

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of County Executive of Tana River set out on pages 24 to 94, which comprise the statement of assets 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 matters 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 on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Presentation of the Financial Statements

The financial statements for the year ended 30 June 2017 availed for audit review contained the following anomalies:

- 1.1 Annex 4 – summary of fixed assets register reflects nil balance. However, the statement of receipts and payments reflect acquisition of assets of Kshs.2,065,564,937 and in the comparative year, it was Kshs.1,725,313,447. This is contrary to Section 21 (f) of International Public Sector Accounting Standard 1 which prescribes that a complete set of financial statements ‘comprises notes which comprise significant accounting policies and other explanatory notes’ and the annual financial reporting template for County Government entities issued by the Public Sector Accounting Standards Board vide Circular No.AG 4/16/1/VOL.IV/76 of 13 July 2017. Further, the Fixed Assets Register availed for audit review had not been updated as at year end.
- 1.2 The statement of assets reflects prior year adjustment of Kshs.59,710,228.50 which is reflected in the current year column instead of year 2015/2016, contrary to Section 47 of International Public Sector Accounting Standard which requires an entity to correct material prior period errors retrospectively by restating the comparative amounts. Further, journal entries were not availed in support of this adjustment.

Consequently, the financial statements do not comply with the presentation requirements of International Public Sector Accounting Standard (IPSAS) Number 1 as prescribed by the Public Sector Accounting Standards Board and IPSAS Number 3. Further, the accuracy and completeness of the financial statements and validity of the adjustment of Kshs.59,710,228.50 for the year ended 30 June 2017 could not be confirmed.

2. Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June 2017 contained the following inaccuracies:

2.1 Variances in Opening Balances and Casting Errors

2.1.1 The statement of cash flows reflects net cash flows from operating activities amounting to Kshs.1,759,112,361 while the re-casted figure is Kshs.1,758,340,971, resulting to a variance of Kshs.771,390 and which the management has not explained nor reconciled.

2.1.2 The statement of cash flows reflects adjustments opening balance of Kshs.140,830,047 while the audited figure for year 2015/2016 is Kshs.122,000,000, again resulting to a variance of Kshs.18,830,047 which has not been explained nor reconciled.

2.2 Variances Between Financial Statements and Supporting Schedules

The financial statements availed for audit review contained variances between financial statements and supporting schedules amounting to Kshs.1,136,783,930 as detailed below:

Particulars	Financial statement Figure Kshs	Supporting Schedule Figure Kshs	Variance Kshs
Transfers from Other Government Entities	35,154,000	34,083,538	1,070,462
County Own Generated Receipts	25,861,357	0	25,861,357
Use of Goods and Services	821,611,259	442,351,564	379,259,695
Other payments	349,996,230	339,636,636	10,359,594
Acquisition of Assets	2,065,564,937	1,345,332,115	720,232,822
Grant Total	3,298,187,783	2,161,403,853	1,136,783,930

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2017 could not be confirmed.

3. County Own Generated Receipts

The statement of receipts and payments for the year ended 30 June 2017 reflects county own generated receipts of Kshs.25,861,357 as detailed in note 9 to the financial statements. The following observations were made:

3.1 Failure to Appoint Receiver of Revenue

The County Executive did not avail for audit review an appointment letter for Receiver of Revenue contrary to Section 157(1) of the Public Finance Management Act, 2012 which states that 'the County Chief Executive Committee member for finance shall, in writing, designate persons to be responsible for collecting, receiving and accounting for County Government revenue'. The management is therefore in breach of the Law and accountability for revenue collected may be compromised.

3.2 Un-surrendered Receipt Books

Review of the counterfoil receipt books register maintained by the County Executive revealed that one hundred and eighty-four (184) miscellaneous receipt books, six (6) single business permits, eleven (11) stickers for matatus and seven (7) stickers for Lorries/canters issued to various revenue collection staff and agents between the months of March 2016 and May 2017 had not been surrendered by the time of audit in October 2017. Further, the counterfoil receipt books register indicated that 119 out of the 184 receipt books were issued before the completed ones were surrendered. Consequently, amount of revenue collected through these receipt books could not be ascertained.

3.3 Single Business Permits

Note 9 to the financial statements for the year ended 30 June 2017 reflects single business revenue of Kshs.4,198,420. However, the list of businesses from which this revenue was received were not availed for audit review. Further, the counterfoil receipt books register indicated that 1,210 boda boda stickers valued at Kshs.2,000 each, all amounting to Kshs.2,420,000 were issued to revenue collectors in Galole, Bura, Garsen and Madogo between 1 October 2016 and 2 May 2017. The stickers were to remain in use for one year but by the time of audit in October 2017, about five (5) months after their expiry, the same had not been surrendered. The collection control sheets, cash book and bank deposit slips indicating amounts collected, recorded and banked were not availed for audit review.

Consequently, the accuracy and completeness of single business figure of Kshs.4,198,420 for the year ended 30 June 2017 could not be confirmed.

3.4 Plot Rents

Note 9 to the financial statements for the year ended 30 June 2017 reflects plot rents collections of Kshs.2,246,100. However, details of the plots and receipts issued to the plot rent payers, collection control sheets used in accounting for the revenue and bank deposit slips confirming that all revenue was banked, were not availed for audit review. Consequently, the accuracy and completeness of plot rents collections of Kshs.2,246,100 for the year ended 30 June 2017 could not be confirmed.

3.5 Rents

Note 9 to the financial statements for the year ended 30 June 2017 reflects rents of Kshs.16,200. Available records indicated that County Executive of Tana River owns houses which it rents out to staff who pay for the same through check-off system. However, a register indicating details of tenants occupying the houses, monthly rental payments, and bank statements showing remitted deductions to the County Revenue Fund Account were not availed for audit review.

Consequently, the accuracy and completeness of rent receipts of Kshs.16,200 for the year ended 30 June 2017 could not be confirmed.

3.6 Revenue Spent at Source

The statement of receipts and payments for the year ended 30 June 2017 reflects County own generated receipts of Kshs.25,861,357, out of which Kshs.2,454,862 was spent before banking contrary to the provisions of Section 63(4) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all public monies collected by a collector or receiver of revenue shall be paid into the designated bank accounts of the County Government and shall not be used between receipt and payment into the bank.

Consequently, the spending of revenue amounting to Kshs.2,454,862 at source is irregular and the accuracy and completeness of county own generated revenue of Kshs.25,861,357 for the year ended 30 June 2017 could not be confirmed.

