# ANALYSIS OF THE AUDITOR GENERAL'S REPORTS ON THE FINANCIAL STATEMENTS OF MOMBASA COUNTY EXECUTIVE 2015/16 - 2017/18

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## Acronyms and Abbreviation

| | |
|---|---|
| AG | Auditor general |
| CBIRR | Controller of Budgets Implementation and Review Reports |
| CGA | County Government Act |
| CSOs | Civil society Organizations |
| FY | Financial year |
| G.A.A.P | General Accepted Accounting Principles |
| IBP | International Budget Partnership |
| IEA | Institute of Economic affairs |
| ISSAI | International Standards of Supreme Audit Institution |
| IFMIS | Integrated Financial Management system |
| IPSAS | International Public Sector Accounting Standards |
| KNBS | Kenya National Bureau of Statistics |
| NAYs | National Adolescents and Youth Survey |
| OAG | Office of the Auditor General |
| PAA | Public Audit Act |
| PFMA | Public Finance Management Act |

## Acknowledgment

Kwacha Afrika would like to express gratitude to the lead researchers of this report Josephine Nyamai (Research consultant) and Karen Kengah (Kwacha Afrika) who were supported by Job Situma, Walter Sisulu and Bobson Fadhili who formed the technical team towards the development of this report under the guidance of Tony Watima, the lead consultant.

We acknowledge Mr. Evans Kasena the Executive Director of Kwacha Afrika for providing a platform during the development of this report.

We wish to thank everyone who made this report a success.

## Executive Summary

The first objective of devolved government as enshrined in the Kenyan Constitution is to promote democratic and accountable exercise of power. For this underlying purpose to be fully effective, there is need for increased public engagement in influencing the decisions and policies that the devolved government undertakes. The budgeting process is one of those constitutional avenues where citizens can take part in influencing devolved government's decisions on resources allocations thus improving democratic accountability and service delivery.

The budgeting process runs through four stages and the public is required to take part throughout. It is the audit and evaluation stage that marks the end of the budget cycle where the Auditor General is mandated to produce a report confirming whether or not public funds were utilized effectively and lawfully as stipulated by the relevant laws.

In the recent past, it's been noted that there seem to be a gap in the follow-up and utilization of the Auditor General's reports by the public and other oversight institutions in holding devolved governments to account lead to further mismanagement and loss of public funds. This weakness in accountability can be attributed to the limited understanding of the reports due to their technical nature of how audit queries are presented.

Therefore, this study presents a more simplified analysis of the Auditor General's reports on Mombasa County Executive for the financial years 2015/2016, 2016/2017 and 2017/2018. The general finding in those three financial years is that Mombasa County improved from the audit opinion of a "Disclaimer" in 2015/16 to "Qualified" opinion in the following years under review. Importantly, the findings indicated that these opinions were as a result of poor presentation of financial statements, and so, the accounting officers did not present a true and fair financial position of Mombasa County executive.

The findings also revealed that the queries raised by the Auditor General were as a result of a violation of financial regulations and a lack of supporting documentation. The queried amount in 2015/16 represented 22% of the actual expenditure, then increased to 25% in 2016/2017 and improved to 15% in 2017/18. According to the findings, audit issues raised by the auditor general in 2015/16 recurred in the subsequent years under review an indication that the county executive did not manage to resolve these issues as recommended.

In conclusion, it is imperative for the county to address the issues raised by the Auditor General in order to ensure that public resources are utilized lawfully, effectively and prudently to the benefit of Mombasa people. The county executive further needs to complete all the projects commenced and ensure that the residents of Mombasa County fully access services and realize value for money in all the development projects. Lastly, the County Assembly needs to sharpen its accountability sword when playing its oversight role and also put necessary legal laws and policies to safeguard public resources.

## 1.0 Introduction

The promulgation of the Constitution of Kenya 2010 not only established a new system governance but also shifted the system of management of public finance. Public finance management strictly emphasizes on principles of openness, accountability and public participation in financial operations[1]. Budget making is one of the processes through which the public can take part and influence the financial decisions for effective service delivery from both the County and national government. The budget cycle entails four major phases, namely; formulation, approval, implementation, and audit stages[2]. It is imperative for the public to engage and participate in all the stages of the budget cycle. The constitution, Public finance management Act, 2012, County Government Act, 2011 and PFM (county government) Regulations 2015 is major legal framework guiding public finance management.

