 recurrent and 3,404,102,071 to development). The overall budget absorption reflected Kshs.6,0034,728,811 which meant they underspent by Kshs.1,115,616,631 or 16% as summarised below.

**Table 6: Budget absorption**

Item	Budget Amount (Kshs.)	Actual Spending (Kshs.)	Under/Over Absorption (Kshs.)	Absorption (%)
Compensation of employees	1,890,697,022	1,738,026,276	152,670,746	91.9
Use of goods and services	1,495,644,393	1,019,806,723	475,837,670	68.2
Transfer to other government entities	81,000,000	838,497,359	(757,497,359)	(1034.6)
Other grants and transfers	624,065,498	527,791,958	96,273,540	84.6
Acquisition of assets	3,028,938,529	1,880,606,495	1,148,332,034	62.1
<b>Total</b>	<b>7,120,345,442</b>	<b>6,004,728,811</b>	<b>1,115,616,631</b>	<b>84.3</b>

**iv. Development budget**

Below is a table indicating the underspending for development projects of Kshs.1,144,624,212 or 34% of the budget.

**Table 7: Development budget absorption**

Item	Budget Amount (Kshs.)	Actual Spending (Kshs.)	Under/Over Absorption (Kshs.)	Absorption (%)
Use of goods and services	429,844,841	216,911,213	212,933,268	50.3
Transfer to other government entities	-	180,000,000	(180,000,000)	100
Other grants and transfers	7,450,001	4,984,300	2,465,701	66.9
Acquisition of assets	2,966,807,589	1,857,582,346	1,109,225,243	62.6
<b>Total</b>	<b>3,404,102,071</b>	<b>2,259,477,859</b>	<b>1,144,624,212</b>	<b>66.41</b>

**v. Recurrent budget**

The recurrent budget which was approved was Kshs.3,716,243,371. Below is a table detailing the recurrent expenditure of Kshs.3,745,250,952.

**Table 8: Recurrent budget absorption**

Item	Budget Amount (Kshs.)	Actual Expenditure (Kshs.)	Under/Over Absorption (Kshs.)	Absorption (%)
Use of goods and services	1,890,679,022	1,738,026,276	152,670,746	8.07
Use of goods and services	1,065,79,912	802,895,510	262,904,402	24.67
Transfer to other government entities	81,000,000	658,497,359	(577,497,359)	(713)
Other grants and transfers	616,615,497	522,807,659	93,807,838	15.21
Acquisition of assets	62,130,940	23,024,149	39,106,791	62.94
<b>Total</b>	<b>3,716,243,371</b>	<b>3,745,250,952</b>	<b>(29,007,581)</b>	<b>(0.78)</b>

**vi. Governor's budget**

The approved final budget for the Governor and Deputy Governor was Kshs.316,944,557 with Kshs.181,944,557 (57.5%) allocated to recurrent budget and Kshs.135,000,000 (42.5) to development budget. The total budget reflected an overall budget utilisation of Kshs.293,255,908.15 (92.5%) resulting in an underspending of Kshs.23,688,648.85 or 7.5% as summarised below.

**Table 9: Governor's budget absorption**

Vote	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Under Expenditure (Kshs.)	Under Expenditure (%)
Development	135,000,000	137,640,059	(2,640,059)	(1.96)
Recurrent	181,944,557	155,615,849	26,328,707	14.47
<b>Total</b>	<b>316,944,557</b>	<b>293,255,908</b>	<b>23,688,649</b>	<b>7.3</b>

**vii. Governors recurrent budget**

The County Executive budgeted Kshs. 181,944,557 for the Governor's recurrent expenditure. Actual expenditure was Kshs.155,615,844 which meant they underspent by Kshs. 26,328,707 or 14% as summarised below.

