

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF MIGORI FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of the County Executive of Migori set out on pages 8 to 38, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedure performed, I confirm that public money has not been applied lawfully and in effective way.

Basis for Disclaimer of Opinion

1. Limitation of Scope-Burnt Documents

Migori County executive headquarter experienced a fire outbreak on Sunday 24 September 2017 which razed down main procurement store and which contained financial documents, tender documents, assortments of procured materials, equipment, furniture and stationery as detailed below:

Items	Number	Approximated Unit Cost Kshs.	Amount Kshs.
Printers	28	63,000	1,764,000
Photocopiers	2	150,000	300,000
UPS 1.5 Va	60	28,000	1,680,000
Executive Chairs	37	35,000	1,295,000
Tonners	10	12,000	120,000
Executive Tables	39	70,000	2,730,000
Computers, Monitor and Desk top	2	50,000	100,000
White Boards	100	50,000	5,000,000
Stationaries	Assorted	-	23,000,000
Office cleaning materials	Assorted	-	2,000,000
Tourist furniture's		-	264,000
Used Tyres	200	-	5,000,000
Tender Documents		-	N/A
Work tickets		-	N/A

Banners		-	3,000,000
Payment Vouchers/Cheques Counter foils		-	N/A
Payments Cashbook		-	N/A
Bank statements and reconciliation files		-	N/A -
Total			46,253,000

The following additional information was noted:

- i. The procurement store was a temporary structure made of timber and iron sheets.
- ii. The Governor formed an inquiry and a report was issued on 18 October 2017 with various deliberations and recommendations such as constructing a permanent building procurement store fully equipped with fire proof cabinets and purchase a fire engine together with developing a fire policy.
- iii. The director of criminal investigations carried out the investigation and the report was issued on 1 November, 2017 vide letter Ref:CID/ORG/1/9/VOL.IV/120 which did not specifically point the particular person responsible for the fire.

Consequently, the accuracy and completeness of the figures in the financial statements could not be confirmed in the absence of records destroyed by fire.

2. Unprepared Financial statements

From our review of the current and previous years' financial statements, we noted the County operates the following funds/entities:

- i. Scholarships and other educational benefits
- ii. Bursary fund
- iii. Car and Mortgage Loan Scheme
- iv. Wards Development Fund

Sections 164 and 167 of the PFM Act, 2012, requires Accounting officers of County Government entities, including public funds, to prepare individual financial statements for each entity and submit to the Office of the Auditor General within three months after the end of the financial year. However, separate financial statements were not prepared for the funds. Consequently, the fund administrators did not comply with the requirements of the law.

3. Receipts

3.1. Local source Revenue

During the financial year 2016/17, the County had budgeted to collect a total revenue of Ksh.420,000,000 from the local source. However, it managed to collect Ksh.350,334,347 which is 83% of budget. There were no proper reasons provided for the under-performance.

3.2. Land Rates

Included in the county own generated receipts figure of Kshs.350,334,347 is land rates totaling to Kshs.28,170,598 which was not supported with the relevant ledgers. In addition, the valuation rolls for the land rates had not been developed. Consequently, the accuracy of the land rates figure could not be confirmed.

3.3. Irregular Waivers

A total of Kshs.907,046 was waived at the Migori County Referral Hospital between the month of July 2016 and June 2017. The waivers were done without authority from the CEC Member for Finance as shown below:

Month	Amount Kshs.
July 2016	85,330
August 2016	90,250
September 2016	64,980
October 2016	59,815
November 2016	110,146
December 2016	31,390
January 2017	45,750
February 2017	28,550
March 2017	69,375
April 2017	96,430
May 2017	74,310
June 2017	150,720
Amount	907,046

Waiver of charges without authority from the CEC member for finance lead to loss of revenue amounting to Kshs.907,046.

3.4. Under-Banking

A total of Kshs.2,046, 735 was collected as part of local service revenue between the month of August 2016 and December 2017 but was not banked intact in accordance with the Public Finance Management Act, 2012 section 109(2) which states that the county treasury shall ensure that all money raised or received by or on behalf of the County Government is paid into County Revenue Fund. The detailed of under banking are listed below;

Month	Amount Kshs.
August 2016	401,544

September 2016	383,866.50
October 2016	333,579
November 2016	538,804
December 2016	388,941
Total	2,046,734.50

Failure to deposit revenue on revenue account could be an indication that revenue is being misappropriated.