4. Unsupported Expenditure

The financial statements availed for audit for the year ended for the year ended 30 June 2017 contained expenditure totaling Kshs.1,857,775,736 out of which supporting payment vouchers as detailed below were not availed for audit review:

Item/Component	Note	Amount (Kshs)	Observations
Basic Salaries for Permanent Employees	11	213,786,412	<ul style="list-style-type: none">The salaries were paid outside Integrated Payroll and Personnel Database(IPP) and includes Kshs.2,117,400 on domestic travel and subsistence allowances paid to staff attending Devolution Conference in Nakuru County of which invitation letter, list of participants, dates and venue of the conference were not availed for audit verification.Expenditure charged to hardship allowance vote without supporting re-allocation authority.Further, expenditure includes air time allowances of Kshs.2,508,500 for County Executive Committee Members and staff

			<p>was not supported with a signed register/schedule of beneficiaries.</p> <ul style="list-style-type: none"> • Schedules in support of salary deductions of Kshs.68,606,430 were not availed for audit verification. • The expenditure of Kshs.213,786,412 also includes casual wages of Kshs.71,093,315 of which requisitions for additional temporary staff and advertisements of the posts were not availed for audit review.
Domestic Travel and Subsistence Allowances	12	227,156,151	<ul style="list-style-type: none"> • Note 12 to the financial statements reflects domestic travel and subsistence allowances of Kshs.244,169,353, out of which Kshs.227,156,151 was not supported with details of journeys travelled nor purpose of the same indicated in the supporting schedule. • Further, included in this amount is Kshs.7,749,300 on travel costs, subsistence allowances and hire of conference facilities whose supporting requests for travel, approval of travel, work tickets, signed attendance lists, quotations, Local Service Orders, Local Purchase Orders, boarding passes, nor reports produced availed for audit review. • In addition, included in the total amount spent is Kshs.12,426,013 in respect of hire of air transport services from firms which are not registered service providers of the County Executive. Included in this amount is Kshs.7,266,136 on foreign travel expenses, and Kshs.7,000,000 on insurance expenses which are not chargeable under this item, hence misallocated.
Hospitality Supplies and Services	12	4,408,155	<ul style="list-style-type: none"> • This amount was paid to a hotel for accommodation and hire of conference facilities for staff attending a workshop/seminar. However, purchase requisition, quotations and signed attendance register were not availed for audit verification.
Routine Maintenance – Other Assets	12	303,617,424	<ul style="list-style-type: none"> • The expenditure is in respect to repair of residential houses. However, the supporting schedule does not indicate their identification numbers/names, locations and percentages of completion. • Further, purchase requisitions, quotations, minutes of tender evaluation and award committee, Engineer’s certificates of

			completion and report of the inspection and acceptance committee were not availed for audit verification for expenditure amounting to Kshs.303,617,424.45.
Office and General Supplies	12	6,398,440	<ul style="list-style-type: none"> The expenditure of Kshs.6,398,440 was not supported with purchase requisitions, quotations, tender evaluation and award minutes, Local Service/Purchase Orders, delivery notes, Counter Receipt Vouchers (S.13), Stores ledger Cards(S.3), Counter Receipt and Issue Voucher(S.11) and report of the inspection and acceptance committee. Further, the suppliers were not in the list of the County Executive's list of registered suppliers.
Routine Maintenance - Motor Vehicles and Other Transport Equipment	12	3,609,372	<ul style="list-style-type: none"> The expenditure was incurred on repair of motor vehicles but not supported with purchase requisitions, quotations, tender evaluation and award minutes, Local Service Order, report of the inspection and acceptance committee nor repair services recorded in the respective log books.
Rental of Produced Assets	12	4,092,578	<ul style="list-style-type: none"> The expenditure was incurred on hire of motor vehicles and rent for Governor's Liaison Office in Nairobi. However, quotations indicating how the services were procured and office lease agreement were not availed for audit review. Further, the management has not justified the decision to hire vehicles for staff yet the County Executive has a fleet of motor vehicles that can the same purpose.
Utility Supplies and Services	12	1,609,400	<ul style="list-style-type: none"> Note 12 to financial statements for the year ended 30 June 2017 reflects utility supplies and services figure of Kshs.26,007,668. However, included in this amount is Kshs.669,700 for air tickets, Kshs.135,000 for domestic travel and subsistence allowances all amounting to Kshs.804,700 which are misallocated.
Purchase of Specialized Materials and Services	12	24,683,739	<ul style="list-style-type: none"> Note 12 to financial statements for the year ended 30 June 2017 reflects purchase of specialized materials and services of Kshs.24,683,739 for which detailed description of items purchased were not indicated in the supporting schedule. Further, the expenditure includes Kshs.7,717,116, out of which kshs.4,760,716 was spent on lab equipment and Kshs.2,956,400 on food and ration.

			However, the supporting purchase requisitions, quotations, tender evaluation and award minutes, Local Purchase Orders, delivery notes, Counter Receipt Vouchers (S.13), Stores ledger Cards(S.3), Counter Receipt and Issue Voucher(S.11) and report of the inspection and acceptance committee were not availed for audit verification..
Overhaul and Refurbishment of Construction and Civil Works	17	269,377,756	<ul style="list-style-type: none"> The schedule supporting this expenditure lacked details of work done, their locations and percentages of completion. Further, the figure includes Kshs.11,720,000 which was not entered in the vote book of the County Executive nor supported with Local Service Orders, dated invoices, quotations and report of the inspection and acceptance committee confirming work done.
Construction Civil Works	17	258,993,478	<ul style="list-style-type: none"> The expenditure was not supported with details of work done, their locations and percentages of completion
Purchase of Vehicles and Other Transport Equipment	17	132,601,129	<ul style="list-style-type: none"> A detailed schedule showing registration numbers of vehicles purchased and make was not availed for audit review.
Purchase of Specialized Plant, Machinery and Equipment	17	45,918,920	<ul style="list-style-type: none"> A detailed schedule showing names of the machinery, suppliers, locations and registration numbers was not availed for audit review.
Purchase of Certified Seeds, Breeding Stock and Live Animals	17	30,649,048	<ul style="list-style-type: none"> A detailed schedule showing suppliers and specific items supplied not availed for audit review. Further, out of that amount payment vouchers for Kshs.30,649,048 were not availed for audit verification
Research Studies, Project Preparation, Design and Supervision	17	162,441,166	<ul style="list-style-type: none"> Details of work done and where not indicated in the schedule availed for audit verification.
Other Payments		164,886,966	<ul style="list-style-type: none"> The statement of receipts and payments for the year ended 30 June 2017 reflects other payments figure of Kshs.349,996,230.30 indicated as payments to Kenya Revenue Authority agency notices for unpaid taxes deducted at source of which the internet banking statements showing payments of Kshs.164,886,965.90 to the Authority were not availed for audit verification.
Total		1,857,775,736	

Consequently, the propriety, accuracy, and completeness of the expenditure of Kshs.1,857,775,736 for the year ended 30 June 2017 could not be confirmed.

