

ANALYSIS OF THE AUDITOR GENERAL'S REPORTS ON THE FINANCIAL STATEMENTS OF MOMBASA COUNTY EXECUTIVE AND COUNTY ASSEMBLY FOR THE FINANCIAL YEARS 2018/19 TO 2021/22 AND SPECIAL AUDIT REPORTS ON COVID 19 FUNDS

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FORWARD

This report represents a significant step towards enhancing transparency and accountability in the management of public resources in Mombasa County, particularly in the wake of the challenges posed by the COVID-19 pandemic. It is with gratitude that we acknowledge the support of the Institute of Economic Affairs Kenya, whose collaboration with Kwacha Afrika has been pivotal in implementing this project aimed at increasing transparency in public resource management.

The project focuses on strengthening the capacities of civil society organizations (CSOs) and community accountability mechanisms, enabling them to effectively monitor, influence, and participate in the auditing of public spending during this crisis. Additionally, it seeks to empower county governments to better publicize the allocation and utilization of public funds, ensuring that resources are managed judiciously and transparently.

Informed by this backdrop, Kwacha Afrika undertook a thorough study of the Auditor General's reports for Mombasa County Executive and Assembly for the financial years 2018/19 and 2019/20, along with the Special Audit reports concerning the utilization of COVID-19 resources for the fiscal years 2019/20 and 2020/21. This analytical report serves as a critical tool for advocacy, providing insights into the management of public funds and the effectiveness of existing accountability mechanisms.

We extend our sincere appreciation to **Ms Josephine Nyamai Warunge**, a public finance and devolved governance expert, the lead coordinator, of the Coast regional Budget Hub, and the co-founder of Budget Talk Global (BTG), an initiative working towards inclusive public budgets through tech-driven and innovative solutions for sustainable livelihoods, for her insightful analysis of this document. Her expertise has greatly enriched the findings and recommendations presented herein.

The unwavering zeal and pro-activeness of Kwacha Afrika in implementing this project are commendable. Their commitment to fostering an environment of accountability and transparency is essential for building public trust and ensuring that resources are utilized effectively for the benefit of all residents of Mombasa County.

As we move forward, we hope that the insights gained from this report will inspire meaningful dialogue and action among stakeholders, ultimately leading to improved governance and enhanced public service delivery in Mombasa County.

February 2023

Analysis of The Auditor General's Reports on The Financial Statements of Mombasa County Executive And County Assembly For The Financial Years 2018/19 To 2021/22 And Special Audit Reports on Covid 19 Funds

Background and Introduction

The budget making process is one of the strongest policy tools, citizens can use to influence decisions by the governments to raise revenues through taxation and provide services. The concurrent nature of the budget making process requires the actors including the public to be keen to participate from the formulation, approval, implementation to the budget audit stages, which is the tail end of the budget process. Budget implementation and audit stages still attract minimal participation by the public members.

Article 229 of Kenya's Constitution requires the Office of the Auditor General to audit all accounts funded by public monies and report on the lawfulness and effectiveness with which the listed organizations use public resources.

Kwacha Afrika in collaboration with the Institute of Economic Affairs is implementing a project on increasing transparency in the management of public resources in response to the Covid-19 pandemic. The project aims at strengthening the capacities of CSOs and community accountability mechanisms to monitor, influence and participate in auditing of public spending during the COVID-19 crisis and to strengthen the capacity of county governments to publicize public funds allocation and utilization. Informed by the above backdrop, Kwacha undertook a study to review the Auditor General's reports for Mombasa County Executive and Assembly for financial years 2018/19 and 2019/20 and the Special Audit reports on the utilization of Covid-19 resources for the FY 2019/20 and 2020/21. This paper focuses on available reports from the Auditor General and the special audit reports on Covid 19 resource utilization and management.

Objectives of the analysis

The study seeks to;

1. Review the published Financial Audit reports for Mombasa County for the financial years 2018/19 to 2021/2022.
2. Review the published Special Audit reports on the utilization of Covid-19 funds by Mombasa County government.
3. Prepare an analytical report for the analysis.
4. Prepare a report that will be utilized for advocacy by relevant stakeholders.

Scope and the rationale of the analysis

The scope of the study is Mombasa County Executive and County Assembly financial statements. The analysis examined the county audit reports for the Mombasa County 2018/19 to 2021/2022 and the Special Audit reports on the utilization of Covid-19 funds by Mombasa County government. At the time of this analysis, the audit reports are available up to FY 2019/20 and a special report on utilization of Covid 19 funds. As such, this report excludes the county audit report for 2020/21 as it is not publicly available. In addition, the Office of Controller of Budget Reports and County Budget Review and Outlook Paper (CBROP) were used to supplement the audit reports with additional data and information.

The study report will be utilized as an advocacy tool by relevant actors to demand accountability on the utilization of funds by Mombasa County Executive and County Assembly. Furthermore, the report will strengthen the ability of CSOs and the public to read, comprehend, and follow up on audit findings. Importantly, the study of the Covid19 report will assist the county in developing better policies and processes for utilizing resources during a crisis and strengthening procurement systems during a crisis/pandemic.

Methodology

The study employed the use of secondary data, which is the Auditor General's reports for the financial statements of the County Government of Mombasa for 2018/19, 2019/2020 and Special Audit reports on the utilization of Covid-19 funds by Mombasa County Government for the financial statements for financial years 2019/20 and 2020/21. A thorough desk review and analysis of these reports were conducted with a focus on the County Executive and County Assembly. Further, other sources utilized include the Controller of budget reports 2019/20, 2020/21 and 2021/22, the county Budget Review and outlook papers (CBROPs).