3.5. ICARE Automated System at County Referral Hospital

The County Executive acquired automated ICARE system for Migori County Referral Hospital whose main function is to capture/records patient data from the point of admission to the point of discharge. However, all modules were not being utilized and some doctors and clinical officers prefer using manual cards. It was therefore not possible to trace a patient from the point of admission to the point of discharge due to use of cards which are done outside the system. The rest of revenue is being done with manual receipt books.

Underutilization of ICARE system may lead to loss of revenue through undercharging and Migori residence may not derive the benefits of the automated system which is supposed to enhance efficient and effective service delivery.

3.6. Automation of Revenue Collection

The County Government of Migori began the process of procurement of automation of revenue services in 2013/14 through tender number MC/49/2013-2014. However, on 15 January 2016 customization, installation and implementation of revenue collection cash flow and funds requisition system was cancelled due to procurement irregularities. The supplier, felt aggrieved and appealed to the Public Procurement Administrative Review Board which ruled in its favor on 15 January, 2016. This matter was still pending in the Court of Appeal as at the time of audit review.

Consequently, the outcome of the court case is unknown and the delayed automation of revenue collection puts the process of revenue collection vulnerable to abuse.

3.7. NHIF Rebates

The Executive has county hospitals with in-patient facilities but for which there are no records to indicate that the county sought NHIF rebates for bed occupants. There is risk that revenue from NHIF may not be received by the County Executive due to lack of records and lodging of claims.

3.8. Missing Single Business Permits (SBP) Receipt Books

During the year under review, the revenue collectors in charge of single business permits receipt books collected the books for revenue collection within migori county jurisdiction. However, some receipts with unspecified amount collected

listed below were collected and returned to the store. The same receipt books were again collected at a later date and revenue realized could not be accounted for as the books were not captured in collection control sheets as shown below:

Serial Numbers	Dated Issued	Date Completed	Date reissued
851-890	06.05.2016	16.08.2016	09.02.2017
1101-1150	23..06.2016	17.08.2016	09.02.2017
1151-1200	23.06.2016	27.09.2016	09.02.2017
1201-1250	16.08.2916	12.10.2016	09.02.2017
1251-1300	22.08.2016	29.12.2016	09.02.2017
1301-1350	31.10.2016	31.03.2017	09.02.2017
1351-1400	29.12.2016	27.03.2017	09.02.2017
1401-1450	29.12.2016	27.03.2017	09.02.2017
1451-1500	29.12.2016	03.05.2017	09.02.2017
1501-1550	29.12.2016	31.03.2017	
1551-1600	not indicated	08.03.2017	
1601-1650	not indicated	08.03.2017	
1651-1700	not indicated	08.03.2017	
1701-1750	21.12.2016	08.03.2017	
1751-1800	05.02.2017	04.04.2017	
1801-1850	not indicated	12.05.2017	
1851-1900	not indicated	19.06.2017	

Consequently, due to rotating receipt books, there is a risk that revenue collected could have been lost or misappropriated.

4. Compensation of Employees

4.1. Basic Salaries of Permanent Employees

The compensation of employees figures of Kshs.1,935,158,353 for the year ended 30 June 2017 includes an amount of Kshs.1,874,556,009 being basic salaries to permanent employee captured in the integrated personnel and payroll database (IPPD) which is core payroll processing system. However, the figure was not supported by payments made to the bank since the payments vouchers and related documents were not made available for audit verification.

Consequently, the accuracy and completeness of the compensation of employees figure of Kshs.1,874,556,009 could not be confirmed.

4.2. Wages for Temporary Employees

Included in compensation of employees' figure of Kshs.1,935,158,353 is an amount of Kshs.60,602,344 reflected under note 5 being wages to temporary employees. However, supporting documents such as time sheets, attendance registers and acknowledgement of slips by the payees were not availed for audit review.

Consequently, the propriety of compensation of employees figure of Kshs.1,935,158,353 could not be confirmed.