**Table 10: Governors recurrent budget absorption**

Item	Budget amount(Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Absorption (%)
Compensation to employees	62,407,554	59,049,839.15	3,357,714.85	94.6
Utilities supplies and services	540,000	460,816	79,184	85.3
Domestic travel and subsistence	16,101,550	14,264,471.30	1,837,078.70	88.6
Foreign travel allowances	1,179,200	923,367.75	255,832.25	78.3
Printing, advertising	430,000	214,050	215,950	49.8
Communication, supplies	1,034,450	926,940	107,510	89.6
Rental of produced assets	3,010,000	2,935,350	74,650	97.5
Training expenses	5,987,335	1,053,000	4,934,335	17.6
Hospitalities, supplies and service	6,426,000	5,997,446	428,554	93.3
Insurance costs	6,082,000	1,439,521	4,642,479	23.7
Specialised material and services	1,660,468	1,337,341	323,127	80.5
Routine maintenance-vehicle etc.	4,570,000	3,688,860	881,140	80.7
Office general supplies and services	1,980,000	1,512,617.95	467,382.05	76.4
Other operating expenses	64,036,000	56,320,000	7,716,000	88.0
Fuel, oil and lubricants	5,900,000	4,992,195	907,805	84.6
Purchase of office furniture	600,000	500,034	99,966	83.3
<b>Total</b>	<b>181,944,557</b>	<b>155,615,849.15</b>	<b>26,328,707.85</b>	<b>85.5</b>

#### viii. Governors development budget

The Office of the Governor was allocated Kshs.137,640,049 for development. Out of this, Kshs.129,000,000 was for the construction of the proposed county headquarters. All money budgeted for the proposed headquarters was paid. However, the Office paid more for pending bills than provided by 44%. The budget for pending bills was Kshs.6,000,000 and the actual amount spent was Kshs.8,640,059 meaning that there was an over utilisation of Kshs.2,640,059.

**ix. Ethnic composition**

Records provided indicate that the County Government recruited 225 new members of staff. A review of the composition indicated that 180 or 80% came from 2 dominant ethnic groups in contravention with Section 65(e) of the County Government Act, 2012 which requires at least 30% be filled from candidates who are not from the dominant ethnic group.



# REPORT ON COUNTY ASSEMBLY OF **3** KWALE

## 3.1 Overview of audit issues in County Assembly of Kwale

	ISSUE	FINDINGS
3.1.1.	Use of Goods and Services	
	a) Rentals of Produced Assets	Appropriateness and accuracy of <b>Kshs.3,175,000</b> paid as rent cannot be confirmed
	b) Training Expenses	Correctness and value-for-money of <b>Kshs.14,401,859</b> cannot be confirmed
	c) Other Operating Expenses	Correctness of the legal fees <b>Kshs.4,694,520</b> cannot be confirmed
3.1.2	Acquisition of assets	
	a) Unexplained difference	Accuracy and completeness of <b>Kshs.90,808,708</b> cannot be confirmed
	b) Proposed Construction of Assembly Complex	Correctness of <b>Kshs.58,710,280</b> paid cannot be confirmed
	c) Construction of Speakers' residence	It is not possible to confirm ownership of the whole parcel of land and the building which <b>Kshs.7,929,500</b> of public funds was spent
	d) Construction of Ward Offices	Valuation and ownership of the land on which works costing <b>Kshs.17,441,610</b> were undertaken cannot be confirmed.
3.1.3	Outstanding imprest	Correctness of expenditures totalling <b>Kshs.191,200</b> outstanding as imprest cannot be confirmed.

## 3.2 Qualified opinion

The Auditor-General audited the following Financial Statements of the County Assembly of Kwale as at 30 June 2017:

- Statement of financial assets
- Statement of receipts and payments
- Statement of cash flows
- Statement of comparison budget and actual amounts: recurrent and development combined
- Summary of significant accounting polities
- Other explanatory information

### Key note

*Qualified opinion* means that although the financial transactions recorded are mostly in agreement with the records, there may be cases where the Auditor-General is unsatisfied with the accuracy of certain expenditures. Therefore, except for unsupported expenditure, the account reflects by and large a true and fair situation.