Audit and evaluation stages mark the end of the budget cycle at both the national and county levels. In Kenya, the mandate of auditing and evaluation is vested upon the office of the Auditor General (OAG), which is an independent constitutional office established under article 229(1) of the constitution. The AG is required to audit and report on the accounts of any entity (including county governments) that is funded with public funds within six months after the end of each financial year[3]. The auditor conducts an audit to determine whether public funds were used lawfully (as required by the law) and effectively (for intended purposes). Further, Public Audit Act (PAA), 2015 indicates that the AG should give an assurance that the internal risk management and governance mechanism are effective and give a confirmation on whether the counties are cautious to safeguard revenue collection as well as assets acquisition[4]. The Auditor General is required to submit the reports to the National Assembly (at the national level) and respective county assemblies (county level) and publicize within the fourteen (14) days[5]. Further, within a period of three months, the respective assemblies are required to debate, consider and take appropriate actions as far as the reports are concerned[6].

The Auditor General's reports can therefore, be used by the public and oversight bodies to demand accountability and openness in the conduct of financial matters. Despite the legal provisions and the prerequisite institutions established to ensure prudence use of public resources, embezzlement and mismanagement of public resources through corrupt dealings by leaders has become a trend since the inception of devolution. This has had a negative impact on service delivery from the government as well as unnecessary loss of public resources. Further to this, there has been minimal utilization of the Auditor General's reports both by the public and Civil Society Organizations for the purposes of strengthening public oversight. This can be attributed to the technical nature the audit reports by the interested parties. In light of the above, the Institute of Economic Affairs (IEA) commissioned a study on the analysis of Mombasa County Executive Auditor General's report for financial years 2015/2016,

[1]CoK, Art.201 (1)(a)

[2]International Budget Partnership, 2015.

[3]CoK, Art. 229 (1), (4), p g 242.

[4]Public Audit Act, 2015

[5]PAA,2015, Section 32(3)

[6]CoK, Article 229 (8),Section 50(2), PAA,2015

2016/2017 and 2017/2018. The analysis sought to simplify the reports for easy understanding and utilization by the public and the civil society Organizations in Mombasa County.

### 1.1 Objectives of the Analysis

The analysis sought to achieve the following objectives:

1. To identify audit opinions and what they mean over the years.
2. To establish the trend in the actual expenditure of the executive since 2015/16 to 2017/18
3. To identify various audit queries raised by the auditor general on the County executive of Mombasa since 2015/16-2017/18 financial years.
4. To identify the amount queried in the audit issues
5. To establish whether there has been an occurrence of the same audit issues/query over the years
6. To estimate the opportunity cost of the queried amount reflecting its implication on the youths.
7. To come up with recommendations based on the findings.

### 1.2 Scope of the study

The scope of the survey is Mombasa County. The study examined the AG's reports for Mombasa County Executive.

### 1.3 The rationale of the study

The analysis is meant to increase the capacity of the CSOs and the public to read, understand and follow up with audit reports and also an advocacy tool to demand accountability and prudence use of public resources by the counties and national government at large.

### 1.4 Methodology

The study employed the use of secondary data, which is Mombasa County Executive Auditor General's reports for 2015/16, 2016/17 and 2017/18 FYs. A thorough desk-review and analysis of these reports were conducted with a focus on the county executive of Mombasa County. Other materials include, County annual implementation review reports by the controller of budgets, Mombasa county budget estimates for the relevant years, Constitution, public Audit Act, Public finance management Act,2012 and IEA reports on the analysis of the AG's reports,2019.