FINDINGS

Audit opinions

In 2018/19 and 2019/20 fiscal years, both the county executive and assembly were awarded qualified opinions. A qualified opinion indicates that the audit opinion could have been clean but there are a few queries which could be easily rectified. For the county Assembly, this was an improvement from previous years, where the entity was awarded adverse and disclaimer opinions.

Figure 1: Audit opinions awarded to Mombasa County Executive and County Assembly between FY 2018/19 and 2019/20

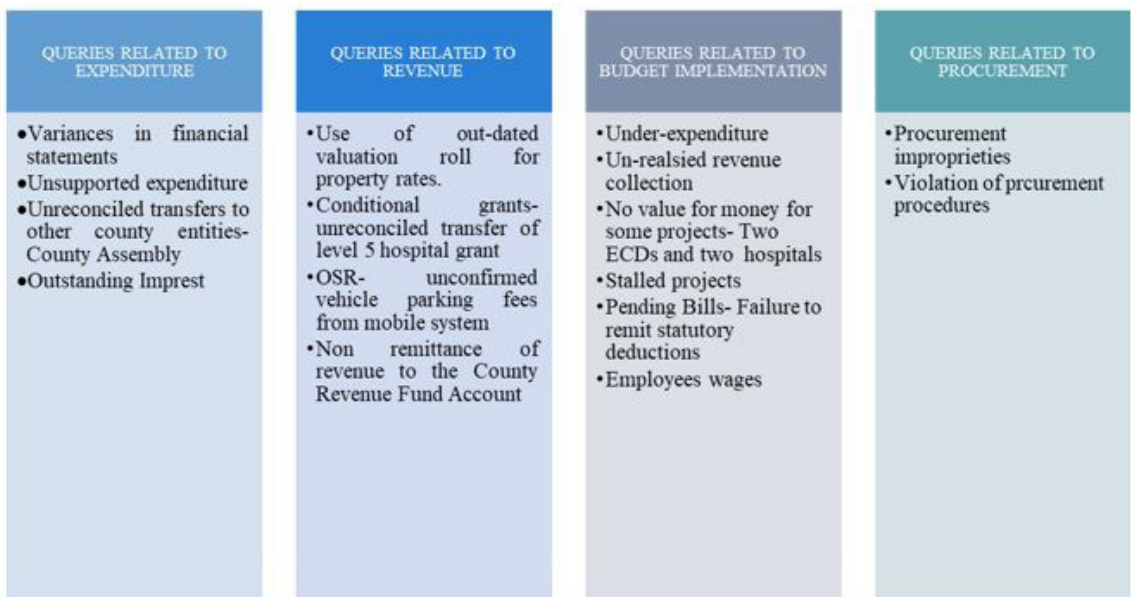
County Entity	2018-19	2019-20
County Assembly	Qualified	Qualified
County Executive	Qualified	Qualified

Source: County audit reports

Audit queries

This section presents a set of audit queries, which have constantly been raised over the years for the County Executive. Audit queries are the questions that the Auditor General asks the accounting officers in the government departments during the audit review. The analysis categorized the audit queries into broad categories as the following:

Figure 2: Audit queries raised from the county executive audit reports Financial Year 2018/19 and 2019/20



Source: Mombasa County Executive Audit Reports FY 2018/19-2019/20

QUERIES RELATED TO EXPENDITURE

a. Variances in financial statements and IFMIS

In 2019/20 the Auditor General queried the discrepancies in financial statements and IFMIS records. In 2019/20 the discrepancy between the financial statements and records extracted from IFMIS amounted to Kshs. 1,397.71 million. As such, the accuracy and completeness of the statements could not be established.

b. Unsupported expenditure

Both 2018/19 and 2019/20 FYs, queries on unsupported expenditure on various issues was raised in the audit reports. For instance, as detailed in the statements of receipts and payments, a total of Kshs 10 million was paid to Mombasa Water and Sanitation Company Limited for resettlement action plan for compensating project affected persons but no evidence was availed to confirm compensation was done.

Further, an accumulated figure of payments made of; Kshs. 121.44 million payments were made to creditors with no supporting documents such as (payment vouchers, invoices, goods received notes, certificates of works completed, and inspection reports were availed for audit verification) and Kshs. 37.15 million payment was made to casual workers in Coast Provincial General Hospital, but the hospital could not provide supporting documents or explain the process of recruitment of the casual workers.

In 2019/20 unsupported expenditure related to operations and maintenance and acquisition of assets was raised. Kshs 24.29 million and ksh.146.20 million were used to settle electricity bills at Coast general hospital and pay contractors for civil works and construction without any supporting documents for evidence.

c. Unreconciled transfer to other county entities

In 2018/19 Statements of receipts and payments indicate that the queried amounts were released to the County Assembly. However, according to the County Revenue Fund bank only 211.82 million shillings were transferred to the County Assemblies leaving a deficit of 421.17 million. This amount was stated as payment made by CE on behalf of CA, but the payroll of the CA was 351.09 million. The validity of the queried money could not be ascertained.

In 2019/20 the statement of receipts and payments reflect an amount of Kshs.660.89 in respect of transfers to other government entities. However, the County Revenue Fund bank account statement indicated that Kshs.532.36 was transferred to the County Assembly, leaving a balance of Kshs.128.52 that was explained as amount paid by the County Executive on behalf of the County Assembly, but which had a separate budget. Review of the County Assembly's financial statements indicates that an amount of Kshs.730.89 was received from the County Treasury.

d. Outstanding Imprest

The analysis revealed that in FY 2019/20, the County Government of Mombasa had outstanding imprest balance of Kshs.52.22 million as of 30 June 2020, out of which Kshs.14.94million imprest was issued before surrendering the earlier ones. This matter was raised in the previous year's audit report, specifically FY 2016/17 and 2017/18 audit reports.

