

**Analysis of the Auditor General's Reports on the Financial Statements of Busia County**  
**Executive**  
**2018/19 – 2019/20**

## Table of Contents

<i>1.0 Introduction</i>	<i>3</i>
<i>2.0 Overall Expenditure</i>	<i>7</i>
<i>3.0 Overview of Audit Opinion</i>	<i>8</i>
<i>4.0 Queried Amounts</i>	<i>8</i>
<i>4.1 Overview of Audit Queries</i>	<i>9</i>
<i>4.2 Review and findings for FY 2018/19</i>	<i>10</i>
<i>4.3 Review and findings for FY 2019/20</i>	<i>12</i>
<i>4.4 Recurring Issues</i>	<i>13</i>
<i>5.0 Opportunity Cost</i>	<i>14</i>
<i>6.0 Recommendations</i>	<i>14</i>
<i>7.0 Conclusion</i>	<i>16</i>

## List of figures

<b>Figure 1: Trends in total expenditure, FY 2015/16-2019/20</b>	<b>7</b>
Figure 2: Distribution of the queried amounts and as percentage of total annual expenditure	9

## List of tables

<b>Table 1: Summary of Auditor General's opinion FY 2015/16-2019/20</b>	<b>8</b>
Table 2: Summary of audit queries by financial year	9

## 1.0 Introduction

The Constitution of Kenya 2010, Article 229(5) requires the auditor general to audit and report on the accounts of any entity that is funded from public funds. The audit report confirms whether or not public money has been applied lawfully and in an effective way. These audited reports are submitted to the relevant county assembly or parliament for debate and an appropriate action arising from the report is supposed to be taken. Additionally, the Public Finance Management Act (PFM) Article 116 (7) requires the administrator of funds at the county level to prepare accounts for the funds for each financial year and not later than three months after the end of each financial year, submit the financial statement relating to those accounts to the Auditor-General and present the financial statement to the county assembly. The Auditor General is required by law to produce an audit report within six months after the end of each financial year. Thereafter, the Auditor General shares the report with the county assemblies and is required to publish these reports within fourteen days after submitting the report to the county assemblies.

The audit report upon submission to the county assembly is scrutinised by the county assembly's Public Accounts Committee (PAC) where the county public officers share insight on the audit queries. The Public Audit Act (PAA) section 50(2) requires PAC to complete the scrutiny process within a span of three months upon receipt of the report. After the discussions are complete with PAC, the county shall within 3 months after the county assembly recommendations take the relevant steps to implement the recommendations.

The County Chief Officer of finance is responsible to report any suspected offences to the relevant authorities and if there are any criminal matters arising from the report, then the police, the Anti-corruption Commission (EACC), Director of Public Prosecution (DPP) and any other relevant body may take up the offences committed. Often when the audit queries are reluctantly addressed, it may lead to increasing misuse of public resources which is not healthy for programme implementation at the county level. It is therefore prudent for citizen's, CSOs and the media to always be on the lookout whenever the PAC reports have been released and published and check what issues have been resolved and what remain unresolved from the original auditor general report.

### Types of Audits

**Compliance audit:** is the independent assessment of whether a particular subject matter is in compliance with applicable authorities identified as criteria. The auditors assess whether activities, financial transactions and information are, in all material respects, in compliance with the authorities which govern the audited entity. (At the Office of the Auditor-General, the financial and compliance audits are conducted simultaneously).

**Procurement audit:** is a form of compliance audit where the auditor assesses whether procurement for goods and services is done in accordance with the Public Procurement and Asset Disposal Act, 2015.

**Financial audit:** involves an independent, objective evaluation of an entity's financial statements in order to give stakeholders a reasonable assurance that the financial statements are presented in accordance with the financial reporting and regulatory framework.

**Performance audit** is an independent, objective and reliable examination of whether government undertakings, systems, programmes and activities are operating in accordance with the principles of economy, efficiency and effectiveness. Performance auditing therefore seeks to provide an analysis of decisions, implementation, impact and recommendations where appropriate.