**Table 1: Classification of the Audit issues**

| | |
|---|---|
| Lack of Supporting documents | • No documentary Evidence<br>• Failure to provide records<br>• Unsupported DG NYS debt |
| Failure to reconcile books of account | • Unexplained/unreconciled variances<br>• Unexplained differences.<br>• Accuracy of opening and closing balances cannot be confirmed<br>• Variance in cash and bank balances |
| Violation of Financial regulations | • Irregular expenditure<br>• Unbudgeted expenditure<br>• Violation of the public procurement regulations<br>• Ineligible expenditure |
| Long outstanding balances | • Long outstanding bills<br>• Long outstanding uncleared debtors |
| Pending bills | • Bills not paid during the year<br>• Failure to settle pending bills |
| No value for Money | • Nugatory expenditure<br>• Poor quality/harmful purchases |
| Others | • Weak internal controls Systems |

Source: Author's compilation from the Auditor General's report

## 2.0 Findings

### 2.1 Audit findings

This section presents an analysis of the audit opinion awarded to Mombasa county executive during the period under review. In reference to Article 229(6) and Section 32 of Public Audit Act, the AG is required to conduct an audit on all entities funded by public funds in line with International Standards of Supreme Audit Institutions (ISSAI)[7]. Legally, during a financial Audit, the AG scrutinizes books of accounts and the accompanying statements (statement of assets and liabilities, statements of receipts and payments, and statement of cash flows). Examination of these documents is key as it enables the AG to obtain assurance on whether or not the latter present 'true and fair' financial position of the entity under audit. This, in turn, helps the auditor general form express his general judgment or opinion as far as the entity is concerned.

[7] Section 32 of PAA,2015

A review of the Auditor General's report indicated that the Mombasa County Executive received varying audit opinions for the years under review. In 2015/16 financial year, AG's report for the year ended 30th June 2016, Mombasa county executive's AG's opinion was a disclaimer. This is an indication that financial statements did not present fair and true financial/material position of Mombasa County Executive thus the AG could not fully review the latter to form an opinion[8]. In addition, this also shows a deviation from the General Accepted Accounting Principles (GAAP).

Further, the study established that in 2016/17 and 2017/18 financial years; the Auditor General awarded Mombasa County Executive 'qualified opinion'. This implies that the financial statements of the entity under review presented fairly in all material respect, the financial position with few audit queries emanating as a result of breaching of financial reporting[9]. The audit opinion of Mombasa county executive improved from disclaimer in 2015/16 (both pervasive and material) to qualified opinions (material but not pervasive) in the succeeding years. However, despite the improvement, it insinuates that the accounting officers of county executive need to avoid misstatement and omissions in financial statements[10].

**Table 2: Audit opinions for Mombasa County Executive since 2015/16-2017/18**

| Financial year | AG's Audit opinion |
|---|---|
| 2015/16 | Disclaimer |
| 2016/17 | Qualified |
| 2017/18 | Qualified |

Source: Author's compilation from respective AG's reports.

### 2.2 Total expenditure for the county executive since 2015/16-2017/18 financial years

This section presents an analysis of total expenditure for the Mombasa county executive as presented in the Auditor General's reports.

In 2015/16, the total expenditure amounted to **Sh.8,523,407,616 billion**, out of which **Sh.6,232,446,708 billion** was spent for recurrent while **Sh.2,262,592,908 billion** was spent on development.

In 2016/17, the total expenditure for the county amounted to **Sh.9,502,485,060 billion** an increase from **Sh.8,523,407,616 billion** in the previous financial year.

Lastly, in 2017/18, the total expenditure was **Sh.11,258,288,712 billion**, a 18.47% increase from the previous financial year of 2016/17, where **Sh.8,333,643,282 billion** was spent on recurrent while **Sh.2,924,645,430 billion** was spent on development

[8]Auditor General's Report,2016

[9]IBP Kenya.(2019).Key questions about your county audit report, p.4

[10]IEA.(2019).Analysis of AG's Report on financial statements of the National government.p.15

From the analysis, it is clear that the percentage of total expenditure increased by **11.4%** in 2016/17 and **18.47%** in 2017/18.