This was contrary to Section 93(4) of the Public Finance Management (County Governments) Regulations, 2015 which states that before issuing temporary imprest, the accounting officer shall ensure that the applicants have no outstanding imprest.

QUERIES RELATED TO REVENUE

a. Use of outdated valuation roll for property rates

For both 2018/19 and 2019/20 and the previous year, the issue of using an outdated valuation roll has been raised. The amount generated from property rates, within an updated valuation roll, 4000 plot owners had been said to be registered, but their names could not be identified. Other property rates according to revenue analysis are one of the topmost sources of revenue in Mombasa County. In 2018/19 70.8 % of the projected revenue property rates was realized while in 2019/20 only 38 % of revenue property rates was realized, a drop from the previous year. Whereas the drop and failure to achieve the target is not attributed to lack of an updated valuation roll, there is a need to update the valuation roll to ensure no revenue leakages and that all rates have been paid for.

b. Unconfirmed parking fees

Revenue collection via mobile platform had variance of Ksh.10 million. The system indicates 222.48 million was collected although Ksh.212.33, was transferred. The management indicated that the variance was because of reserved parking, although no evidence of the reserved personnel was provided. According to revenue analysis of Mombasa County own source revenue sources, the actual revenue realized from parking fees was 82.43% of the total projected revenue, indicating a deficit of 15.17%.

Figure 3: Own source revenue analysis FY 2018/19 in million shillings

Revenue Source	Projected amount (Kshs)	Actual amount	Percentage of revenue collected
Other property income rates	1,499.49	1062.68	70.87%
Business permits	7,170.55	5168.84	72.08%
Administrative fees and charges	893	695.49	77.88%
Plot Rents	21.19	15.17	71.59%
Market/Trade center fees	74.57	56.48	75.74%
Vehicle Parking Fees	546.08	450.12	82.43%
Housing monthly rent	62.11	66.66	107.33%

Revenue Source	Projected amount (Kshs)	Actual amount	Percentage of revenue collected
Environment& conservancy admn.	144.08	110.3	76.55%
Other Education related fees	3.56	3.2	89.89%
Other health & Sanitation revenues	755.83	707.37	93.59%
Fines, penalties & forfeitures	24.97	20.04	80.26%
Total	4,741.94	3,704.58	

Source: Mombasa CBROP 2019

c. Unreconciled transfer of level 5 hospital conditional grant

In 2018/19, Statements of receipts indicate that out of Kshs 388 million, Kshs 254 million was disbursed to Coast General, leaving a deficit of 154.44 million, which the management indicates was spent to directly pay suppliers and contractors. However, there was no evidence to support that.

QUERIES RELATED TO BUDGET IMPLEMENTATION

Budget implementation in the county governments has not been without challenges. Research conducted by IBPK in 2019 indicates that counties are unable to absorb 20% of their budgets¹. The audit reports raised several queries related to budget implementation. This includes under-expenditure, unrealized revenues, pending bills, no value for money for some projects undertaken and stalled projects. It is imperative to note that the success of budget implementation does not only depend on availability of funds but rather if the completed projects deliver the required services to the citizens.

a. Unrealized revenue/ failure to remit revenue to CRF

The analysis reveals that in FY 2019/20, out of the Kshs 3,139.92 million collected as own source revenue, Kshs. 2,571.16 million was remitted to the County Revenue Fund Account (CRFA) leaving a deficit of Ksh.568.76 million unremitted. Similarly, in the previous year 2018/19, the audit report raised the same concern as Kshs. 486.15 million was not remitted. According to the report, the unremitted amount could have been used at source contrary to Section 109 (2) of PFM Act 2012, which requires county treasuries to ensure all money raised or received on behalf of the county has been paid to the CRF Account.

Spending at source is a material financial violation as it is not only in breach of PFM provisions but could open room for misappropriation and utilization of funds and possible leakages. The following table shows receipts of revenue from individual revenue streams from 2016/17-2019/20.

¹<https://internationalbudget.org/wp-content/uploads/Budget-Credibility-In-Kenyas-Counties.pdf>

Figure 4: Own source Revenue streams trends from Financial Years 2016/17 to 2019/20 in million

Revenue Streams	2016/17			2017/18			2018/19			2019/20		
	Projected	Actual	Percentage	Projecte	Actual	Percentag	Projected	Actual	Percentage	Projected	Actual	Percentage
Other Property Rates	852.77	940.65	110.31%	554	733.03	132.32%	1499.49	1062.68	70.87%	1,314.37	505.28	38.44%
Business Permits	401.16	403.82	100.66%	260.62	500.63	192.09%	7170.55	5168.84	72.08%	633.38	427.57	67.51%
Administrative fees	1843.33	820.97	44.54%	1197.53	775.05	64.72%	893	695.49	77.88%	609.7	730.2	119.76%
Plot Rates	134.75	10.52	7.81%	87.54	15.7	17.93%	21.19	15.17	71.59%	19.36	5.32	27.48%
Market Trade Centre	475.04	55.16	11.61%	308.61	49.56	16.06%	74.57	56.48	75.74%	347.43	49.2	14.16%
Vehicle Parking Fees	785.68	513.94	65.41%	510.42	471.91	92.46%	546.08	450.12	82.43%	972.01	493.17	50.74%
Housing monthly Rent	258.02	52.2	20.23%	167.62	68.38	40.79%	62.11	66.66	107.33%	29.21	59.96	205.27%
Environment &	205.78	58.24	28.30%	306.32	104.81	34.22%	144.08	110.3	76.55%	110.2	99.85	90.61%
Other education related	1.723	0	0.00%	1.12	10	892.86%	3.56	3.2	89.89%	9.56	0.96	10.04%
Other health &	154.06	303.3	196.87%	1000.87	399.86	39.95%	755.83	707.37	93.59%	685	873.02	127.45%
Fines, penalties&	177.44	7.44	4.19%	115.28	16.8	14.57%	24.97	20.04	80.26%	30.18	15.48	51.29%
TOTALS	5,289.75	3,166.24	59.86%	3,609.15	3,135.73	86.88%	4,741.94	3,704.58	78.12%	4,760.40	3,260.01	68.48%