5. Use of Goods and Services

5.1. Utilities, Supplies and Services

Included in the use of goods and services figure of Kshs.1,775,525,669 under note 6 is an amount of Kshs.38,740,330 in respect of utilities, supplies and services whose supporting documentation could not be availed as they were said to have been destroyed in a fire that razed the store where they were kept. However, the expenditure on this vote exceeded the budget by Kshs.20,683,845, and no explanation was given for this over expenditure.

In the absence of the supporting documentation, the propriety of the entire amount of Kshs.38,740,330 could not be ascertained.

5.2. Communication, Supplies and Services

Included in use of goods and services figure of Kshs.1,775,525,669 under note 6 to the financial statements is communication, supplies and services figure of Kshs.12,293,630. However, the figure was not supported with relevant, invoices, delivery notes, local purchase order/ local service order. Further, it was noted that there was under absorption of the budget figure of Kshs.15,653,000 by Kshs.3,359,370 representing 79% absorption.

The expenditure of Kshs.12,293,630 has not been accounted for in the absence of support documents.

5.3. Domestic Travel and Subsistence Allowances

Included in the payments for use of goods and services of Kshs.1,775,525,669 is Kshs.354,034,987 being imprests issued to various officers captured as domestic travel and subsistence against a budget of Kshs.428,065,145. However, management have not availed for audit review accounting documents such as payment vouchers, imprest requisitions, approval of journeys, surrender warrants and back to office reports to account for the allowance. Without this documentation, the expenditure for domestic travel and subsistence could not be confirmed.

Consequently, the propriety of the expenditure of Kshs.354,034,987 could not be confirmed.

5.4. Printing, Advertising and Information Supplies

Included in the payments for use of good and services of Kshs.1,775,525,669 is an amount of Kshs.264,457,138 in respect of printing, advertising and information supplies and services. However, the expenditure exceeded the budget of Kshs.50,092,705 by Kshs.174,030,158. The management has however not availed for audit review payment vouchers, procurement documents, in support of the expenditure.

Consequently, the propriety of the expenditure of Kshs.264,457,138 for the year ended 30 June 2017 could not be ascertained.

5.5. Rental of Produced Assets

Included in the figure of rental of produced assets of Kshs.10,168,885 at note 46 to the financial statements is an amount of Kshs.4,950,000 paid to the Council of Governors on 4 April, 2017. Payment to the Council of Government was not in the annual budget and thus is not qualifying expenditure for the year under review.

Consequently, the propriety of the expenditure of Kshs.4,950,000 could not be confirmed.

5.6. Training Expenses

Included in the use of goods and services of Kshs.1,775,525,669 is training expenses amounting to Kshs.15,905,357 against a budget of Kshs.76,416,602 leading to under expenditure of Kshs.60,511,245. The management did not avail payment requisite supporting documents in regard to training expenditure.

The propriety of the expenditure of Kshs.15,905,307 thus could not be confirmed.

5.7. Hospitality Supplies and Services

Included in the figure of goods and services of Kshs.1,775,525,669 is an amount of Kshs.286,732,824 in respect of hospitality supplies and services against a budget of Kshs.96,209,829 thus exceeding the budget by 298% for which there was no evidence of approval. However, management did not avail for audit review, support documents including vouchers, tender documents to account for the figures for hospitality supplies and services.

In view of the foregoing, the propriety of the expenditure of Kshs.286,732,824 could not be confirmed.

5.8. Insurance Costs

Note 6 to the financial statements indicates payments relating to insurance figure of Kshs.6,374,600 which was not supported with the relevant documents such tender documents, insurance policies and payment vouchers. Further, the Executive had budgeted to spend Kshs.57,400,000 on insurance leading to under absorption of Kshs.51,025,400 which represents 89%. Consequently, the propriety of the expenditure could not be confirmed.

5.9. Purchase of Specialized Materials and Services

Included in use of goods and services figure of Kshs.1,775,525,669 is specialized materials and services figure of Kshs.335,911,334. However, the figure was not supported with relevant documents such as invoices, delivery notes, local

purchase order/ local service order. Further, it was noted that there was under absorption on the budget of Kshs.598,817,114 by Kshs.262,905,780 representing 44% under absorption.