5. Acquisition of Assets

The statement of receipts and payments reflects Kshs.2,065,564,937 on acquisition of assets as detailed in note 17 to the financial statements for the year ended 30 June 2017. The following observations were made:

5.1 Construction of Buildings

5.1.1 Unsupported Expenditure on Construction of Buildings

Note 17 to the financial statements for the year ended 30 June 2017 reflects construction of buildings figure of Kshs.620,009,067. However, details of buildings constructed, their locations and percentages of completion were not availed for audit verification. Further, an amount of Kshs.66,412,667 is in respect of projects whose files were not availed for audit review as detailed below:

S/No	Project Name	Tender Ref. Number	Contract Sum (Kshs)	Paid In 2016/2017 (Kshs)
1	Construction of Guriri dispensary.	TRCG/124/20 15-2016	9,661,083	4,629,447
2	Theatre block at Garsen	TRCG/137/20 15-2016	10,485,675	6,513,910
3	Renovation of Hola Mortuary	TRCG/123/20 15-2016	5,112,062	4,183,077
4	Repair works Galili dispensary	TRCG/002/20 16-2017	5,223,365	4,570,084
5	Kitchen repair and renovation at Hola Referral hospital	TRCG/285/20 15-2016	9,928,660	7,873,455
6	Chain link fence at Pumwani dispensary	TRCG/260/20 14-15	5,972,934	5,643,765
7	Construction of New male ward at Hola referral hospital	TRCG/ 233/2015- 2016	8,429,151	8,429,151
8	Construction of New Female ward at Hola referral hospital	TRCG234/20 15-2016	21,436,146	7,399,558
9	Construction of Kitchen /store at Shelli primary	TRCG/278/20 16-17	5,702,826	5,702,826
10	Construction of new female ward at Hola referral hospital	TRCG / 234/2015-16	11,467,394	11,467,394
	Total		93,419,296	66,412,667

Consequently, the existence of the buildings and propriety of Kshs.620,009,067.35 expended on the construction of buildings could not be ascertained.

5.1.2 Construction of Market and Bus Park at Garsen Township

Included in the construction of buildings balance of Kshs.620,009,067 and as disclosed under note 17 to the financial statements for the year ended 30 June 2017 is Kshs.80,932,484.60 paid to a construction company to construct a market and bus park at Garsen township at a contract sum of Kshs.262,157,912. Cumulatively, a total of Kshs.177,955,568 had been paid to the contractor as at 30 June 2017. Contract documents availed for audit review indicated that the construction work was to commence on 7th September 2015 when it was signed with an expected duration of eighteen (18) months. However, by December 2017, ten (10) months after the expected completion date of February 2017, the project was still incomplete with electrical wiring and drainage works not done nor the project put to the intended use. Further, total payments to 30 June 2017 and percentage of completion as at the same date could not be ascertained since certificates of completion were not availed for audit review.

Consequently, the propriety and value for money totaling Kshs.177,955,568 spent on construction of market and bus park at Garsen Township could not be confirmed.

5.2 Construction of Roads

Note 17 to the financial statements for the year ended 30 June 2017 reflects a figure of Kshs.201,776,731 in respect of construction of roads. However, details of roads constructed, their locations and percentages of completion were not indicated in the supporting schedule availed for audit verification. Further, the following observations were made:

5.2.1 Gravelling of Kibusu Dalu-Dibe Road

Included in the construction of roads figure of Kshs.201,776,731 is Kshs.6,195,792 paid to a construction company for gravelling and bush clearing of 4.1 Km Kibusu Dalu-Dibe Road at a contract sum of Kshs.9,048,475. However, the contract agreement and engineer's certificates were not availed for audit review. During site visit, no work was going on. Further, tender advertisement for the contract was not availed for audit verification contrary to the Public Procurement and Disposal (Amendment) Regulations, 2013 Threshold Matrix for Class A Procuring Entities which sets a minimum of Kshs.6,000,000 for use of open tender method of procurement.

Consequently, the propriety and value for Kshs.6,195,792 on gravelling and bush clearing could not be confirmed.

5.2.2 Construction of Didaame Drift-Kibusu Footbridge

Included in the construction of roads figure of Kshs.201,776,731 is an amount of Kshs.3,654,116 for construction of Didaame Drift-Kibusu Footbridge whose contract sum was Kshs.4,824,644, indicating that 76% of the contract sum had been paid as at 30 June 2017. During audit visit in December 2017, the works had not been completed. Consequently, value for money for Kshs.3,654,116 on construction of footbridge could not be confirmed.

5.2.3 Light Grading of Tarasaa-Ngao Road

Included in the construction of roads figure of Kshs.201,776,731 is Kshs.10,001,920 for light grading of 5.5 km of Tarasaa-Ngao Road. However, chainage scope was not specified nor tender advertisement of the contract availed for audit verification, contrary to the Public Procurement and Disposal (Amendment) Regulations, 2013 Threshold Matrix for Class A Procuring Entities which sets a minimum of Kshs.6,000,000 for use of open tender method of procurement.

Consequently, the propriety and value for money for Kshs.3,654,116 on light grading of the road could not be confirmed.

5.2.4 Unsupported Expenditure on Roads

Included in the construction of roads figure of Kshs.201,776,731 is a total of Kshs.17,405,430 spent on various roads whose total contract value amounted to Kshs.26,569,916 which was not supported as detailed below:

	Project No.	Project Name	Contract Sum (Kshs.)	Amount Paid in 2016/2017 (Kshs.)	Observations
1	TRCG/RAR/54/2015-2016	Motiboka-Chifiri Road	5,739,216	4,466,584	Project file not availed for audit verification
2	TRCG/RAR/140/2015-2016	Boji-Bububu Road	8,843,898	6,967,472	Copy of Newspaper advertisement not availed for audit verification, contrary to the Public Procurement and Disposal (Amendment) Regulations, 2013 Threshold Matrix for Class A Procuring Entities which sets a minimum of Kshs.6,000,000 for use of open tender method of procurement.
3	TRCG/237/2015-2016	Renovation of walk way at Hola Referral Hospital	11,986,802	5,971,374	Project file not availed for audit verification
	Total		26,569,916	17,405,430	

Consequently, the propriety, value for money and completeness of Kshs.17,405,430 on construction of the three roads could not be confirmed.

5.2.5 Design and Building of a Steel Bridge Over River Tana

Included in the construction and civil works figure of figure of Kshs.258,993,478 under note 17 to the financial statements is Kshs.107,270,491 paid to a construction company to design and build a steel bridge over River Tana at Bura Kofira at a contract sum of

Kshs.207,049,525.20. Records availed for audit review indicated that a total of Kshs.139,730,471 had been paid to the contractor as at 30 June 2017. The construction work entailed design and construction of a plate girder steel bridge with concrete supports and concrete top slab. However, it is not clear and the management has not explained how the expenditure of Kshs.107,270,491 was paid out as the same was not traceable to the bank statements available.