Source: Mombasa County CBROPs

A keen analysis of revenue indicates that the county has subsequently missed their revenue targets. In 2018/19 and 2019/20 financial years, the county only realized 78.12% and 68.48% of revenue respectively. Failure to attain the set revenue targets implies that the budget was not fully implemented, and this has an impact on service access by the residents of Mombasa County.

b. Pending bills

The Auditor General flagged breach of law by the County Executive in terms of accumulation of statutory deductions and failure to remit the same to the relevant authorities. As indicated in the 2017/2018 financial year, from a total accumulation of pending bills amounting to Kshs. 4,702,298,591, a total of Kshs. 471,104,593 was in respect to statutory deductions not remitted and which includes Pay as You Earn (PAYE), VAT, pension contributions and tax arrears.

In the last couple of years, pending bills have become an impediment as service providers and contractors are not paid. The following is a list of pending bills for Mombasa County as of June 2022.

Figure 5: List of pending bills from Financial Years 2013/14 to 2021/22 in shillings

Pending Bills Financial Year	Recurrent Expenditure Pending Bills (Kshs.)	Development Expenditure Pending Bills (Kshs.)	Total Pending Bills Kshs.
2013/14	-	-	-
2014/15	1,052,940,360	413,296,139	1,466,236,499
2015/16	650,121,239	225,314,687	875,435,926
2016/17	2,983,041,685	962,901,871	3,945,943,556
2017/18	3,176,140,000	529,370,000	3,705,510,000
2018/19	3,261,380,000	762,770,000	4,024,150,000
2019/20	-	-	2,670,863,155
2020/21	-	-	-
2021/22	4,029,229,303	1,195,792,355	5,225,021,658

Source: Controller of Budget Reports, 2013/14 to 2021/22

As of 2022 June, the total pending bills according to the controller of budget reports amounted to Kshs. 5,225.02 million. As of 2018/19 and 2019/20, the pending bills stood at Kshs. 4,024.15 million and Kshs. 2,670.86 million respectively.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

Notably, the county has not publicly disclosed any County Debt Management Strategy paper that demonstrates how the government is dealing with county debts and outstanding invoices. There is a need for the county to begin publishing and publicizing the County Debt Management Strategy Paper (CDMSP) and to clear the outstanding debts as soon as possible; this would allow the county to qualify for shadow borrowing and create an enabling climate for investors.

c. No value for money

During the 2014/2015 fiscal year, the Department of Education committed to building eight (8) ECD classrooms in eight sites at a cost of Kshs. 214,173,840. The contract, which lasted 32 weeks, began in May 2014 and was scheduled to be finished in December 2015. However, only six Early Childhood Development Centers (ECDs) had been finished, with the other two in different stages of development at the time of audit in October 2019, representing a four-year delay from the end of the planned completion date. The contract extension also resulted in a total price variation increase of Kshs. 16.31 million, which could have been avoided if the projects had been finished on time. As a result, the value for money invested on the projects could not be achieved since the two ECDs have yet to be finished, preventing learners from accessing instruction from the centers.

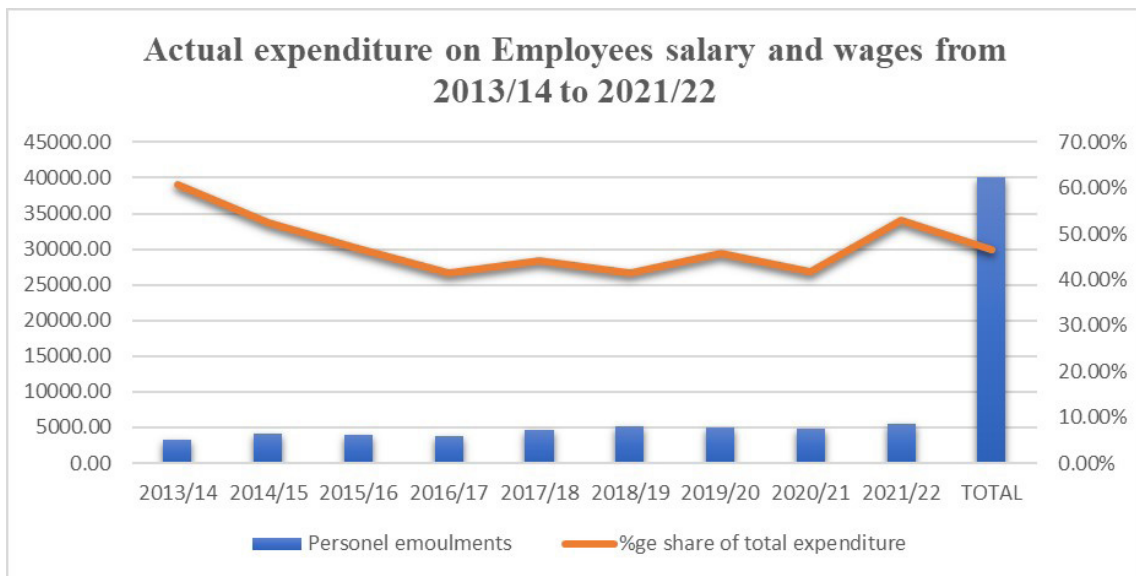
Furthermore, the studies questioned the two unfinished hospitals, which were among the five hospitals scheduled to be completed in December 2015 under the 2014/2015 budget. In the fiscal year 2014/2015, the Department of Health built five sub-county hospitals in *Shika Adabu, Marimani, Mtongwe, Vikwatani, and Chaani*, as previously reported. The hospitals were supposed to be finished by December 2015.