A **forensic audit** is an evaluation of an entity's financial information for use as evidence in court. A forensic audit can be conducted in order to prosecute a party for fraud, embezzlement or other financial misappropriations. This involves the application of accounting methods to track and collect forensic evidence, usually for investigation and prosecution of criminal acts such as misappropriation of funds.

**Special Audits** are for "special purpose" audits, examples include environmental audits, information technology audits, procurement audits etc. These audits respond to specific requests, normally from Parliament or the County Assembly.

### **Overview of Types of Audit Opinions**

Audit opinion is a very important component in the auditing process because it makes a statement about an entity's financial position. The audit report usually provides a picture of the entity's financial performance over a given period of time which is normally a 12 months period. The audit opinion is based on several variables including how available the data was made to the auditors, whether the entity had the opportunity to follow all the due procedures, the materiality aspect<sup>[1]</sup> and whether each of the variables considered in the audit are subjective in nature and the entirely depend on the opinion of the auditor.

---

[1] Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the auditor general makes on the basis of the financial statements audited.

There are four different types of audit opinions that are awarded to entities based on the financial statements presented;

1. Unqualified opinion
2. Qualified opinion
3. Disclaimer of opinion

#### 4. Adverse opinion

##### **Unqualified opinion - clean Report**

This opinion by the auditor is considered as a report that does not have any kind of adverse comments and it does not include any disclaimers about the audit process. The auditor determines that each of the financial records provided by the entity is free from material misrepresentation and the financial reports are prepared in accordance with the applicable financial reporting framework. The opinion indicates that the auditors are satisfied with the entity's financial reporting.

##### **Qualified opinion – modified report**

The auditor expresses this kind of an opinion when reports and evidence presented for audit have violations of financial reporting standards according to the generally accepted accounting practices (GAAP). However, the problems are not widespread. The auditor received all the information required for the process and the financial transactions were recorded which to a large extent are in agreement with the underlying records except that the auditor notes that there are some material misrepresentations or omissions in the financial statement. A common trend for the auditor issuing this kind of opinion is the failure for the entity concerned to follow the Generally Accepted Accounting Principles (GAAP).

##### **Adverse opinion – adverse report**

An adverse opinion by an auditor indicates that the financial reports contain high level material misstatement or irregularities and that they have potential for fraud. This type of an opinion is a red flag. It means that the financial statements and the underlying books of accounts have widespread problems which are persistent and they require considerable intervention by the management to resolve. This kind of finding should be a concern to oversight bodies.

##### **Disclaimer of opinion – disclaimer report**

A disclaimer opinion means that the auditor has no basis to undertake the audit because the accounting records are unreliable. The financial statements exhibit serious and significant misstatements which arise from inadequate information such that the auditor general is unable to form an opinion on the entity's operations. The auditor distances themselves from providing any opinion related to the financial statement. The auditor is unable to determine whether the situation is qualified or adverse which is a serious lapse in compliance and should be a concern to oversight institutions.

##### **Scope of audit reports**

The audit reports have to be conducted in accordance with the International Standards for supreme Audit Institutions. The standards require that the audit be planned and be performed to obtain a reasonable assurance that fair presentation is achieved in the annual financial statements. The audit includes an examination on a test basis of evidence supporting the amounts and disclosures in the financial statements, assessment of the accounting principles used and an evaluation of the overall financial statement.

## Significance of the audit findings

The Constitution of Kenya 2010, requires the auditor general to regularly publish and publicise the audit reports. These reports are usually technical in nature and citizen friendly publications can enhance citizen engagement for meaningful impact.

The audit findings are important as they help the county government put in place systems that safeguard its internal operations and help the county to determine whether their mechanisms to mitigate financial risks, engage in awareness creation for the various stakeholders to check whether resources are being used prudently. These findings help the county concerned to determine whether there are conditions dealing with irregularities, waste, inefficiency, conflict of interest and control weaknesses.

This therefore forms the basis of analysing a simplified Busia County Auditors General's report on the financial statement for financial years 2018/2019 and 2019/2020. The analysis is for engagement with civil society organisations and county assembly, in particular oversight bodies in the county assembly to promote transparency and accountability in management of public resources.