Upon completion of the audit, the Auditor-General gave a qualified opinion, reporting that the financial statements present fairly, in all material respects, the financial position of the County Assembly of Kwale. Further, the Auditor-General confirmed that nothing came to his attention to cause him to believe that public money had not been applied lawfully and in an effective way.

### 3.3 Why the County Assembly received a Qualified Opinion

#### 3.3.1 Use of Goods and Services

The financial statements show Kshs.259,331,684 spent under Use of Goods and Services. The following observations were made:

#### 3.3.2 Rentals of Produced Assets

Rent was paid for ward offices amounting to Kshs.3,175,000. However, records audited indicated that during the month of July 2016 the Assembly overpaid the landlord by Kshs.196,000. Management explained that a letter was written to the landlord to recover payments but had not been recovered as at the time of the audit in the month January 2018.

**Therefore, appropriateness and accuracy of Kshs.3,175,000 paid as rent cannot be confirmed.**

#### 3.3.3 Training Expenses

Section 1.3 of the County Public Service Human Resource Manual, 2013 requires that training needs assessment be conducted every 2 years. There was Kshs.14,401,859 spent on training. However, no evidence was availed for audit to confirm that a needs assessment was done and that a plan was prepared and approved by the County Assembly Service Board.

**Therefore, the correctness and value-for-money of Kshs.14,401,859 cannot be confirmed.**

#### 3.3.4 Other Operating Expenses

Of Kshs.7,273,757 in operating expenses, Kshs.4,694,520 was spent on legal fees. However, the payment voucher provided for audit was not signed by the Accounting Officer as required by procurement regulations. Furthermore, the fee note was raised on 19 January 2016, before the service order 10 March 2017.

**Therefore, the correctness of the legal fees Kshs.4,694,520 cannot be confirmed.**

### 3.3.5 Acquisition of assets

The financial statements show that Kshs.120,643,721 was spent under Acquisition of assets.

The following observations were made:

#### a) Unexplained difference

Kshs.90,808,708 was spent on Construction of buildings. However, vouchers provided for audit indicate that the amounts paid total Kshs.91,608,708. There was therefore an unexplained difference of Kshs.800,000.

**Therefore, the accuracy and completeness of Kshs.90,808,708 cannot be confirmed.**

#### b) Proposed Construction of Assembly Complex

Out of the Kshs.90,808,708 for Construction of buildings, Kshs.58,710,280 was payment made to a construction company for construction of the County Assembly complex. The contract total was Kshs.466,892,170 and the contractor was paid Kshs.302,943,142. However, the engineer's certificate for Kshs.8,710,280 provided for audit did not show work done to match the payments. Also, the terms and conditions of the contract showed that the project was to be completed by 22 June 2017. However, field inspection in the month of January 2018 revealed that the contractor was not onsite and windows, doors and the roof were not installed.

**Therefore, the correctness of Kshs.58,710,280 paid cannot be confirmed.**

#### c) Construction of Speakers' residence

Of Kshs.90,808,708 for Construction of buildings, Kshs.7,929,500 was paid for construction of the Speakers residence whose contract total was Kshs.46,441,072. However, records provided for audit indicated that the County Assembly has not been able to obtain ownership documents for a part of the construction site land measuring 0.41 hectares.

**Therefore, it is not possible to confirm ownership of the whole parcel of land and the building which Kshs.7,929,500 of public funds was spent.**

#### d) Construction of Ward Offices

Included in Acquisition of assets was Kshs.17,441,610 paid to 4 local firms for constructing ward offices. Ownership documents for the land occupied by these offices was not provided for audit and verification.

**Therefore, the valuation and ownership of the land on which works costing Kshs.17,441,610 were undertaken cannot be confirmed.**

### 3.3.6 Outstanding imprest

The financial statements reflect Kshs.426,000 as outstanding imprests. This is made up of staff advances amounting to Kshs.234,800 and imprest amounting to Kshs.191,200. The imprests totalling Kshs.191,200 had not been surrendered as a 30 June 2017. This is contrary to Section 93(5)5 of the Public Finance Management (County Governments) Regulations, 2015 which provides that a holder of temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station.