Residents of Mombasa County have received little value for money because the hospitals are unfinished and provide no services. The county's inadequate planning and project management results in project extensions and failure to complete projects on time.

d. Employees' wages and salary

The analysis of the reports 2018/19 and 2019/20 reveals that the county spent Kshs. 5,017.08 and Kshs. 5,186.98 million respectively to compensate employees. Further analysis of Implementation reports since 2013/14 financial years indicate that between 2013/14 and 2021/22, the county averagely spent 46.43% of the total revenues to compensate employees as shown in the figure below. As a result, the expenditure violated rule 25(1)(a) of the Public Finance Management (County Governments) Regulations, 2015, which requires the County Assembly to set a pay ceiling that does not exceed 35% of income.

Figure 6: Actual Expenditure on employees’ salary and wages from Financial Years 2013/14 to 2021/22



Source: OCOB Reports 2013/14-2021/22

There is a need to develop a long-term method of compensating staff while yet leaving adequate cash for capital and operations and complying with legal provisions on wages as a share of revenue.

QUERIES RELATED TO PROCUREMENT AND OPEN CONTRACTING

a. Administration of biennial contracts

In 2018/19, the county government completed projects of Kshs.446.80 million under framework agreement No. CGM/PRO/T/27/2016-2017 via biennial contracts for roads and other civil works. The contract expires in January 2018. The County Executive stated that the framework contract began in February 2017 and would terminate in February 2019. However, it is unclear which biennial contract the County Executive used to award the framework contract for the third and fourth quarters of the 2018/2019 fiscal year.

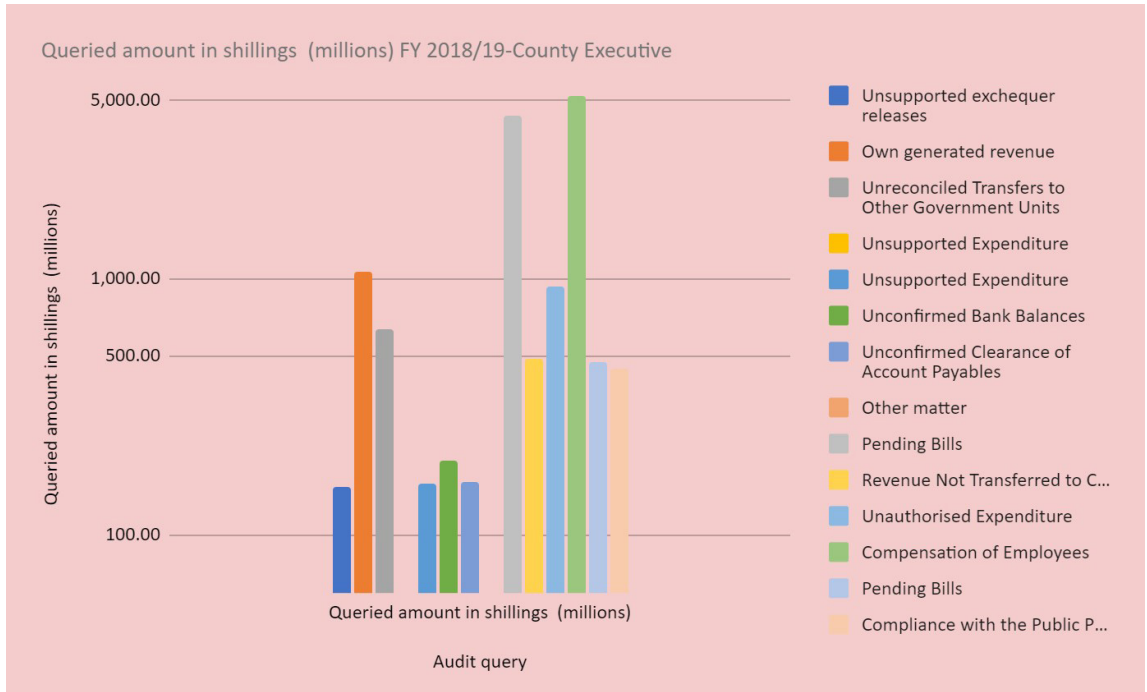
This contravenes the Public Procurement and Asset Disposal Act, 2015 which states that for agreements over one year “a value for money evaluation be done yearly to establish whether the terms stated in the framework agreement remain competitive”.

Moreover, the Department of Transport and Infrastructure’s annual development plan included thirty-six (36) projects that were implemented at a total cost of Kshs.344.59 million but were not included in the procurement plan, in violation of Section 53(2) of the Public Procurement and Asset Disposal Act, 2015, which states that an Accounting Officer must prepare an annual procurement plan prior to the start of the fiscal year.