Further, a copy of the letter to unsuccessful bidders were not availed for audit verification, contrary to Section 87(3) of the Public Procurement and Asset Disposal Act,2015 which requires unsuccessful tenderers are notified in writing. It was also noted that the Project's Bill of Quantities and the contract agreement were not signed by a representative of the County Executive, nor rubber stamped, and does not indicate expected start and completion dates nor site handing over/taking over minutes availed for audit review. In addition, in April, 2017, there was a variation of scope, which involved change from one-way carriage bridge of 4.5 meters to two-way carriage of 9 meters and load capacity of 45 tons to 1,080 tons, for a price of Kshs.38,500,000. However, Engineer's site instructions were not availed in support of this variation. During site visit in December 2017, the contractor was not on site and the project had stalled with only concrete bases erected and a total of Kshs.139,730,471 had been paid.

In the circumstances, the propriety and value for money for a total of Kshs.139,730,471 spent on design and building of a steel bridge over River Tana could not be confirmed.

5.2.6 Proposed Upgrading of Hola Township Roads to Tarmac

Note 17 to the financial statements for the year ended 30 June 2017 reflects construction of roads of Kshs.201,776,731, out of which Kshs.115,878,229 is in respect of the proposed upgrading of fifteen(15) Km of roads within Hola township to bitumen standard and whose contract sum was Kshs.439, 825,626, all of which had been paid as at year end. However, out of the total amount paid, an amount of Kshs.90,684,166 was not supported with Engineer's certificates. In addition, records availed for audit review indicated that the contract was later varied by Kshs.109,043,270.62 or 25% to Kshs.548,868,896 as a result of additional five(5) km. Certificates availed for audit review indicated that as at 30 June 2017, the value of certified work was Kshs.476,591,704.44. However, no supporting approval of the Accounting Officer on variation was availed for audit review, contrary to Section 139(1)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that a variation to a contract shall be approved in writing by the tender awarding authority within the procuring entity.

Further, certificate Nos.5 and 6 for Kshs.84,477,162 are both dated 26th February 2017 yet certificates Nos.7, 8 and 9 for Kshs.91,989,376 were for unclear reasons issued earlier on 23 May 2016, 30 June 2016 and 22 November 2016 respectively. However, it is not clear and the management has not explained how the expenditure of Kshs.115,878,228.97 was paid out as the same was not traceable to the bank statements available.

Consequently, the propriety and value for money for Kshs.115,878,229 spent on the proposed Upgrading of Hola Township Roads to Tarmac could not be confirmed.

5.2.7 Supply and Installation of Solar Powered Street Lights and Flood Lights in Various Townships in Tana River

Note 17 to the financial statements for the year ended 30 June 2017 reflects construction of roads of Kshs.201,776,731, out of which Kshs.28,312,588.96 was paid to three(3) construction companies for supply and installation of solar powered street lights and flood lights in various townships in Tana River County at a combined contract sum of Kshs.169,499,919. Cumulatively, a total of Kshs.102,875,608.99 had been spent on these projects as at 30 June 2017 as summarized below:

S/No	Project Tender Ref. No.	Contract Sum (Kshs.)	Amounts Paid to 30 June 2016 (Kshs.)	Amount Paid in 2016/2017 (Kshs.)	Balance (Kshs.)
1	TRCG/173 – Hola Township Street Lighting	32,902,077.60	18,528,502.20	8,033,100.0	6,340,475.40
2	TRCG/174 – Urban Centers Street Lighting	35,467,997.60	20,203,089.35	4,702,971.30	10,561,936.95
3	TRCG/175 – Installation of Electri Flood Lights	64,431,040.00	31,621,252.00	0	32,809,788.00
4	TRCG/175B – Installation of Solar Flood Lights	36,698,804.00	10,088,277.72	15,576,517.66	11,034,008.62
	Total	169,499,919.20	80,441,121.27	28,312,588.96	60,746,208.97

However, the actual sites where these lights were installed were not specified nor assets register showing their serial numbers, quantities and locations availed for audit review. Further, the project file for contract No.TRCG/175B was reportedly burnt during terrorist attack, hence not availed for audit review.

Consequently, the propriety and value for money for Kshs.28,312,588.96 spent on supply and installation of solar powered street lights and flood lights for the year ended 30 June 2017 could not be confirmed.

5.2.8 Purchase of Certified Seeds, Breeding Stock and Live Animals

Note 17 to the financial statements for the year ended 30 June 2017 reflects purchase of certified seeds, breeding stock and live animals all totaling Kshs.109,391,845, out of which payment vouchers for Kshs.30,649,048 were not availed for audit verification. In addition, the firms paid the amount were not included in the County Executive list of suppliers availed for audit. Further, the criteria for identifying the farmers and livestock keepers to receive the seeds, breeding stock and live animals were not availed for audit. In addition, included in the purchase of certified seeds, breeding stock and live animals

figure is Kshs.23,745,630 relating to construction of buildings which is a misallocated expenditure.

Consequently, the propriety, accuracy and completeness for Kshs.109,391,845 spent on purchase of certified seeds, breeding stock and live animals could not be confirmed.

5.2.9 Purchase of Furniture and Office Equipment

Note 17 to the financial statements for the year ended 2017 reflects nil balance for purchase of office furniture and general equipment. However, payment vouchers availed for audit review indicated that Kshs.2,782,113 was spent on purchase of furniture and office equipment. The amount was paid to a company for supply of furniture and office equipment of which purchase requisition, quotations, invoices and delivery notes were not availed for audit review.

Consequently, the propriety and completeness of nil balance spent on purchase of furniture and office equipment could not be confirmed.

5.2.10 Purchase of Motor Vehicle and Other Transport Equipment

Note 17 to the financial statements for the year ended 2017 reflects purchase of motor vehicles and other transport equipment of Kshs.132,601,129. However, the supporting schedule does not indicate the details of vehicles purchased. Further, out of that amount, Kshs.7,079,480 was paid to a motor vehicle dealer for supply of one Avant-Garde vehicle whose log book and inspection and acceptance committee report were not availed for audit verification.

Consequently, the propriety, accuracy and validity of purchase of vehicles and other transport equipment of Kshs.132,601,129 could not be confirmed.