The expenditure of Kshs.335,911,334 has not been accounted for in the absence of support documents.

5.10. Office and General Supplies and Services

The statements of receipts and payments reflects office and general supplies and services figure of Kshs.67,128,635. Although the schedules were provided for audit review, the payment vouchers were not made available. Further, the Executive had budgeted to spend Kshs.56,276,934 and thus leading to over expenditure of Kshs.10,851,701.

The propriety of the expenditure could not be confirmed.

5.11. Other Operating Expenses

Included in the use of goods and services figure of Kshs.1,775,525,669 is an amount of Kshs.205,976,583 as other operating expenses against a budget of Ksh.488,533,078 thus an under expenditure by 42 %.In addition, the county management did not avail for audit tender documents, payment vouchers, inspection reports to support the figures hence the figure for other operating expenses has not been vouched.

The propriety of the expenditure of Kshs.205,976,583 could not be confirmed.

5.12. Routine Maintenance-Vehicles

- i. Included in the use of goods and services figure of Kshs.1,775,525,669 are payments amounting to Kshs.64,094,523 being routine maintenance of motor vehicles and other transport against a budget of Kshs.38,880,000 thus exceeding the budget by Kshs.25,241,523 for which no authority for expenditure was availed for audit verification.
- ii. The management did not also avail for audit tender documents, payment vouchers, inspection reports to support the figure hence the figure for maintenance has not been verified.
- iii. It was also noted that a large of number of vehicles in the garages remained grounded

Consequently, the propriety of the expenditure of Kshs.64,094,523 could not be confirmed and the county is not receiving value for money on the grounded vehicles and therefore service delivery is affected.

5.13. Routine Maintenance Other Assets

Included in the use of goods and services of Kshs.1,775,525,669 is an amount of Kshs.54,882,206 being payments for routine maintenance of other assets against a budget of Kshs.30,780,800 leading to over expenditure of Kshs..24,101,406 representing 78% above the budget. The management did not also avail for audit review tender documents, payment vouchers and support schedules to account for the figure as well as authority to exceed the budget.. Consequently, the propriety of the routine maintenance of other assets figure could not be confirmed.

5.14. Fuel Oil and Lubricants

Included in the payments for use of goods and services are payments for fuel oil and lubricants amounting to Kshs.58,824,637. However, the management did not avail for audit verification fuel registers, work tickets, tender documents and payment vouchers.

The propriety of the expenditure of Kshs.58,824,637 in respect of fuel oil and lubricants could not therefore be confirmed.

6. Transfer to Other Government Entities

6.1. Transfers to Migori County Assembly

Note 7 to the financial statement reflects transfers to other government entities of Kshs.780,280,474. The transfers to the County Assembly of Kshs.698,570,000 is not in agreement with records obtained from the Assembly which indicates transfers of Kshs.692,000,000 and hence leading to an unexplained difference of Kshs.6,570,000 between the two entities. Further, the annual County Governments budget implementation report for the year 2016/2017 issued by the Office of the Controller of Budget indicates that exchequer issues meant for the County Assembly of Migori totaled Kshs.750,000,000 for the year which varies with the figure reported in the financial statements of the Assembly by Kshs.692,000,000 and hence leading to an unexplained difference of Kshs.58,000,000.

6.2. Transfers to Migori Water and Sanitation Company (MIWASCO)

Note 7 to the financial statement indicates that transfers to MIWASCO during the year ended 30 June 2017 of Kshs.18,656,746. However, payments of electricity to the water Company was not supported with payments vouchers and electricity bills. However, the Water Company is technically insolvent and its continued operation depends on the support of the Migori County Executive.

6.3. Other Transfers

Note 7 to the financial statement reflects others transfers of Kshs.63,053,728 which however, were not supported with relevant supporting documents.

In consequence, the accuracy and validity of the transfers to other government entities of Kshs. 763,083,728 could not be confirmed.

7. Other Grant and Transfers

Note 8 to the financial statement reflects other grant and transfers of Kshs.213,890,738 which however, were not supported with relevant supporting documents.

In consequence, the accuracy and validity of the transfers to other grant and transfers of Kshs. 213,890,738 could not be confirmed.