Queried amounts

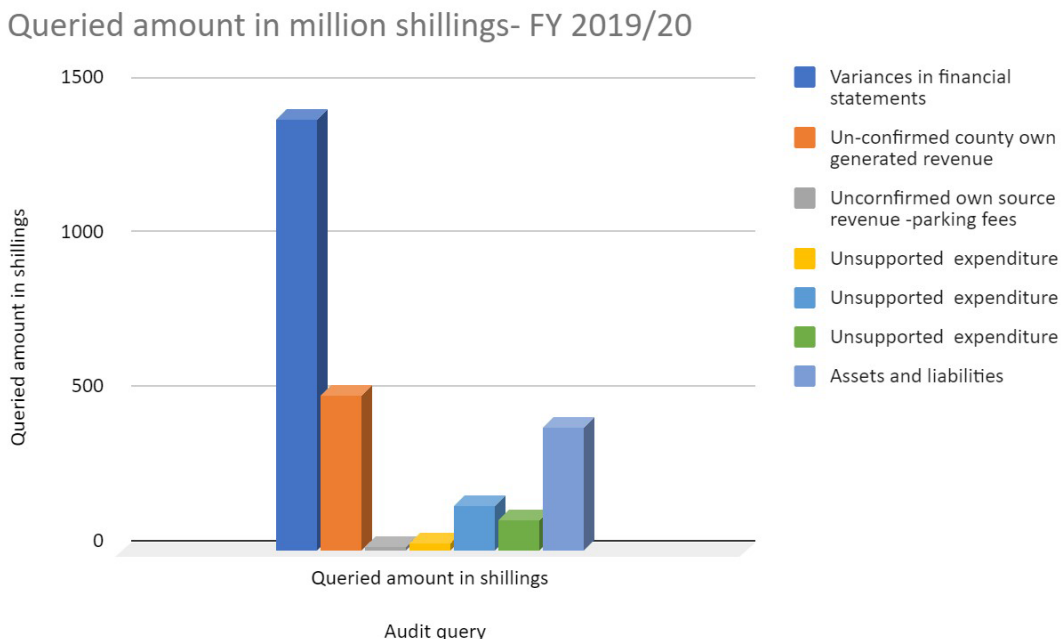
The following charts show the queried amounts in 2018/19 and 2019/20 respectively, categorized as per the queries. It is important to note that the amount queried does not necessarily mean the funds were lost but it points out some gaps such as documentary evidence, procedures, fiscal discipline and lack of internal controls and governance.

Figure 7: Queried amount in million shillings for FY 2018/19- county executive



Source: xxxxxxxx

Figure 8: Queried amount in million shillings for FY 2018/19- county executive



Source: xxxxxxxx

Audit Report for Mombasa County Assembly for Fiscal Years 2018/19

This section presents an analysis of the findings of the AGs report for the County Assembly for the stated financial year. For the 2018/19 and 2019/20 years, the County Assembly of Mombasa was awarded a qualified opinion.

The table below presents the analysis of the audit queries and queried amount that merited the AG to award a qualified opinion. The table above shows the specific query issue and queried amount in the financial statement. From the analysis, the total queried amount amounted to approximately Kshs. 1,269.76 million.

Figure 9: Audit queries, categories and queried amount for FY 2018/19- County Assembly

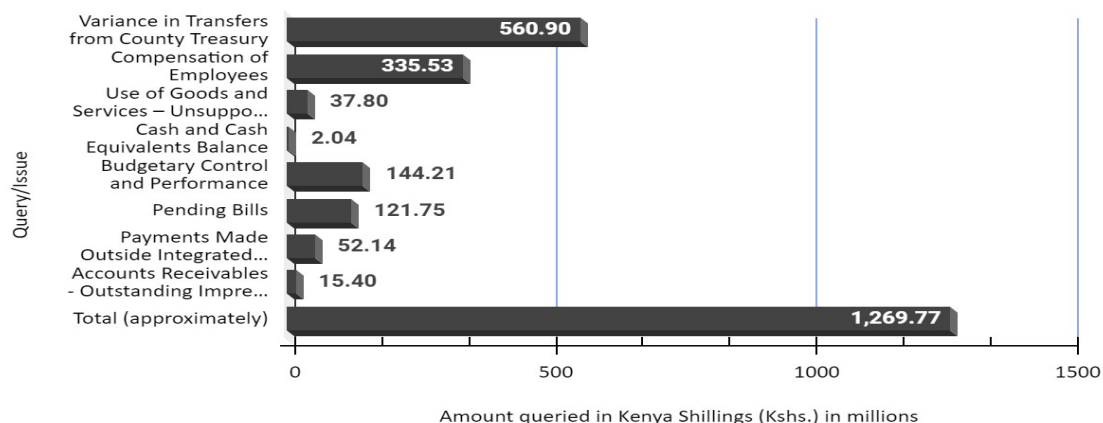
	Query/Issue	Amount queried in millions (Kshs.)	Categorization of queries
1.	Variance in Transfers from County Treasury	560.9	Query related to revenue
2.	Compensation of Employees	335.53	Query related to expenditure
3.	Use of Goods and Services – Unsupported Expenditure	37.796	Query related to expenditure
4.	Cash and Cash Equivalents Balance	2.04	Query related to budget implementation