**Figure 1: Trend in actual total expenditure for Mombasa county executive since 2015/16-2017/18**


Source: Auditor General's reports, 2015/16-2017/18

### 2.3 The percentage Share of total expenditure queried

**Table 3: Trend in the audit query issues since 2015/16 to 2017/18 financial years.**

| Financial Year | Clasification of audit issue | No. of Queries | Specific Query | Amount in Kshs |
|---|---|---|---|---|
| 2015/2016 | Failure to reconcile books of records | 1 | Variance between Financial statements & IFMIS | 6,934,700,068 |
| | | 4 | Unreconciled variance | 523,174,279 |
| | | 1 | Unexplained difference | 77,066,296 |
| | | 1 | Unsupported bank balance | 2,396,223 |
| **Total** | | | | **602,636,798** |
| | Lack of supporting documents | 3 | No documentary evidence | 423,595,207 |
| **Total** | | | | **423,595,207** |
| | Violation of financial regulations | 1 | Unexplained expenditure | 22,812,080 |
| | | 3 | Procurement improprieties | 122,106,525 |

| Financial Year | Clasification of audit issue | No. of Queries | Specific Query | Amount in Kshs |
|---|---|---|---|---|
| | | 2 | Ineligible expenditure | 60,654,298 |
| | **Total** | | | **205,572,903** |
| | Long outstanding balances | 1 | Outstanding imprest | 188,398,683 |
| | | 1 | Outstanding bill | 132,049,147 |
| **Total** | | | | **320,447,830** |
| | No value for money | 1 | Nugatory expenditure | 82,208,599 |
| | Weak internal control | 1 | Failure to remit balance of closed bank accounts | 275,432,945 |
| **2015/16** | **Total** | | | **1,909,894,282** |
| | | | | |
| **2016/17** | | | | |
| | Failure to reconcile books of records | 1 | Variance between Financial statements & IFMIS | 14,948,430,445 |
| | | 4 | Unreconciled Variance | 557,029,165 |
| | | 1 | Undisclosed difference | 86,897,466 |
| | **Total** | | | **557,029,192** |
| | Lack of supporting documents | 2 | No documentary evidence | 385,342,196 |
| | | 3 | Failure to provide records | 592,904,139 |
| | | 1 | Unsupported bank balance | 22,261,933 |
| | **Total** | | | **1,000,508,268** |
| | Violation of financial regulations | 1 | Unbudgeted expenditure | 27,436,362 |
| | | 2 | Procurement improprieties | 32,506,533 |
| | | 1 | Ineligible expenditure | 555,505,479 |
| | **Total** | | | **615,448,374** |
| | No value for Money | 4 | Nugatory expenditure | 184,661,811 |
| **2016/17** | **Total** | | | **2,357,647,645** |
| | | | | |
| 2017/18 | Failure to reconcile books of records | 1 | Variance between Financial statements & IFMIS | 9,146,548,943 |
| | | 1 | Unaccounted bank balance | 6,335,350 |
| | | 1 | Unreconciled Variance | 17,322,000 |

| Financial Year | Clasification of audit issue | No. of Queries | Specific Query | Amount in Kshs |
|---|---|---|---|---|
| | | 1 | Unexplained variance | 49,059,404 |
| | **Total** | | | **72,716,754** |
| | Lack of supporting documents | | | |
| | | 1 | No documentary evidence | 167,856,174 |
| | Violation of financial regulations | | | |
| | | 1 | Ineligible expenditure/Overpayment | 80,110,424 |
| | | 2 | Procurement improprieties | 6,636,770 |
| | **Total** | | | **86,747,194** |
| | Long outstanding balances | | | |
| | | 1 | Long outstanding bills | 435,600,124 |
| | Pending Bills | | | |
| | | 1 | Outstanding imprest | 25,763,603 |
| | | | | |
| | No value for Money | 1 | Nugatory expenditure | 312,927,850 |
| | Weak internal control systems | 1 | | 733030703 |
| **2017/18** | **Total** | | | **1,666,786,228** |

From the analysis, the total queried amount[12] in FY 2015/16 amounted to Sh.1,909,894,282 which represents 22% share of the actual expenditure. However, it is worth noting that, this analysis did not include the audit issue on the variance of financial statements and IFMIS. This is because the queried amount on the afore-mentioned case exceeded the actual expenditure thus the omission for accuracy purposes.