8. Acquisition of Assets

8.1. Construction of Buildings

The statement of receipts and payments reflects acquisition of assets figure of Kshs.1,874,352,561 which include Kshs.112,317,731 in respect of construction of buildings. However, the respective payment vouchers, project files, tender documents and bill of quantities were not availed for audit verification.

Consequently, the propriety of the expenditure of Kshs.112,317,731 could not be confirmed

8.2. Construction of Civil Works

Included in acquisition of assets figure of Kshs.1,874,352,561 is Kshs.159,671,145 in respect of construction of civil works. However, the respective payment vouchers, project files, tender documents and bill of quantities were not availed for audit verification.

Consequently, the propriety of the expenditure of Kshs.159,671,145 could not be confirmed.

8.3. Stalled Projects at Migori Kenya Medical Training College (KMTC) - Phase II

The construction of KMTC Phase II was awarded to local Company at a contract price of Kshs 21,999,810. During the year under review, Kshs 3,900,000 was paid to the contractor according to the IFMIS payment register. Physical verification conducted on 19 December 2017 revealed that the contractor abandoned the site and carried away the materials on site claiming that he had not been paid. The information obtained through oral interviews indicated that the contractor left the site in July 2016. Besides, the transaction was not supported by procurement documents, interim payment certificate, bills of quantities and payment vouchers. The documents were said to be part of those in the store that was burnt down.

Further, the county executive continued with the construction of stalled KMTC projects yet the institution is a national Government entity. No explanation was provided for the anomaly.

The value for money paid may not have been realized and residence of Migori may not benefit from the stalled projects.

8.4. Supply of Incinerators at Macalder Hospital

The contract for supply two (2) incinerators was awarded to local Company at a total cost of Kshs.16,043,124 and who had been paid fully by end of financial year.. The contract was categorized under purchase of specialized plant, equipment and machinery. Physical verification conducted on 20 December 2017, revealed that the incinerator allegedly supplied to Macalder Sub-County Hospital had not been handed over to the facility even though full payment has been made. Further, the existence of the incinerator could not be verified because the door was locked at the time of the site visit.

Consequently, the value for money on installation of incinerator may not have been realized.

8.5. Supply of Power Back Up and Installation at Migori Level IV Hospital

The contract for supply of power back up and installation was awarded to a local contractor at a contract price of Kshs.15,000,000 who had been fully paid within the financial year under review. However, Voltage stabilizer had not been connected to the power back up by the time of physical inspection exercise carried out on 19 December 2017. The inability to connect the voltage stabilizer to the power back up has posed a great danger to the electronic equipment in the hospital resulting from power surge. Further, documentation pertaining the project were not availed for audit review and there was no proper explanation as to why the stabilizer has not been connected to date.

In view of the foregoing value for money on this transaction may not have been achieved.

8.6. Supply of Power Backup Battery and Inverters and Related Electrical Works for Migori Level IV Hospital

The contract for supply of power backup battery and inverters and related electrical works for Migori Level IV Hospital was awarded to a local contractor at a contract sum of Kshs.29,058,600 and the IFMIS payment register indicated that the entire amount had been paid to the contractor during the year under review. However, upon physical inspection on 19 December, 2017 in company of the Hospital engineer revealed that five (5) sets of power inverters and batteries were installed in the Migori Level IV Hospital. However, two sets were not available but only empty racks were found. The supplier collected them and yet the payment had been made to them in full. Only one was found to be functioning normally in the laboratory.

The value for money may not have been realized.

8.7. Construction of Roads

Included in the acquisition of assets figure of Kshs.1,874,352,561 is an amount of Kshs.680,989,561 under construction of roads which additionally includes Kshs.320,113,532 of total payments under these item which was used on ten road projects as shown below:

No	Roads Projects	Contract Amount Kshs.	Amount paid Kshs.
1	Construction of Kiringi Bridge	246,290,425	93,366,827
2	Upgrading to Bitumen standard of Uriri – Oria road	797,392,630	128,000,000
3	Construction of Marurwani box culvert	14,900,606	14,900,606
4	Improvement of Supernova -Odendo Road	10,162,992	10,162,992
5	Improvement of Oruba-Oruba Got Road	12,866,952	12,866,952
6	Maintenance of Pom goglo-Nyatuoro-Lwanda Road	14,284,704	14,284,704
7	Maintenance of Nyamitha-God Ongeche-Rabuor-Sagenya Road	10,063,116	10,063,116
8	Installation of street lighting in Migori county	38,436,095	6,567,213
9	Solar street lighting in various centres in Migori County	20,000,000	20,000,000
10	Maintenance of Calabash-Kowwuonda-Witharaga Road	9,901,122	9,901,122
	Total	1,174,298,642	320,113,532

The following anomalies were noted;

- i. Upgrading of Uriri-Oria road and Kiringi Bridge had not been completed.
- ii. The budget for roads and bridges development was Kshs.751,103,692. However, by the end of the financial year only Kshs.680,989,561 had been spent on roads resulting to under absorption of Kshs.70,114,131 .
- iii. The management did not avail for audit tender documents, payment vouchers, inspection reports and certificates of completion to support the figures hence the figure for construction of roads of Kshs680,989,951 could not be vouched.

Consequently, the propriety of the expenditure of Kshs.680,989,561 could not be confirmed

8.8. Purchase of Vehicles and Other Transport Equipment

Included in the acquisition of assets figure of Kshs.1,874,352,561 under note 10 is Kshs.7,000,000 in respect of purchase of vehicles and other transport

equipment, whose details such as tender documents and logbooks were not made available for audit review.

Consequently, it has not been possible to confirm ownership of the vehicles as well as the transaction.

8.9. Drilling and Equipping of Bore Holes

- i. Included in the construction and civil works figure Kshs.159,671.145 under note 10 to financial statement is Kshs.78,502,098 for equipping 16 boreholes and which had been fully paid to a local contractor awarded the works.
- ii. Department of water sunk 38 boreholes of which 25 borehole remain capped and yet to be equipped hence the boreholes are not providing the essential water services to the intended public.
- iii. It was also noted that 3 of the sunk boreholes did not generate any water.
- iv. It was also noted during the year 2016/2017 the department of water planned to equip 16 boreholes. However, management have not availed for audit, procurement documents, certificate of work done and payment vouchers to account for the payments.

Consequently, the propriety and value for money already spent could not be ascertained.

8.10. Purchase of ICT Equipment

Included in acquisition of assets figure of Kshs.1,874,352,561 is an amount of Kshs.221,792,532 paid to various contractors for the purchase of ICT equipment. However, the respective payment vouchers, project files, tender documents and Bill of Quantities were not availed for audit verification.

The residents of Migori may not have obtained value for money from this expenditure.

8.11. Purchase of Specialized Plant, Equipment and Machinery

Included in acquisition of assets figure of Kshs.1,874,352,561 is an amount of Kshs.181,967,113 paid to various suppliers and contractors for the purchase of Specialized Plant, Equipment and Machinery. However, the respective payment vouchers, project files, tender documents and contract agreement were not availed for audit verification.

The residents of Migori may not have obtained value for money from this expenditure.

8.12. Research, Studies, Project Preparations Design and Supervision

Included in payments for acquisition of assets figure of Kshs.1,874,354,561 is an amount of Ksh. 406,856,435 being payments for various consultancies services

undertaken in various departments in the County Government. The county government has not availed for audit review budget provisions for the consultancies, tender documents, payment vouchers and consultancy reports. Further, the impact of research, studies, project preparations design and supervision to the resident of Migoti could not be confirmed.

The propriety of the expenditure could not be confirmed and the residence of Migori may not have attained value for money from the consultancies.

9. Cash and Cash Equivalent

9.1. Bank Reconciliation Statements

The statement of financial assets indicates that the bank balances figure as at 30 June 2017 was Kshs.829,190,573. However, the bank reconciliation statements prepared were done manually outside the cash module of the Integrated Financial Management Information System (IFMIS). Further, bank accounts balances were not supported with bank confirmation certificates and bank statements. In addition, cash books were not provided for audit review for the year ended 30 June 2017.

It has not been possible therefore to confirm that bank balances of Kshs.829,190,573 as at 30 June 2017 are fairly stated.