5.2.11 Purchase of Specialized Plant, Equipment and Machinery

Note 17 to the financial statements for the year ended 30 June 2017 reflects purchase of specialized plant, equipment and machinery of Kshs.45,918,920, out of which Kshs.37,855,862.05 was paid to a supplier for supply and delivery of ultrasound of Kshs.616,250 and non-pharmaceutical equipment of Kshs.37,239,612.05 whose contract sum was Kshs.49,010,357. However, the tender evaluation report availed for audit review, indicated the lowest evaluated bid as Kshs.40,732,650. Had the tender been awarded to the lowest evaluated bidder, the County Executive would have saved Kshs.8,277,707.

Further, records availed for audit review indicated that the ultra sound machine costing Kshs.616,250 was delivered on 9 August 2016 to the department of health but transferred to Ngao Hospital. However, it was found not in use during our site audit inspection on 24 November 2017.

Consequently, the propriety, accuracy and validity of purchase of specialized plant, equipment and machinery of Kshs.45,918,920 could not be confirmed.

5.2.12 Rehabilitation and Renovation of Plant, Machinery and Equipment

Note 17 to the financial statements for the year ended 2017 reflects rehabilitation and renovation of plant, machinery and equipment figure of Kshs.6,006,862 of which purchase requisition, quotations, tender evaluation and award minutes, local service orders and inspection and acceptance committee report were not availed for audit verification.

Consequently, the propriety of rehabilitation and renovation of plant, machinery and equipment figure of Kshs.6,006,862 could not be confirmed.

5.3 Construction and Civil Works

Note 17 to the financial statements for the year ended 30 June 2017 reflects construction and civil works figure of Kshs.258,993,478, out of which civil works worth Kshs.37,732,906 had anomalies as detailed below:

S/No.	Particulars	Amount Paid (Kshs)	Observations
1	Rehabilitation of Dalu water Pan(Earth & Civil Works	4,048,198	<ul style="list-style-type: none"> The management did not avail report of the inspection and acceptance committee for audit review nor scope of work specified. Further, the quotations were opened on 2.11.2016, six days after the closing date of 26.10.16 for unclear reasons.
2	Water Trucking as per LSO No.1259828 of 9.12.2016 and schedule	4,424,693	<ul style="list-style-type: none"> The management did not avail water trucking delivery schedule indicating names of beneficiaries, volume of water delivered and water drawing points and inspection & acceptance committee report for audit review.
3	Rehabilitation of Mbalambala Borehole as per LSO No.0141480 of 1.10.2016 and Invoice No.020 of 13.4.2016.	4,842,000	<ul style="list-style-type: none"> The inspection and acceptance committee report was not availed for audit review. Further, the supplier quoted Kshs.3,813,267 for the work, hence was overpaid by Kshs.1,028,733.
4	Payment for water trucking services to needy areas in Tana North as per LSO No.1259817 of 16.1.2017 and Invoice No.004 of 11.2.2017	4,900,000	<ul style="list-style-type: none"> The management did not avail water trucking delivery schedule indicating names of beneficiaries, volume of water delivered and water drawing points and inspection & acceptance committee report for audit review.

5	Payment for water trucking services to needy areas in Tana North as per LSO No.1259819 of 16.1.2017 and Invoice No.011 of 10.3.2017.	4,719,000	<ul style="list-style-type: none"> The management did not avail water trucking delivery schedule indicating names of beneficiaries, volume of water delivered and water drawing points and inspection & acceptance committee report for audit review.
6	Payment for water trucking services to needy areas in Tana North as per LSO No.1259818 of 16.1.2017 and Invoice No.002 of 16.3.2017	4,989,600	<ul style="list-style-type: none"> The management did not avail water trucking delivery schedule indicating names of beneficiaries, volume of water delivered and water drawing points and inspection & acceptance committee report for audit review.
7	Rehabilitation of Chifiri Waterpan as per Lso No1259801 of 1.1.2017 and Invoice No.07 of 7.3.2017	4,819,980	<ul style="list-style-type: none"> The management did not avail report of the inspection and acceptance committee for audit review.
8	Rehabilitation of Hakoka Waterpan as per Lso No1259802 of 1.1.2017 and Invoice of 7.3.2018	4,989,435	<ul style="list-style-type: none"> The management did not avail report of the inspection and acceptance committee for audit review nor scope of work specified. Further, records availed for audit verification indicated that the amount quoted was Kshs.4,942,195. As such, the contractor was overpaid by Kshs.47,240
	Total	37,732,906	

Further, the contracts were awarded through use of quotations method, contrary to the Kenya Gazette Notice No 106 of 2013 threshold matrix for class A procurement entities which sets a minimum of Kshs.4million for use of open tender method of procurement. Consequently, the propriety and value for money for Kshs.37,732,906 on construction and civil works could not be confirmed.

5.4 Acquisition of Strategic Stocks

Note 17 to the financial statements for the year ended 30 June 2017 reflects acquisition of strategic stocks and commodities of Kshs.259,047,982 of which payment vouchers availed for audit review totaled to Kshs.260,396,918, resulting to unreconciled nor explained variance of Kshs.1,348,936.

Further, the expenditure includes Kshs.110,396,918 for water trucking and Kshs.150,000,000 for purchase of relief food for the needy, all amounting to Kshs.260,396,918. However, payments for water trucking were not supported with Local Service Orders to indicate quantities to be supplied, points of delivery and the estimated cost. In addition, distribution lists for relief food of Kshs.160,000,000 signed by beneficiaries or their representatives were not availed for audit verification.

Consequently, the propriety and accuracy of the acquisition of strategic stocks figure of Kshs.259,047,982 and on acquisition of assets amounting to Kshs.2,065,564,937 could not be confirmed.

6.0 Use of Goods and Services

6.1 Purchase of Specialized Materials and Supplies

Note 12 to the financial statements for the year ended 30 June 2017 reflects purchase of specialized materials and supplies figure of Kshs.24,683,739, out of which Kshs.12,000,000 was paid to a firm for supply and delivery of 1,200 bags of CAN fertilizer at Kshs.5,000 and 1,200 bags of DAP fertilizer at Kshs.5,000. However, minutes of public participation in the exercise prior to procurement, purchase requisition by the relevant department, advertisement of the tender, tender evaluation and award minutes, quotations, contract agreement and inspection and acceptance committee report were not availed for audit review.

Consequently, the propriety and value for money for Kshs.12,000,000 spent on purchase of specialized materials and supplies could not be confirmed.

7.0 Cash and Cash Equivalents

7.1.1 Bank Reconciliation Statements

The statement of assets as at 30 June 2017 reflects bank balance of Kshs.17,104,952 for which the supporting bank reconciliation statements were not availed for audit verification, contrary to Section 90(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officers to ensure that bank reconciliations are prepared for each bank account held.