## Classification of Audit issues

Audit issues can be classified as follows;

1.0 Lack of supporting documents	<ul style="list-style-type: none"><li>● Failure to provide records</li><li>● No documentary evidence</li></ul>
2.0 Violation of financial regulations	<ul style="list-style-type: none"><li>● Irregular expenditure</li><li>● Unbudgeted expenditure</li><li>● Ineligible expenditure</li><li>● Violation of public procurement regulations</li></ul>
3.0 Pending bills	<ul style="list-style-type: none"><li>● Bills not paid during the year</li><li>● Failure to settle pending bills</li></ul>
4.0 No value for money	<ul style="list-style-type: none"><li>● Poor quality/harmful purchases</li><li>● Nugatory expenditure</li></ul>
5.0 Failure to reconcile books of accounts	<ul style="list-style-type: none"><li>● Variance in cash and bank balances</li><li>● Unexplained/unreconciled variance</li><li>● Unexplained difference</li> <li>● Accuracy of opening balance and closing cannot be confirmed</li></ul>
6.0 long outstanding balances	<ul style="list-style-type: none"><li>● Long outstanding uncleared debtors</li><li>● Long outstanding bills</li></ul>

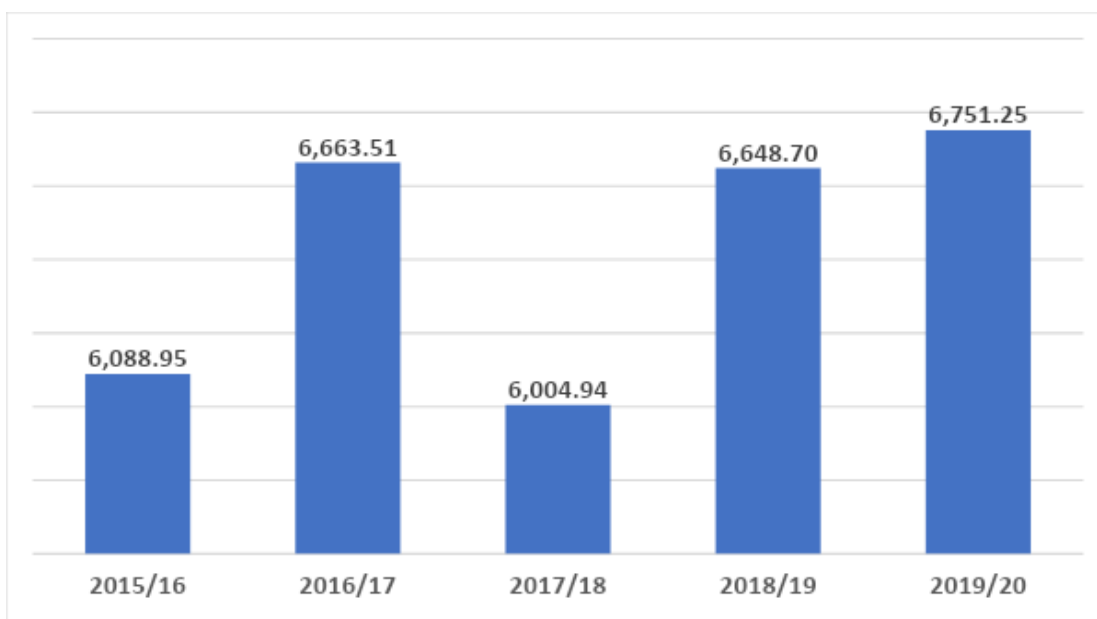
Source: Author's Compilation from Auditors General's report

## 2.0 Overall Expenditure

Figure 1 shows the trends in total expenditure for five financial years. It is these expenditures that the auditor general reviews, audits and gives opinion based on set financial regulations. Busia county's expenditure shows no consistent trend, with both decrease and increase in expenditure across the financial years. In FY 2018/19, Ksh. 6,648.70 million was spent on both development (Ksh. 4,707.60, 29%) and recurrent (Ksh. 1,941.10, 71%) expenditures, against the approved budget of Ksh. 8,403.64 million. Although the expenditure represents an increase of 11% from Ksh. 6,004.94 million in FY 2017/18, the county registered under expenditure of 20% or Ksh. 1,754.94 million of the approved annual budget. The county failed to provide any reason for the under expenditure.