9.2. Cash Balances

The statement of financial assets indicates that the cash balances figure of Kshs.10,652,776 as at 30 June 2017. However, the cash board of survey certificates were also not provided to support the cash balances. Consequently, it has not been possible to confirm that cash balances of Kshs. 10,652,776 as at 30 June 2017 as fairly stated.

9.3. Cash Flow

The statement of cash flow indicates deposits figure of Kshs. 35,016,636 as at 30 June 2017. However, the movement of accounts receivables and payables were not incorporated in the cash flow statements. Consequently, it has not been possible to confirm that cash flow balances of Kshs. 839,843,349 as at 30 June 2017 as fairly stated.

10. Deposits and Retentions

The statement of financial assets indicates that deposits and retentions figure as at 30 June 2017 was Kshs.35,016,636. Information and documentation available indicates that this amount is held in the Kenya Commercial Bank Ltd, Migori branch in contravention of the County Financial Accounting and Reporting Regulations section 6.11 and the Public Finance Management Act, 2012 which clearly states that the county treasuries are to reserve these retained fees in a

deposit account specifically opened at the Central Bank. Further, the County did not maintain a ledger for deposits and retention.

Consequently, the accuracy, completeness and validity of the amount as reflected in the financial statements could not be confirmed.

11. Pending Bills

Note 15.1 and 15.2 to the financial statements indicates that as at 30 June 2017, the Executive had pending bills amounting to Kshs. 604,527,694 in respect of accounts payables and Kshs.292,178,568 for staff payables respectively. The pending bills had not paid in the year they were budgeted. In addition, the management did not avail tender documents, procurement reports, inspection reports, contract documents, LSO, LPO and bills of quantities to verify the expenditure besides aging analysis to explain the long outstanding bills. Physical verification could not be done because necessary records were destroyed by fire on 24 September 2017. Failure to pay bills in the year they relate distorts the financial statements for the year and adversely affects the provisions for subsequent years they have to be charged.

Consequently, the validity and accuracy of the pending bills and payables for the year ended 30 June 2017 could not be ascertained.

12. Fixed Asset Register

Annex III to the financial statements reflects the assets acquired by County Executive of Kshs.1,874,352,561 together with the brought forward balance of Kshs.1,553,706,719 totaling Kshs.3,428,059,280. However, the county did not maintain ledgers. In addition, the Inter-governmental Relations Technical Committee which took over from the Transition Authority is yet to formally hand over the assets and liabilities of the defunct local authorities to the County Government.

Consequently, the validity and accuracy of fixed assets register total balance of Kshs.3,428,059,280 for the year ended 30 June 2017 could not be confirmed.

13. Budget Performance Analysis

13.1. Summary of Performance

During the year under review, the approved budget for County Government of Migori was Kshs.7,730,691,196 out of which Kshs.2,981,625,317 (39%) was for development, while Kshs.4,749,065,878 (61%) was for recurrent as shown below:

Item	Approved Budget 2016/2017 Kshs.	Actual Amount 2016/2017 Kshs	Absorption %	% of Total Expenditure
Development	2,981,625,317	1,874,352,561	62	72
Recurrent	4,749,065,879	4,789,043,552	24	28

Total	7,730,691,196	6,663,396,113	86	
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13.2. Projects Implementation Status

According to the approved budget for 2016/2017, a total of Kshs.2,981,625,317 was allocated to eleven (11) departments to finance eight ninety five (895) projects during the year. As at 30 June 2017, an amount of Kshs.1,874,352,561 or approximately 63% of the budgeted amount had been spent on 278 projects shown below:

Department	No of Budgeted Projects	Budget Amount Kshs.	Actual Expenditure Kshs	No of Projects implemented	% Level of Implementation
County Executive	5	94,000,000	85,616,873	4	91%
Public Service Management	43	327,000,000	276,712,769	31	85%
Finance & Economic Planning	44	367,239,983	304,464,732	38	83%
Agriculture, Livestock, Fisheries and Water	37	455,848,500	194,761,568	27	43%
Health	104	365,299,806	228,834,105	32	63%
Tourism, Trade and Cooperative Development	28	26,439,025	19,146,172	20	72%
Roads, Transport, Public Works and Energy	109	948,023,003	692,326,958	79	73%
Lands, Physical Planning & Housing	5	47,900,000	14,022,804	3	29%
Management Environment & Natural Resources & Disaster Management	215	83,375,000	4,166,650	16	5%
Education, Youth, Sports, Culture, Gender and Social Services	285	221,500,000	13,338,932	12	6%
County Assembly	20	45,000,000	40,960,998	16	91%
Total	895	2,981,625,317	1,874,352,561	278	63%