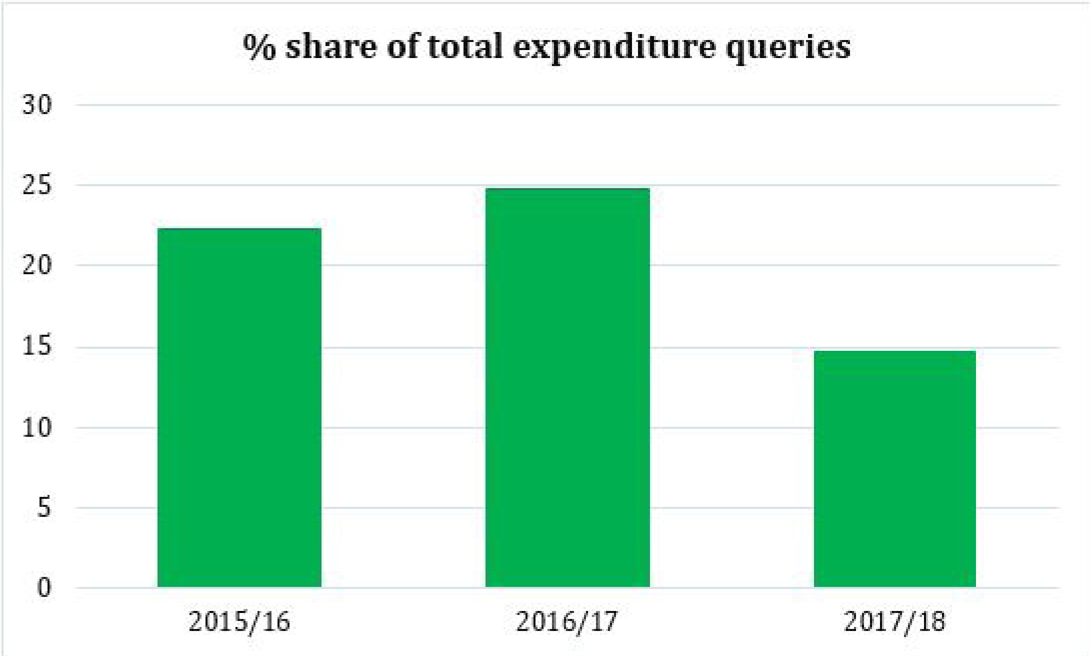
In FY 2016/17 financial year, the total queried amount was Sh. 2,357647645 representing 25% of the actual expenditure share. This was an increase from the previous FY 2015/16.

Lastly, the total queried amount for FY 2017/18 stood at Sh.1, 666,786,228 representing 15% of the total expenditure.

The queried amount does not translate to loss of funds directly, but it is a potential risk to loss of funds because of the failure to comply with the set standards and regulations on financial reporting.

[12]Audit queries that came up during audit investigation, whose transactions were contrary to IPSAS

**Figure 2: Percentage Share of total expenditure queried**




Source: Author's compilation from the Auditor General's report

According to the analysis above, the percentage of the queried amount was highest in 2016/17 with 25% and lowest in 2017/18 with 15%. The high percentage in 2016/17 shows that there were various financial violations within Mombasa County executive. For instance, the overall audit issues were 21 most of which related to failure to reconcile books of records and lack of supporting documentation in relation to financial transactions. In the previous year, the overall audit issues were 20 in numbers while in 2017/18 the audit issues were 8 in numbers hence the subsequent variance.

## 2.4 Recurrent Issues

One of the objectives of the study was to establish the recurrent audit issues during the period under review. The study established that there have been recurring audit issues since 2015/16 to 2017/18. For instance, the variance between financial statements and the integrated Financial Management information system was raised by the auditor general in 2015/16 and has subsequently recurred in 2016/17 and 2017/18 fiscal years. Further, audit queries were raised on issues of unsupported bank balances, property income rates, failure to transfer revenue to county revenue account, unremitted statutory deductions as well as transfer to other county government units.