The audit report points out under expenditure as a sign of budgetary control and performance challenges. Further, the approved expenditure of Ksh. 8,403.64 million was against approved revenue of Ksh. 7,195.98. This is against Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the budget be balanced (expenditure must be equal to revenue). This affected execution of planned activities and consequently, service delivery. What made the situation worse is that the county only collected Ksh. 299.37 million in own source revenue against the set target of Ksh. 452.52 million; resulting in further under funding of the approved budget. Similarly, the county failed to provide any reason for the under collection of its own source revenue or the efforts being made to improve on the local revenue collection.

**Figure 1: Trends in total expenditure, FY 2015/16-2019/20 (Ksh. million)**



Source: Office of Controller of Budget Reports

Budgetary control and performance challenges continued to persist in FY 2019/20. The expenditure of Ksh. 6,751.25 million is against an approved budget of Ksh. 9,275.98 million; resulting in under expenditure of Ksh. 2,524.73 million or 28%. The under expenditure is attributed to delays in release of funds (exchequer receipts) where Ksh. 1,933 million were released in June and July. It is important to note that the financial year closes on 30<sup>th</sup> June, giving the county no time to absorb the released funds.

### 3.0 Overview of Audit Opinion

The auditor general gave qualified opinions on the financial expenditure of the county executive of Busia for all the financial years under review except for 2018/19 where the auditor gave an adverse opinion. An adverse opinion occurs when the financial records show material misstatement that do not reflect the true and fair financial position of an entity. On the other hand, a qualified opinion is awarded when reports and evidence presented for audit have violations of financial reporting standards according to the generally accepted accounting practices (GAAP).

**Table 1: Summary of Auditor General's opinion FY 2015/16-2019/20**

Financial Year	2015/16	2016/17	2017/18	2018/19	2019/20
Auditor's Opinion	Qualified	Qualified	Qualified	Adverse	Qualified

Source: Auditor General's Reports

In FY 2018/19, the auditor outlines various audit issues for the basis of the adverse opinion award. The auditor notes that the county had errors in presentation of the annual reports and financial reports. The county also failed to present all the information required, and as such the true financial position of the entity could not be accurately ascertained. In particular, explanatory notes for material differences between the approved and actual budget balances, statement of budget execution by programmes/sub programmes, Integrated Financial Management Information Systems (IFMIS) reports and bank reconciliations statement were not presented.