7.1.2 Cash Books

The statement of assets reflects bank balance of Kshs.17,104,952.30 as at 30 June 2017 and as detailed in Note 21A to the financial statements. However, no cash book records were availed in support of the balance. Further, variances between the financial statements and bank confirmation certificate balances amounted to Kshs.86,232,177.30 as detailed below:

S/No	Name of Bank Account	Balance as per Financial Statements (Kshs.)	Bank Certificate Balance (Kshs.)	Variance (Kshs.)
1	Road Maintenance Levy Fund	22,000.30	21,922,885.30	21,900,885.00
2	Development	42,882.90	21,802,009.60	21,759,126.70
3	Recurrent	1,736.00	42,573,901.60	42,572,165.60
	Total	66,619.20	86,298,796.50	86,232,177.30

The variance has not been reconciled nor explained.

Further, the bank balance is net of debit balance Kshs.1,928.55 in Equity bank (K) Ltd current account No.1210272816347, contrary to the requirements of International Public Sector Accounting Standard No.1 on presentation which prohibits the netting of liabilities against assets. Further, whereas the supporting Note 21A reflects Kshs.17,104,952.30, the re-casted figure is Kshs.17,171,453, resulting to a variance of Kshs.66,500.70 and which the management has not explained nor reconciled.

In addition, included in the bank balance of Kshs.17,104,952.30 is Maintenance Fuel Levy Fund of Kshs.21,922,883 in account number 1000297751 at Central Bank of Kenya. However, contrary to Section 197 of the Public Finance (County Governments) Regulations, 2015 which requires establishment of a County Public Fund to be initiated through a proposal by the County Executive Committee Member(CECM) of Finance justifying its creation and certify in writing that the functions of the proposed Fund cannot be delivered through normal budgetary appropriations, evidence of compliance with these regulations was not availed for audit review. Further, the management did not submit the Fund's financial statements for audit, contrary to Section 47 of the Public Audit Act, 2015 which requires the accounting officer to submit the financial statements to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

Consequently, the existence, accuracy and completeness of bank balance of Kshs.17,104,952.30 as at 30 June 2017 could not be confirmed. Further, the management is in breach of the Law.

7.1.3 Cash Balance

The statement of assets as at 30 June 2017 reflects a nil cash balance of which the supporting Board of Survey Report was not availed for audit review. Consequently, the accuracy and completeness of the nil cash balance as at 30 June 2017 could not be confirmed.

7.2 Retention Money

Note 21A to the financial statements for the year ended 30 June 2017 reflects nil balance under retention money. However, Note 17 on acquisition of assets includes construction

of buildings, construction of roads, construction and civil works and overhaul and refurbishment of construction and civil works amounting to Kshs.1,350,157,032.60 on which retention money was not deducted, contrary to Section 6.11 of the County Financial Accounting and Reporting Manual which requires county governments to have fee retention clauses of between 5 - 10% included in the service delivery contracts and which is to be released after the projects are inspected and approved.

Consequently, the accuracy and completeness of the bank balance of Kshs.17,104,952.30 as at 30 June 2017 could not be confirmed.

7.3 Outstanding Imprests

The statement of assets as at 30 June 2017, reflects outstanding imprests balance of Kshs.8,684,750 all of which were more than seven(7) months overdue as at end of the financial year under review. This is contrary to Section 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'a holder of a temporary imprest shall account or surrender the imprest within seven days of return to duty station'. Further, excluded from this figure are imprests of Kshs.6,611,750 held by four(4) officers who have since left the service of Tana River County Executive.

Consequently, the accuracy, completeness and validity of outstanding imprests balance of Kshs.8,684,750 could not be confirmed.

8. Pending bills

8.1 Support Documents

Annex 1 to the financial statements for the year ended 30 June 2017 reflects pending bills balance of Kshs.1,715,820,603 which are mainly due to contractors. However, project files containing tender documents showing how the contractors were identified and awarded the contracts, project plans/architectural drawings, bills of quantities, certificates of completion, inspection and acceptance committee reports and invoices were not availed for audit review.

8.2 Over Commitment of Funds

The financial statements for the year 2015/2016 reflected nil pending bills. Current year pending bills balance is Kshs.1,715,820,603.45 as at 30/06/2017 and total expenses of Kshs.4,833,740,948.20, commitments amounted to Kshs.6,549,561,551.65. Therefore, with receipts of Kshs.4,586,227,211, over commitments totaled Kshs.1,963,334,340.65 against available cash balance of Kshs.17,104,952.30. Therefore, the management over committed funds by Kshs.1,963,334,340.65 without indicating how the same will be settled.

Further, by incurring these debts, the management contravened Section 44(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that the accounting officer shall ensure that procurement of works, goods and services of the public entity are within the approved budget of the entity.

In addition, the pending bills balance includes Kshs.5,200,000 owed to a construction company for construction of a perimeter fence round Kenya Wildlife Service offices and Staff quarters at Garsen. However, this is a National Government project, hence it is not clear and the management has not explained the justification of its involvement.

In the circumstances, the propriety and validity of the pending bills balance of Kshs.1,715,820,603.45 could not be confirmed.

9. Budgetary Control and Performance Analysis

9.1 Budget Absorption

During the year under review, Tana River County Executive had an approved budget of Kshs.4,309,911,279 as per the approved budget estimates. However, the summary statement of appropriation - recurrent and development combined for the year ended 30 June 2017 reflects total budget of Kshs.4,585,211,855, resulting to a variance of Kshs.275,300,576 which has neither been explained nor reconciled. Further, actual expenditure for the year was Kshs.4,833,740,949 or 112% of the approved budget, resulting to over expenditure of Kshs.523,829,670 or 12% as shown below:

Vote	Final Budget (Kshs.)	Actual Expenditure (Kshs.)	Over Expenditure (Kshs.)	%
Recurrent	2,227,555,695	2,332,226,901	104,671,206	
Development	2,357,656,160	2,501,514,048	143,857,888	
Total Reported	4,585,211,855	4,833,740,949	248,529,094	
Total Approved	4,309,911,279	4,833,740,949	523,829,670	12
Variance	275,300,575	-	275,300,576	-

There was no evidence that the excess expenditure of Kshs.523,829,670 was approved by the respective County Assembly, contrary to Section 131 of the Public Finance Management Act, 2012 which states that 'the County Assembly shall consider the County Government budget estimates with a view to approving them'. It is not clear and the management has not explained the source of the excess funding of Kshs.523,829,670.

9.2 Recurrent Budget

During the year under review, Tana River County Executive had a recurrent budget of Kshs.2,618,516,172 as per approved budget estimates. However, the summary statement of appropriation – recurrent reflects Kshs.2,227,555,695, resulting to a variance of Kshs.390,960,477 which has not been explained or reconciled.