	Query/Issue	Amount queried in millions (Kshs.)	Categorization of queries
5.	Budgetary Control and Performance	144.21	Query related to budget implementation
6.	Pending Bills	121.75	Query related to budget implementation
7.	Payments Made Outside Integrated Financial Management Information System (IFMIS)	52.14	Query related to expenditure
8.	Accounts Receivables - Outstanding Imprests	15.4	Query related to expenditure
	Total (approximately)	1,269.766	

Source: County Audit Report, Year ended June 2019

Figure 10: Queried amount in million shillings in FY 2018/19- County Assembly

Amount queried in Kenya Shillings (Kshs.) in millions in fy 2018/19 -County Assembly



Source: xxxxxxxx

Audit report for Mombasa County Assembly for fiscal years 2019/20

This section presents an analysis of the findings of the AGs report for the County Assembly for the stated financial year 2019/20. The table below presents the analysis of the audit queries and queried amount that merited the Office of the Auditor General to award a qualified opinion;

Figure 11: Audit queries, categories and queried amount for FY 2019/20- County Assembly

	Query/Issue	Amount queried in millions (Kshs.)	Categorization of queries
1.	Inaccuracies in the Financial Statements		Query related to revenue
2.	Transfers from the County Treasury / Exchequer Releases	730.88	Query related to revenue
3.	Compensation of Employees	53.87	Query related to expenditure
4.	Unsupported Expenditure – Use of goods and services	4.51	Query related to expenditure
5.	Pending Bills	90.25	Query related to budget implementation

Source: Audit Report, 2019/20- Mombasa County A

Inaccuracies in the Financial Statements

The analysis revealed that the statement of receipts and payments reflected various balances differed significantly with the corresponding balances as reflected in the Integrated Financial Management Information System, IFMIS Report as summarized below;

Figure 12: Variances between Financial Statements and IFMIS in million shillings

Items	Financial Statements (Kshs.)	Expenditure as Per IFMIS (Kshs.)	Variance (Kshs.)
Transfers from the County Treasury/Exchequer Releases	730.88	50.00	680.88
Compensation of Employees	352.51	202.70	149.80
Use of Goods and Services	297.19	185.26	111.93
Transfer to other Government Entities	50.04	0	50.04
Acquisition of Assets	29.25	27.47	1.78
Finance Costs	0	42.31	(42.31)

Source: Audit Report, County Assembly, Mombasa FY 2019/20

Transfers from the County Treasury / Exchequer Releases

According to financial statements, of receipts and payments, Kshs.730.88 million was transferred from the County Treasury, however, the County Assembly financial statements indicate that only Kshs.661.39 was transferred from the county treasury, resulting to unreconciled and unexplained variance of Kshs.69.48 million.

Similarly, in FY 2018/19 the same query was raised with a discrepancy of Kshs. 120.08million which remained unreconciled and unexplained.

Transfers from the County Treasury / Exchequer Releases

In 2019/20 the Auditor questioned Kshs.53.87 million related to salaries and staff payroll deductions. The payments were made through Mombasa County Assembly Imprests accounts. However, payment vouchers in support of the expenditure were not provided for audit verification.

Unsupported expenditure and procurement impropriety

In FY 2019/20, the County Assembly audit report revealed that the County Assembly spent Kshs. 4.51million to train MCAs in Dubai. However, procurement records showing how the venues were identified and contracts awarded were not provided for audit verification. Consequently, the regularity and value for money of the expenditure of Kshs. 4.51 million could not be ascertained.

Unsupported Expenditure

In 2018/19, the Auditor queried Kshs.37.79 million related to unsupported expenditure by the County Assembly. As per the report, this amount comprised of Kshs.32.52 million that was paid as foreign travel and subsistence allowance but was not supported with imprests, surrender vouchers, approved annual plans or calendar, boarding passes, approvals to travel abroad, entry and exit visa stamps and daily itinerary and Kshs.5.27 million that was spent by the County Assembly under routine maintenance-other assets but the expenditure was not supported with payment vouchers, purchase requisitions, quotations and inspection and acceptance committee reports.

Pending Bills

In FY 2018/19 amount queried comprises the total pending bills as follows; pending accounts payables of Kshs. 57.41 million pending staff payables amounting to Kshs. 16.33 million and other pending payables in respect to unremitted statutory deductions amounting to Kshs. 33.72 million and unremitted staff pension contributions amounting to Kshs. 14.27million.

In 2019/20 the financial statements reflected pending bills amounting to Kshs. 90.25 million. The bills were in relation to construction of civil works and supply of goods and services balance of Kshs. 29.81 million pending staff payables balance of Kshs. Kshs. 6.41 million and unremitted statutory deductions (PAYE, NHIF, NITA Levy, Income Tax on Gratuity) and unremitted staff pension contributions (NSSF, LAPTRUST) amounting to Kshs. 54.01 million.

The failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions for the subsequent year to which they must be charged.

Violation of Financial Provisions-Payments outside IFMIS

The audit report in 2018/19 queried Kshs. 52.14 million shillings, which was part of county assembly payments. The report indicates that the payments were made through cash withdrawals in the name of County Assembly of Mombasa for outward payments, outside the IFMIS system.

This was contrary to Sections 149(1) of the Public Finance Management Act, 2012 and Regulation 109(1) of the Public Finance Management (County Governments) Regulations, 2015 which provide that the Accounting Officer for a County Government entity shall ensure that resources are used lawfully and authorized, and in an effective, efficient, economical and transparent way, and that all payments are made through the automated integrated financial management system.

Outstanding imprests

Analysis of 2018/19 audit report indicates that imprests amount to Kshs. 2.74 million had been outstanding for over one (1) year and Kshs. 9.23 million were held as multiple imprests by thirty-five (35) officers.