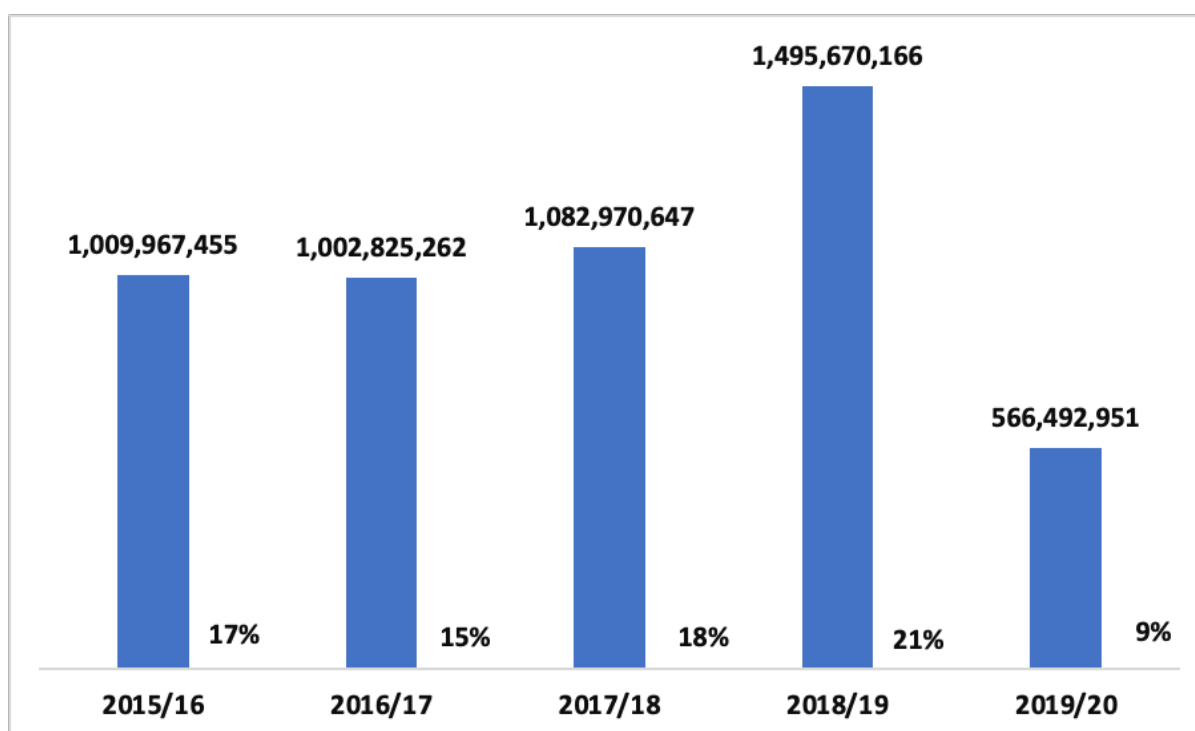
### 4.0 Queried Amounts

Queried amounts refer to the amount relating to the audit queries raised by the auditor during an investigation as having been transacted unlawfully with respect to International Public Sector Accounting Standards (IPSAS).

Figure 2 shows a summary of total queried amounts for each of the five financial years. The queried amounts are also expressed as a share of annual total county expenditure. The findings show that, in both nominal amounts and as a share of total expenditure, financial year 2018/19 had the highest queried amount at Ksh. 1,495,670,166. This share is an increase from financial year 2017/18 where the queried amount of Ksh. 1,082,970,647 represents 18% of the total expenditure. All the five financial years had an estimate of queried amounts slightly above Ksh. 1 billion except for financial year 2019/20 where the least amount being queried was recorded; both in nominal terms at Ksh. 566,492,951 and as a share of total expenditure at 9%.



Figure 2: Distribution of the queried amounts and as percentage of total annual expenditure



Source: Compilation from the Auditor General's reports-various publications

#### 4.1 Overview of audit queries

Table 2 summarises audit queries across two financial years: 2018/2019 and 2019/2020. Although there is a decrease in the number of audit queries from 19 in financial year 2018/19 to 14 in financial year 2019/20, issues relating to weak internal controls and overall governance continue to persist. An increase in the number of queries relating to no value for money was also registered in the financial year 2019/20. The increase in the number of no value for money audit issues from 3 to 7 is mainly due to poor project/programme performance. Out of a total of seven hundred and ninety-six (796) projects set out to be implemented by the executive through different sectors, only three hundred and eight (308) projects representing 39% had been completed. Additionally, eighty-eight (88) projects representing 11% of the projects had not started by the end of the financial year while four hundred (400) projects representing 50% were still on-going. If completed on time, the projects would have improved service delivery in the county.

Table 2: Summary of audit queries by financial year

Classification of audit issues	2018/2019	2019/2020
Violation of financial regulations	6	2
Failure to reconcile books of accounts	5	0
Lack of supporting documents	1	2
Pending bills	1	0
No value for money	3	7

Others -Weak internal controls	3	3
Total	19	14

It is required that relevant documentation should be provided for expenditure incurred but the auditor reports two instances in financial year 2019/20 and one in financial year 2018/19 where the county executive incurred expenditure and did not provide documentation for audit review. As such, the expenditure incurred cannot be ascertained, raising audit query. Similar to the general trend, the number of audit queries related to violation of financial regulations reduced from 6 to 2 in the financial year 2019/20. The 2019/20 report provides an example where the county failed to adhere to procurement regulations by paying up to 95% of the contract price while the construction was estimated to be at 70%. This resulted in an overpayment and therefore violation of financial regulations. Additionally, the county failed to provide completion certificates that should be provided by contractors before payments are made.