Further, recurrent expenditure totaled Kshs.2,332,226,901 or 89% of the approved budget of Kshs.2,618,516,172, resulting to net under expenditure of Kshs.286,289,271 or 11% as detailed below:

Item	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Over Expenditure (Kshs.)	Under Expenditure (Kshs.)	%

Compensation of Employees	1,164,331,683	1,083,184,734	-	81,146,949	7
Use of Goods and Services					
Utilities, Supplies and Services	22,262,383	26,007,668	3,745,285	-	17
Communication Supplies and Services	11,188,098	2,054,740	-	9,133,358	81
Domestic Travel and Subsistence Allowance	202,350,999	244,169,353	41,818,354	-	21
Foreign Travel and Subsistence Allowance	3,374,210	10,820,625	7,446,415	-	221
Printing, advertising and information supplies & services	10,053,367	352,120	-	9,701,247	287
Rentals of Produced Assets	20,868,443	4,092,578	-	16,775,865	221
Training Expenses	36,707,716	5,988,330	-	30,719,386	96
Hospitality Supplies & Services	38,561,337	23,003,569	-	15,557,768	84
Insurance Costs	14,894,423	7,407,500	-	7,486,923	50
Specialized Materials and Services	167,686,119	24,683,739	-	143,002,380	85
Office and General Supplies and Services	35,536,894	19,585,627	-	15,951,267	45
Other Operating expenses	203,491,958	69,865,551	-	133,626,407	66
Routine Maintenance-Vehicles and other transport equipment	15,086,414	15,509,995	423,581	-	3
Routine Maintenance - Other Assets	19,868,532	368,069,864	348,201,332	-	18
Sub Total	801,930,893	821,611,259	401,634,967	381,954,601	
Transfers to Other Government Units	-	427,430,908	427,430,908	-	100
Other Grants and Other payments	602,074,612	-	-	602,074,612	100
Social Security Benefits	50,178,984	-	-	50,178,984	100
Grand Total	2,618,516,172	2,332,226,901	829,065,875	1,115,355,146	11

The table above indicates that the County Executive underspent by between 17% and 221% on utilities, supplies and services, foreign travel and subsistence allowances, printing, advertising and information supplies and services and rental of produced assets alone. At the same time, no expenditure was incurred on other grants and other payments and on social security while underspending on eight (8) items while transfers to other government units had no budget. This situation may have impacted negatively on service delivery to the residents of Tana River County.

Due to the unexplained/unreconciled variance of Kshs.390,960,477.00, the accuracy of the budget figures reflected in these financial statements could not be confirmed.

The net over expenditure was also not supported by a supplementary budget, an indication of a budget which may not be realistic.

9.3 Development Budget

During the year under review, the County Executive had a development budget of Kshs.1,691,395,107 as per approved budget estimates. However, the summary statement of appropriation – development reflects a figure of Kshs.2,357,656,160, resulting to a variance of Kshs.666,261,053 which has neither been explained nor reconciled. Further, the actual expenditure totaled to Kshs.2,501,514,047 or 148% of the approved budget, resulting to net over expenditure of Kshs.810,118,940 or 48% as detailed below:

Item	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Over Expenditure (Kshs.)	Under Expenditure (Kshs.)	%
Transfers to Other Government Units	-	85,952,881	85,952,881	-	100
Acquisition of Assets					
Construction of Buildings	480,381,672	620,009,067	139,627,395	-	29
Refurbishment of Buildings	49,126,043	-	-	49,126,043	100
Construction of Roads	541,759,450	201,776,731	-	339,982,719	63
Construction and Civil Works	258,261,323	258,993,478	732,155	-	0
Overhaul of Construction and Refurbishment of Construction and Civil Works	107,795,699	269,377,756	161,582,057	-	150
Purchase of Motor Vehicles and Other Transport Equipment	17,536,799	132,601,129	115,064,330	-	656
Purchase of Office Furniture and General Equipment	26,885,665	-	-	26,885,665	100
Purchase of ICT Equipment	27,013,000	-	-	27,013,000	100
Purchase of Specialized Plant, Machinery and Equipment	96,302,894	45,918,920	-	50,383,974	
Rehabilitation and Renovation of Plant, Machinery and Equipment	-	6,006,862	6,006,862	-	100
Purchase of Certified Seeds and Services	10,270,106	109,391,845	99,121,739	-	965
Research, Studies, Project Preparation, Design and Supervision	76,062,456	162,441,166	86,378,710	-	113
Acquisition of Strategic Stocks and Commodities	-	259,047,982	259,047,982	-	100

Sub-total	1,691,395,107	2,151,813,517	953,514,111	493,391,401	
Other Payments	-	349,996,230	349,996,230	-	100
Total	1,691,395,107	2,501,514,047	1,303,510,341	493,391,401	

The under expenditure of Kshs493,391,401 or 48% in some items may have greatly curtailed delivery of goods and services to the residents of Tana River County as a result of non-implemented planned projects. Further, the budget for acquisition of assets includes budget for transfers to other Government units of Kshs.98,086,800, hence its accuracy and completeness could not be confirmed.

9.4 The Office of the Governor

The Office of the Governor was allocated a budget of Kshs.376,777,552 comprising of recurrent expenditure budget of Kshs.369,283,988 and development expenditure budget of Kshs.7,493,564, against total expenditure of Kshs.349,418,316 or 93% absorption rate as summarized below:

Vote	Approved Estimate (Kshs)	Actual Expenditure (Kshs.)	% Absorption
Recurrent Expenditure	369,283,988	343,947,854	93
Development Expenditure	7,493,564	5,470,462	73
Total Expenditure	376,777,552	349,418,316	93

9.4.1 Governor's Recurrent Budget

The Office of the Governor had a recurrent budgetary allocation of Kshs.369,283,988. However, expenditure, Payments Plus Commitments as per Vote Book, during the year amounted to Kshs.343,947,854, resulting to 93% budget absorption rate or net under absorption of Kshs.27,359,236 or 7% as detailed below:

Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Under-Absorption (Kshs)	Over-Absorption (Kshs)	% Under	% Over
Compensation of Employees	199,334,224	208,490,794	-	9,156,570	-	5
Utilities Supplies & Services	1,316,068	1,305,417	10,651	-	1	-
Communication Supplies & Services	3,302,050	230,880	3,071,170	-	93	-
Domestic Travel & Subsistence	43,862,851	44,132,524	-	269,673	-	1
Printing & Publishing Services	3,234,920	1,925,920	1,309,000	-	40	-
Rents and Rates	19,308,443	13,423,823	5,884,620	-	30	-

Training Expenses	12,981,540	11,723,850	1,257,690	-	10	-
Hospitality Supplies and Services	15,290,555	16,601,024	-	1,310,469	-	9
Insurance Expenses	6,870,022	13,846,094	-	6,976,072		102
Other Operating Expenses	42,142,046	18,434,856	23,707,190	-		56
Routine Maintenance-Motor Vehicles and Other Transport Equipment	9,082,500	2,033,665	7,048,835	-	78	-
Routine Maintenance-Other Assets	1,397,944	1,397,944	-	-	-	-
Gratuity and Pensions- Civil Servants	11,160,915	10,398,063	762,852	-	7	-
Total	369,284,078	343,944,854	43,052,008	17,712,784	7	-

From the table above, it is clear that the Office of the Governor overspent mainly on insurance and other operating expenses, an indication that activities budgeted for were not undertaken, but approved supplementary budget to cover the same was not availed for audit review. Further, the situation may have curtailed service delivery to the residents of Tana River County. No satisfactory reason has been given for the failure to utilize all the budgetary allocations.