This is contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which requires a holder of a temporary imprest to account or surrender it within seven (7) days after returning to duty station. Further, Regulation 93(4)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires Accounting Officer to ensure that the applicant has no outstanding imprest.

The figure below shows the summary of the audit queries raised in 2018/19 and 2019/20 financial years related to the County Assembly.

Figure 13: Recurring Audit queries between 2018/19 to 2019/20 - County Assembly

Audit queries FY 2018/19
<ul style="list-style-type: none"> • Variance in transfers from county treasury • Compensation to employees • Unsupported expenditure use of goods and services • Pending bills • Payment made outside IFMIS • Outstanding Imprests
Audit queries FY 2019/20
<ul style="list-style-type: none"> • Variance in transfers from county treasury • Compensation to employees • Pending bills • Unsupported expenditure use of goods and services

Source: xxxxxx

RECOMMENDATIONS

i) Audit Opinions

Over the years, the County Executive has been awarded a qualified opinion, implying that there is a need to ensure the material breaches that have been raised over the years have been duly addressed. It further calls for keen consideration of the queries and recommendations that the AG raises in the reports.

ii) Variance between financial statements and IFMIS records

Since the onset of devolution, in FY 2013/14, the audit reports have constantly raised the discrepancy between the financial statements and the IFMIS records. Similarly, information contained in the audit reports on many occasions have differed from what the County provides in the County Budget Review and Outlook Papers (CBROPs) and what the Controller of Budgets presents in the quarterly reports. The county government must ensure budget transparency. There is a need to ensure budget transparency and authenticity of the information provided by the county government. In the event of differences, there ought to be prior reconciliation and harmonization of the information, before it is publicly used.

iii) Unreconciled transfer to other county Entities

The Audit reports for both the Assembly and Executive have questioned the variations in figures transferred to the County Assembly from the Executive. It is not clear why the County Assembly Finances are transferred from the County Executive. The County Executive needs to respect the principle of separation of powers and let the County Assembly handle and manage its own payroll as the County Assembly has a separate budget to request funds directly from the Controller of Budget. This will enhance the autonomy of the County Assembly to fully exercise its oversight role effectively without interference and arm-twisting.

iv) Outstanding Imprest

There is a need for better management and handling of imprests by both the County Assembly and Executive while observing Section 93(4) of the Public Finance Management (County Governments) Regulations, 2015 which states that before issuing temporary imprests, the accounting officer shall ensure that the applicants have no outstanding imprests.

v) Pending bills

There is a need for the County to develop a sustainable way of paying the pending bills. This includes ensuring the County tables a county debt management strategy Paper that shows debt and pending bill management. Failure to settle pending bills might affect the subsequent year's budget as according to the law, pending bills come as first charge.

vi) Adherence to fiscal principles

The County Government of Mombasa needs to adhere to fiscal responsibilities as outlined in the Public Finance Management regarding employees and remuneration. Over the years, the county has not adhered to the principle of not spending more than 35% of the total revenue on paying wages and salaries. On average, between 2013/14 and 2021/22, the County Government of Mombasa spent 46% of the total revenue on salaries on average. Importantly, there is a need to ensure rationalization and effective staffing structures in the county. There is also needed to strike a balance and ensure that there are enough resources to support the capital budget and the operations and maintenance budget by the County.

vii) Unsupported Expenditure

The Government needs to support payments made to creditors and casual employees with documents such as vouchers, invoices, goods received notes, certificate of works completed & inspection reports and contracts/ agreements relating to the process of hiring respectively.

viii) Adherence to procurement and open contracting principles

The government needs to ensure that expenditures related to awarding of tenders are supported with requisite financial documents such as requisitions, procurement plans, invitations to bid, evaluation minutes, tender award notification letter and contract documents.

ix) Own source Revenue forecasting and analysis

The County Government has consistently missed the local revenue targets since the onset of devolution. Unrealized revenue has an implication on the implementation of the budget, and in turn affects the service delivery by the County. The County Government needs to ensure it can meet the target of its own generated revenues by proper revenue forecasting and analysis as well as by sealing loopholes that may lead to loss of revenues to the County.

Further, the County Treasury needs to ensure that all monies raised or received by or on behalf of the County Government are paid into the County Revenue Fund account in line with Section 109 (2) of PFM Act 2012. Finally, the County Executive should avoid spending money above the authorized budget without seeking the approval or reallocation from the County Assembly

x) Budget and expenditure during a crisis

There is a need for the county to have an emergency budget and put structures in place to ensure that procurement, spending and utilization of funds during a crisis such as Covid 19 is well catered for and in line with the law.

xi) Internal controls and structures

County Assembly audit committees and other county audit committees need to up their oversight role and ensure that once the audit reports have been released, they review in good time and take the necessary steps towards strengthening accountability and transparency in the management of public resources by the county executive.

CONCLUSION

The Budget Audit and Evaluation stage remains the least participated in by the public. There has been laxity and inconsistency in terms of utilization of the audit reports as well as taking the necessary measures by the audit and oversight institutions, such as the county Assembly budget and appropriation Committees, Public Accounts Committee and the Public Investments Committee.

Continued simplification of the reports and analysis will help uptake and utilization of these reports as advocacy tools by the public, civil society organizations and other relevant stakeholders. Effective and lawful utilization of resources requires discipline by the County Government and ensuring internal controls and structures are strengthened and functional.

Finally, the audit reports are not an end by themselves as far as transparency and accountability is concerned. There is a need to ensure overall budget transparency and that the documents that counties are availing publicly are credible and authentic.

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