#### Key note

*Imprest means a form of cash advance or a float for travel or to attend meetings which an Accounting Officer may authorise to be issued to government or county officers. The officers are expected to return or refund the money to ensure it is properly accounted for.*

**Therefore, the correctness of expenditures totalling Kshs.191,200 outstanding as imprest cannot be confirmed.**

### 3.4 Other matters relating to the County Assembly audit report

#### 3.4.1 Budgetary Control and Performance

##### i. Budget Absorption

The financial budget for County Assembly of Kwale totalled Kshs.828,162,680. It was made up of a development budget of Kshs.218,249,039 and recurrent budget of Kshs. 608,913,641.

**Key note**

*Development budget* plays a pivotal role in the growth of the County. It relates to costs required to create assets that provide long-term public good such as roads, hospitals, schools and airports. They normally include the construction of buildings, both residential and for office purposes; purchase of durable and long-term equipment, such as power generators and telecommunications equipment; establishment of water/sewer treatment plants, stadiums, recreational facilities and historical monuments, and installation of information technology equipment and other long-term equipment.

*Recurrent budget* consists of regular expenses that go into the running of the County. These include salaries and allowances paid to County employees; operational costs such as travelling and accommodation, telephone, electricity and water bills; maintenance costs incurred on equipment, buildings and installations; as well as funding for costs incurred to cover compulsory obligations such as bank charges, interest on official debt, remuneration costs and other services

The total amount spent was Kshs.741,474,442, meaning the County Assembly underutilised its budget by Kshs.86,688,238 or 10%. The County Assembly explained that this was because they did not receive funds which impacted service delivery by the County Assembly negatively.

**Table 11: Absorption of development and recurrent budget**

Item	Approved Budget (Kshs.)	Actual Spending (Kshs.)	Under/over Absorption (Kshs.)	Under/over Absorption (%)
Development	218,249,039	117,765,651	100,483,388	46
Recurrent	609,913,641	624,508,791	(14,595,150)	102
<b>Total</b>	<b>828,162,680</b>	<b>742,274,442</b>	<b>85,888,238</b>	<b>10</b>

**ii. Development budget**

Although Kshs.218,249,039 was allocated to development projects, the County Assembly spent Kshs.117,765,651. This means they underutilised the budget by Kshs.100,483,388 or 46%.

### iii. Recurrent budget

The County Assembly allocated Kshs. 609,913,641 to recurrent budget and spent Kshs. 624,508,791. This means they overspent by Kshs. 14,595,150 or 2 % as summarised below:

**Table 12: Utilisation of recurrent budget**

Item	Budget Amount (Kshs.)	Actual Spending (Kshs.)	Under/Over Absorption (Kshs.)	Utilisation difference to budget (%)
Compensation of employees	225,704,669	224,316,564.40	1,388,105	99
Use of goods and services	266,829,161	259,331,684	8,885,582	97
Transfer to other government entities		137,182,472	-137,182,472	
Acquisition of assets	117,379,811	3,678,070	113,701,741	3
<b>Total</b>	<b>609,913,641</b>	<b>624,508,790</b>	<b>14,595,149</b>	<b>2</b>

# CONCLUSION 4

This brief on the Auditor General's report for Kwale County has provided a simplified overview of the issues raised in the County Executive and County Assembly of Kwale for the financial year 2016/2017. The findings of the audit reveal that public money was not applied lawfully and in an effective way in the County Executive while public money was applied lawfully and in an effective way in the County Assembly of Kwale. The Auditor General raised audit issues regarding amounts totalling Kshs.2,801,261,421 in the County Executive and Kshs.197,352,677 in the County Assembly. In total, there were issues regarding an amount of **Kshs.2,998,614,098** in the County of Kwale. Also, the Auditor General raised concern where there was a breach of law or regulation governing the use of public funds as these are essential controls to ensure public money is used effectively and responsibly.



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