9.4.2 Governor's Development Budget

During the year under review, Tana River County Executive allocated Kshs.7,493,564 for development against expenditure (Payments Plus Commitments as per Vote Book) of Kshs.5,470,462 or 73% budget absorption rate or 27% under absorption rate as detailed below:

Item	Approved Estimate(Kshs)	Total Payment Plus Commitment	Under Absorption	Under Absorption (%)
Purchase of Motor Vehicles	3,681,600	3,681,600	-	-
Construction of Buildings-Non Residential	2,976,764	1,371,262	1,605,502	54
Construction of Buildings-Others	417,600	417,600	-	-
Construction of Roads- Others		-		
Purchase of Motor Vehicles-Others	417,600	-	417,600	0

Total	7,493,564	5,470,462	2,023,102	27
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The table above indicates that the office of the Governor did not utilize funds allocated for purchase of motor vehicles – others while underspending on construction of buildings non-residential. This means that the Office of the Governor failed to implement some of the projects as planned, hence intended objectives of service delivery to the residents of Tana River County could not be achieved.

9.5 Revenue Budget

During the year under review, the County Executive had a revenue budget of Kshs.60,000,000 against actual collections of Kshs.25,861,357 or 43%, resulting to under collection of Kshs.34,138,643 or 57% as detailed below:

Revenue Item	Revenue Budget (Kshs.)	Actual Collection (Kshs.)	Under Collection (Kshs.)	Over Collection (Kshs.)	%
House Rents	-	16,200	-	16,200	100
Single Business Permits	6,500,000	4,198,420	2,301,580	-	35
Cess	20,630,000	13,687,371	6,942,629	-	34
Poll Rates	-	11,600	-	11,600	100
Plot rents	6,200,000	2,246,100	3,953,900	-	64
Other Local Levies	1,000,000	189,050	810,950	-	81
Other Miscellaneous Receipts	14,970,000	8,000	14,962,000	-	100
Vehicle Parking Fees	700,000	337,940	362,060	-	52
Water Supply Administration	-	23,500	-	23,500	100
Other Health & Sanitation Receipts	10,000,000	5,143,176	4,856,824	-	49
TOTAL	60,000,000	25,861,357	34,189,943	51,300	

From the table above, it is apparent that the County Executive did not have a budget for revenue from administrative fees and charges, slaughter houses and housing.

Further, over the last financial year, the County Executive failed to realize revenue from four (4) sources, while collections from three (3) main revenue sources decreased by between 15.5% and 73.6% as detailed below:

Revenue Item	2016 - 2017	2015 - 2016	Decrease	Decrease (%)
	Kshs	Kshs	Kshs	
Plot rents	2,246,100	2,657,800	411,700	15.5

Other receipts from financial assets loan	-	632,178	632,178	100
Vehicle parking fees	337,940	1,278,500	940,560	73.6
Receipts from Administrative Fees and Charges	-	1,345,620	1,345,620	100
Slaughter houses administration	-	1,488,097	1,488,097	100
Housing	-	1,854,300	1,854,300	100
Business permits	4,198,420	8,432,789	4,234,369	50.2
TOTAL	6,782,460	17,689,284	10,906,824	61.7

It was also noted that the revenue was based on amounts banked in County Revenue Fund Account and not from summaries of daily revenue collections. Failure to meet revenue targets means programs were not implemented as planned, thus impacting negatively on service delivery to the residents of Tana River County. Further, collection actual revenue collected could not be confirmed since revenue collection control sheets were not availed for audit review.

10. Audit Committee

Section 155(5) of the Public Finance Management Act, 2012 provides that 'a County Government shall establish an internal audit committee'. This requirement is further emphasized in Section 167 of the Public Finance Management (County Governments) Regulations, 2015. However, as at the time of audit in October 2017, the County Executive had not established this Committee.

Consequently, the County Executive is in breach of the Law.

11. Recruitment of staff

During the year under review, the County Executive recruited two hundred and sixty-four (264) staff. The following anomalies were observed during the audit:

11.1 Appointment of Community Health Assistant III

During the year under review, the County Executive recruited twenty-five (25) Community Health Assistants III. However, it was observed that six (6) candidates who ranked 1st, 4th, 6th, 7th, 8th, 9th and 11th in the interviews were not considered for appointment and no satisfactory explanations or justifications were given for the decision.

11.2 Appointment of Assistant Public Health Officer III

During the year under review, three (3) officers were recruited as Assistant Public Health Officers III. The three officers (3) ranked positions 1, 3 and 5 in the interview for the position, but no satisfactory explanation was given for leaving out the second ranked candidate.

11.3 Appointment of Medical Laboratory Technicians III and Medical Laboratory Technologists III

Human resource records availed for audit review indicated that the County Executive shortlisted, interviewed and ranked twenty-four (24) applicants for positions of Medical Laboratory Technician III and Medical Laboratory Technologist III using the same criteria, yet the two positions had different job specifications. Whereas the requirement for appointment to the position of Medical Laboratory Technician III, Job Group “G” was at least a certificate in Laboratory Science, Laboratory Technology or Medical Laboratory Technology from a recognized institution, the requirement for appointment as Medical Laboratory Technologist III, which falls in Job Group “H”, was at least a Diploma in Applied Sciences, Food Science and Technology or Medical Laboratory Technology from a recognized institution.

Further, the records indicated that three (3) candidates were appointed as Medical Laboratory Technician III while seven (7) were appointed as Medical Laboratory Technologist III but those who ranked 4th, 6th, 8th and 10th were dropped for reasons which appeared unsatisfactory.

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 Tana River County Executive’s ability to continue to sustain 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 Tana River County Executive or to cease operations, or have no realistic alternative but to do so.

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 Tana River 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 Tana River County Executive’s financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor’s report that includes 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 matter

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 County Executive of Tana River in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI 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

27 March 2018