The study found out that most audit queries arose as a result of lack of supporting documentation to support financial transaction and violation of financial regulations as set by the constitution 2010, the public finance management Act, 2012, the Public Audit Act, the Public Procurement and Disposal of Assets Act, 2015 and County government Act . Secondly, Failure to address the recurring issues implies that there are weak and ineffective internal controls to ensure sound management of public funds contrary to section 32 of the PAA, 2015.

**Table 4: Recurrent audit issues appearing in all the three financial years**

| Classification of audit issue | Specific Query | Amount in Kshs | | |
|---|---|---|---|---|
| | | **2015/16** | **2016/17** | **2017/18** |
| Failure to reconcile records | IFMIS vs Financial Statements variance | 6,934,700,068 | 14,948,430,445 | 9,146,548,943 |
| Failure to reconcile records | Unsupported Bank balances | 281,172,027 | 22,261,933 | 167,856,174 |
| Weak internal control systems | Defunct local authority bank accounts still operational | 368,211,091 | 259,676,769 | 986,694,435 |
| Weak internal control systems | Non-closure of bank accounts in commercial banks | 275,432,945 | 22,698,565 | 6,335,250 |
| Weak internal control systems | Revenue not transferred to County Revenue Fund Account | 381253632 | 494,219,329 | 654,822,860 |
| Failure to reconcile records | Transfer to other Govt units | 25,675,325 | 73,044,631 | 23,033,406 |
| Failure to reconcile records | Exchequer Release | 500,000,000 | 369,942,196 | 296,206,437 |
| Weak internal control systems | Property rates | 818,985,218 | 940,652,182 | 733,030,703 |
| Violation of financial regulations | Mismanagement of imprest | 134,855,291 | 5,393,990 | 25,763,603 |
| Long outstanding balances | Pending bills | 132,049,147 | 3,680,612,698 | 435,600,124 |
| Violation of procurement regulations | Procurement improprieties/ Overpayment | 122,106,525 | 32,506,533 | 6,636,770 |

Source: Author's compilation from the Auditor General's report

**Table 5. Highlight of the Prior Year Unresolved Issues**

| | 2015/16 | 2016/2017 | 2017/2019 |
|---|---|---|---|
| Number of recurring queries | 10 | 9 | 8 |
| Total Number of queries | 44 | 53 | 34 |
| Recurring queries as a % of the total: | 23% | 17% | 24% |

Source: Author's compilation from the Auditor General's report

## 2.5 The opportunity cost of the queried amount

This section presents the estimated opportunity costs of the queried amount.

Looking at malaria prevalence in Mombasa County, it's one of the communicable diseases the county is struggling to eradicate standing at 7.8% with children below age 5 being highly affected. Official figure from KNBS 2018 shows outpatient morbidity due to confirmed malaria cases was 14,013 with 11,808 being suspected cases of malaria. According to the World Malaria Report 2018, a health facility spends an average of Sh.10,000 to treat a malaria patient. Therefore, the queried amount totaling Kshs 132,049147 in 2015/16 financial year concerning long outstanding bills could have helped treat 13200 cases of malaria.

According to the Kenya National Adolescents Youth Survey (NAYs), 68.7% of youths in Mombasa are enrolled in primary school with 56,798 out of school or dropouts. Secondary school enrollment stood at 27.9% with 57,227 secondary school age youth, not in school. It's clear from this report that Mombasa County experiences low transition rate from primary school to secondary school The standardized secondary school fees according to a press statement released by Ministry of Education in 2015, where Mombasa (falls under cluster 6) is Sh.35,336 and Sh.55,969 for day and boarding secondary schools. Therefore, the amount Sh.555,505,579 queried in 2016/2017 report related ineligible expenditure on construction of roads that were not included in the department of Transport & Infrastructure's annual development plan could have enrolled 15700 students in day secondary school or 9900 students in boarding secondary schools, impressively improving literacy levels in the County.