#### 4.2 Review and findings for FY 2018/19

The audit report showed a total of nineteen (19) queries being raised by the auditor general with six (6) audit issues as tabulated below;

Classification of audit issues	Number of queries	Specific query	Amount	Share
Violation of financial regulations	6	Under banking of OSR	15,173,178	19%
		Irregular charge of expenditure	225,370,566	
		Irregular expenditure to Council of Governors	7,179,691	
		Misallocation of funds	31,837,920	
		Budget control and performance	N/A	
		Errors in presentation of the annual reports and financial statements	N/A	

Failure to reconcile book of accounts	5	Variances between financial statement balances and IFMIS report balances	N/A	72%
		Variances between financial statements and ledger balances- compensation to employees, use of goods & services	796,174,611	
		Failure to reconcile transfers to County Assembly	6,320,242	
		Unexplained variance between cash and cash equivalents <sup>[1]</sup>	18,248,022	
		Variances in balances brought forward	(293,314,662)	
Lack of supporting documents	1	Unsupported cash and cash equivalents	N/A	
Pending bills	1	Inaccuracies in pending bills	7,868,725	1%
No value for money	3	Unsatisfactory renovation of the general ward at Port Victoria Hospital	1,498,256	1%
		Unsupported construction of biogas toilets- no feasibility study	6,999,488	
		Faulty laundry machine	7,800,000	
Weak internal control systems	3	Non- adherence to IT internal controls	N/A	7%
		Manual payroll processing	109,110,459	
		Lack of risk management policy framework	N/A	

[1] Cash and cash equivalents refer to the line item on the balance sheet that reports the value of an entity's assets that are cash or can be converted into cash immediately

The audit queries increased from ten in financial year 2017/18 to nineteen in financial year 2018/19. This represents nine (9) more queries when the two years are compared. Six (6) queries were on audit issues with violation of financial regulations. One query relating to violation of financial regulation is unlawful transfers by the county to the council of governors worth Ksh. 7,179,691. This is against Section 37 of the Intergovernmental Relations Act, 2012 which stipulates that the Council's budget shall be provided for in the annual estimates of the revenue and expenditure of the National Government.

Pending bills and lack of supporting documents each had a single query. Public finance management regulations also require that all revenue collected on behalf of the government be deposited into the county revenue fund and not spent without approval. However, review of revenue records from various hospitals within Busia County established that Kshs.15,173,178 was not banked into the County Revenue Fund. Five (5) audit queries were on failure to reconcile the book of accounts, implying that the accuracy of the financial statements for the county executive could not be confirmed. In all instances identified, the county management failed to provide explanations for the variances between financial statements, ledger and IFMIS report balances.

The amount for the three (3) audit queries on no value for money is estimated at Ksh. 16,297,744 and account for 1% of the total queried amount for the financial year. In renovation of the general ward at Port Victoria Hospital at Ksh. 1,498,256, the auditor reports that measures were not enforced to ensure work was done in accordance with the contractual terms. Although the work was completed and certified, audit inspection revealed cracks on the floor, casting doubt on whether value for money was realised. The county also paid Ksh. 6,999,488 for construction of two (2) biogas toilets at Mulukoba Beach and Omena Beach in Bunyala West Ward. Audit review reveals that usage was too low at an average of six (6) users per week at Mulukoba Beach whereas at Omena Beach there was no bio gas. With no feasibility study carried out before project implementation, the viability of the project is in question and so is the value for money.

Government policy requires that salaries should be processed through the Integrated Payroll and Personnel Database (IPPD) system. However, the Auditor reports that Kshs.109,110,459 was paid to employees through a manual payroll in the financial year 2018/19. This confirms weak internal controls and governance. A review of the Controller of Budget reports confirms that this audit issue continues to persist as the county was flagged for processing the same amount through manual payroll in the financial year 2020/21. The county should hasten the acquisition of personal numbers for their staff to facilitate payment of salaries through the required system.