13.3. Recurrent Expenditure Analysis

The approved final budget for Migori County Government was Kshs.4,749,065,879 for recurrent which include Kshs.722,192,640 for County Assembly of Migori while the actual expenditure was Kshs.4,789,043,552(101%) as shown below:

Expenditure Component	Budgeted Amount Kshs.	Actual Expenditure Kshs.	Over expenditure Kshs.	Under Expenditure Kshs.	Level of Absorption %
Utilities Supplies and Services	27,060,752	38,740,330	11,679,579		141
Communication, Supplies and Services	15,653,000	12,293,630		3,359,370	79
Domestic Travel, Supplies and Services	428,065,145	354,034,987		74,030,158	83
Printing, Advertising and Info and Services	50,092,705	264,457,138	214,364,433		528
Rentals of Produced Assets	8,680,000	10,168,885	1,488,885		117
Training Expenses	76,416,602	15,905,357		60,511,245	21
Hospitality Supplies and Services	96,209,829	286,732,824	190,522,995		298
Insurance Costs	57,400,000	6,374,600		51,025,400	11
Specialized Materials Supplies and Services	598,817,114	335,911,334		262,905,780	56
Office and General Supplies and Services	56,276,934	67,128,635	10,851,701		119
Other Operating Expenses	488,533,078	205,976,583		282,556,495	42
Routine Maintenance - Motor Vehicles	38,880,000	64,094,523	25,214,523		165
Routine Maintenance - Other Assets	30,780,800	54,882,206	24,101,406		178
Fuel and Lubricants for Transport etc	93,132,812	58,824,637		34,308,175	63
Payroll Costs & Social Security	1,850,868,403	2,019,346,671	58,472,2014		103
Transfers to other Government entities	722,192,641	780,280,474	58,087,833		108

Other Transfers	0	213,890,738	213,890,738		100
Total	4,749,065,879	4,789,043,552	808,674,296	768,696,623	101

The following issues were noted:

- i. The County Executive under spent on seven (7) items with a total expenditure of Kshs.768,696,623 and overspent Kshs.808,674,296 on ten (10) items.
- ii. Review of the budget performance by expenditure component shows that the printing, advertising and info and services, hospitality supplies and services and payroll costs had the highest absorption rate of its recurrent budgets at 528%,298% and 103% respectively. On the other hand, insurance costs and training expenses attained the lowest recurrent absorption rates at 11% and 21% respectively of the budgeted allocation for the year 2016/17.
- iii. No explanation was provided for the material variations neither were reallocations regularized through supplementary budget.

Consequently, the Executive did not implement all the budgeted projects as approved by the Assembly, hence affecting service delivery to citizens of Migori County.

14. Governance Framework

14.1. Internal Audit and Audit Committee

Review of internal audit unit indicated that the County Government of Migori has established and operationalized the audit committee as required by law but the Committee had only met once during the year under review. Further, it was noted that the internal audit had operated with audit plan and which was not fully implemented.

The management was not able to manage the risks effectively.

14.2. Staff Ethnic Composition

During the year under review,71% of the newly employed staff were from one dominant ethnic community contrary to the requirement of the Section 7(2) of the National Cohesion and Integration Act, 2008 and section 65(e) of the County Government Act,2012 which require at least 30% of the employees are from other ethnic communities. Consequently, the County was breach of the law.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Executive's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Executive or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Executive financial reporting process.

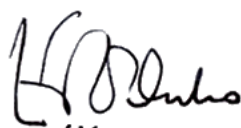
Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the county executive's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the County Executive's financial statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that include my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the basis for disclaimer of opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the County Executive of Migori in accordance with ISSAI 30 on Code of Conduct and Ethics. I have fulfilled other ethical requirements in accordance with the ISSAIs and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

Nairobi

16 July 2018