According to the Mombasa County Adolescents and Youth People Strategy on HIV and Sexual Reproductive Health, HIV prevalence in Mombasa is 1.2 times higher than the national prevalence at 7.5%. The county contributed 3.6% of the total number of people living with HIV in Kenya and is ranked the seventh nationally with 54,310 people living with HIV; with 19% being young people aged 15-24 years. Adolescents and young people (10-19) and (15-24) years contributed to 25% and 47% of all new HIV infections in the County respectively. Mombasa is one of the counties reported to be on a reverse gear in the HIV response, with an 87% increase in the number of new HIV infections among children aged below 15 years and 51% among adults aged 15 years and above. It's estimated that Government spends an average of Ksh. 20,000 cost per person on Anti-Retroviral Treatment, so using the bank balances lying in eight bank accounts totaling Ksh.167856174 queried in FY2017/2018, the county would have seen 8300 HIV patients benefit from Anti-Retroviral Treatment in the three-year period, between 2016-2018.

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[13]Winnie Atieno.(2018, April 23).Daily Nation: Mombasa Residents grapple with mosquito –borne diseases .Retrieved from https://www.nation.co.ke/counties/mombasa/Residents-grapple-with-mosquito-borne-diseases/1954178-4495532-ntihc/index.html

[14] (Kenya National Bureau of statistics, 2018)Retrieved from https://www.knbs.or.ke/download/statistics-abstract-2018/

[15]http://www.ncpd.go.ke/wp-content/uploads/2017/10/Mombasa-County-Adolescents-and-Youth-Survey-NAYS.pdf

[16]http:https://africacheck.org/wp-content/uploads/2017/06/fees-guidelines-for-secondary-schools-in-kenya-1.docbuhere-1.pdf
21 http://www.mombasa.go.ke/?lsvr_document=mombasa-county-adolescents-and-youth-people-strategy-on-hiv-and-sexual-reproductive-health

### 2.6 Implication of the Audit Issues on the Youth

The value for Ksh .61, 290,854.90 that was budgeted in the FY 15/16, for the renovation of the Mombasa county stadium by the department of youth could not be found. Being a five month project the renovation was supposed to commence on 15th December 2015 and end by 15th May 2016. Regardless of this, Ksh 27,454,820 million was already used for the renovation but the project was yet to be completed by 15th December 2016. This implies that the talented youths in Mombasa County could not explore their talents due to lack of space.

An audit review of the program-based budgets for the key priorities departments of FY 16/17 revealed that the youth gender and sports department intended to improve ten social halls in the county. It was also programmed to build a one-stop shop for the youths at Tononoka in the FY 16/17 hence allocated KSH.433, 558,448. These projects were not completed as revealed in the auditor general report hence attributed to lack of funds even though there was an increase in allocation from the previous financial years which was KSH. 105, 455,455 in the FY 2015/16. This implied that the youths in Mombasa county could not access youth services and networks to network and exchange ideas as a result of the delay of the building the one stop shop hence untimely access to information.

## 3.0 Conclusion

According to the analysis, the county executive of Mombasa was awarded a disclaimer opinion in 2015/16 and qualified opinion in the following years under review. Although this is an indication of improvement, there are continuous financial violations which the county executive needs to take considerable efforts to address?????

On total expenditure of the county executive, the study found out that there was an increase in the total actual expenditure across the years. The percentage of total actual expenditure increased by 11.4% in 2016/17 and 18.47% in 2017/18. Total expenditure relates to the general performance of the budget of Mombasa county executive. According to AG's reports of the period under review, the county registered a net under-expenditure worth Sh. 1,483,746,657(15%)[17] in 2015/16, Sh. 2,145,211,682 (18%) in 2016/17[18] and Sh.1, 255,511,989 (10%)[19] in 2017/18.This has a negative impact on service delivery and indicates that the county is over-budgeting and thus there's a need to re-evaluate the planning and budgeting process in the county.

On percentage share of total expenditure queried, the study established that the total percentage queried in was 22% in 2015/16, 25% in 2016/17 and 15% in 2017/18. It is important to note that the queried amount refers to the amount whose transactions was unlawful contrary to the IPSAS and it

[17] AG's report 2015/16, p.

[18] AG's Report for the year ended June 2017, p.16-17

[19] AG's report 2017/18, p.

does not translate to direct loss of funds but it is a potential risk towards loss of funds. In 2016/17 there was a high percentage of queried amount implying that there were many violations in relation to financial transactions. Even though the percentage declined in 2017/18, there is still a need to address the issues leading to the audit queries.

On recurrent issues, the study established that most issues remained unresolved. For instance, the variance of financial statements with IFMIS was never resolved. In 2015/16 there was a variance of Sh. 6,934,700,068 which increased in 2016/17 to Sh. 14,948,430,445 and dropped in 2017/18 to Sh. 9,146,548,943. The study also found out that the issue of unsupported bank balances was not addressed since 2015/16 despite the subsequent occurrence in the period under review. Other issues include property rates, transfers to other government entities, exchequer releases issues, mismanagement of imprests, pending bills and procurement irregularities. Most recurrent issues according to the analysis were raised due to lack of documents to support transactions and violation of financial regulations. The persistent failure to address these issues undermines the principles of public finance (openness, accountability, and transparency) as enshrined in Article 201 of the Constitution of Kenya, 2010 and subsequent legislation. Secondly, it is an indication of weak internal controls and governance system.

## 4.0 Recommendations

Based on the findings of the study, the following are the recommendations:

1. There is a need by the accounting officer of the county executive to ensure proper management of financial records as required by section 149 (2) (b) of the PFM Act. This includes ensuring there is no misstatement and availing all documents during the audit review.
2. The accounting officers to ensure public resources are used efficiently, economically and in a transparent manner as enshrined by section 149(1) of PFM. Examples are stalled hospital project; ECD construction budgeted for in 2015/2016 being completed years later; constructing footpaths in sparsely populated area of Nyali when there is a dire need for such investment in densely populated areas.
3. The County Assembly (constitutionally-mandated oversight body) needs to ensure proper legislation is in place and strengthens the existing policies against the misuse of public finances. This is because of the rampant violations related to unlawful and un-procedural transactions which undermine proper management of public funds.
4. The county needs to strengthen the internal controls and safeguards to ensure prudent and lawful use of resources as required by the PAA section 32.
5. There is a need by the county executive to evaluate the budgeting process and ensure allocation is made to more deserving areas with the capacity to absorb. This is because the net under-expenditure has been high across the years under review. For example: Audit report of FY 17/18 reveals that the youth, gender, culture, and sports was a second priority as indicated in the county fiscal strategy paper of FY 17/18. The department was allocated only Ksh.284,179,499 out of KSH. 3,918, 226,054 representing only 7% of the total budget. This reveals that the county

can't sufficiently deliver youth projects due to under budgeting.

6. Failure to avail quarterly budget implementation review reports to the public by the county government is one of the key challenges. The fact that the county sends the reports to Controller of Budget, timely, means that they can share them with the public. This essentially undermines accountability efforts, we hope the county will work on this.
7. The county Public Service board of Mombasa needs to establish an effective staffing structure that will ensure a sustainable wage bill. One of the wage bill problems cited is that the County inherited workers from the defunct municipal council who apparently earn heavy wages whilst at the same time the county continues to recruit more staff. So, there is need for oversight bodies to push for a comprehensive HR audit.
8. Looking at Mombasa's language identity, if the simplified version of the analysis of the Auditor General can be translated into Kiswahili it will go along the way in helping public to synthesis the reports.

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## Glossary

**Audit opinion:** Refers to the conclusion by the auditor general on whether or not the financial statements are free from material misstatements.

**Audit Query:** Refers to a clarifications that the Auditor general seeks on specific issues in order to form an opinion.

**Qualified opinion**: Awarded when the AG reviews the statements and concludes that the misstatements are material but not pervasive

**Disclaimer opinion:** Is awarded when the AG is not in position to base his opinion after audit review since the misstatements are both pervasive and material.

**Queried amount**: Refers to the amount of money whose transaction is deemed unlawful and the AG seeks explanation.

**True and Fair**: Relates to financial statements. Financial statements are true and fair if the information contained is sufficient both in quality and quantity to satisfy the expectations of the Auditor General as far as the statements are concerned.