### **4.3 Review and findings for FY 2019/20**

Based on the audit report for Busia County executive for financial year 2019/20, the Auditor General raised fourteen (14) audit queries. The Auditor queried the expenditure on the audit issues and amounts as shown below;

Classification of audit issues	Number of queries	Specific query	Amount	Share
Violation of financial regulations	2	Inaccuracies in the Financial Statements	335,929,766	59%
		Budget control and performance- under funding and under expenditure	N/A	
Lack of supporting documents	2	Unsupported Expenditure-supply of food and foodstuffs to different hospitals in the County	4,641,870	1%
		Non-Submission of Financial Statements for Funds	1,900,000	
No value for money	7	Delayed Electrification Projects	39,900,000	40%
		Maternity and NewBorn Unit at Busia County Referral Hospital	48,033,680	
		Construction of Agribusiness Incubation Centre	33,520,695	
		Delayed Rehabilitation of Lugulu-Bwaliro Water Supply	9,590,770	
		Construction of NHIF Corporate Block-stalled at 50%	9,140,175	

		Poor construction of major drainage structures and improvement of Machukus-Gara Road	69,391,130	
		Incomplete construction of Amoni Market Phase I	14,444,865	
Weak internal control systems	3	Unresolved prior year audit queries	N/A	
		Ineffective management of the County Public Service Board	N/A	
		County revenue collection and management system	N/A	

Financial year 2019/20 had the least amount of value of expenditure being queried. Seven (7) out of the fourteen (14) audit queries touched on no value for money. These were the highest number of queries for a single audit issue raised in the financial year 2019/20. The value on audit queries relating to no value for money increased from Ksh. 16,297,744 in financial year 2018/19 to Ksh. 224,021,315 in financial year 2019/20. The audit query on poor construction of major drainage structures and improvement of Machukus-Gara road accounted for the largest share of that value at Ksh. 69,391,130. The Auditor reports that the project undertaken by the department for Public Works, Roads, Transport and Energy, was poorly done and needed to be re-done by the contractor before payment was made. Citizens are also yet to receive value for money on the construction of Amoni market phase 1 because the roofing and drains were incomplete and the contractor no longer at the site.

The other audit queries raised by the Auditor General in the financial year 2019/20 were on the following audit issues; violation of financial regulations (2), lack of supporting documents (2) and weak internal control systems (3).

Busia County has persistently failed to meet the revenue targets set in the annual budget and the share of its own source revenue has been declining. To address challenges in revenue administration, the county executive contracted Strathmore Research and Consultancy Centre (SRCC) to provide automation of revenue collection. Verification of the project by the Auditor General reveals that the user departments failed to utilise the developed modules and thus were not functional. Although the contract had elapsed two years ago, no corrective measures have

been taken to get the benefit of the infrastructure. This is not very assuring on the effectiveness of internal processes and systems at the county executive as noted by the audit report. The county executive also failed to resolve audit queries raised in the audit report for financial year 2018/19.

#### **4.4 Recurring Issues**

The county executive failed to resolve the audit issues on the fixed assets register despite the issue recurring across the audit reports for five financial years (2015/16-2019/20). In the financial year 2019/20 audit report, the Auditor confirms that the assets register maintained by the county executive did not include the assets that were taken over from the defunct local authorities when the County Government was established. Further, no handing over and taking over report in respect to assets and liabilities of the defunct local authorities in support of the assets and liabilities taken over by the County Executive was availed for audit review. Audit review also revealed that motor vehicle records and assets register had not been updated and did not conform with the revised template issued by The National Treasury. The County Executive did not also provide asset registers for buildings, computers, and furniture and fittings. In the circumstances, it could not be established whether the county executive has instituted effective controls to safeguard the assets.

In the financial year 2018/19 and 2019/20, the auditor general had raised issues on poor budgetary control and performance. First, the county executive violates public finance management regulations by preparing unbalanced budgets where expenditure exceeds revenue. This resulted in an under-funding of the budget in the two financial years. Second, the county executive recorded under expenditure of 34% in the financial year 2019/20 and 20% in the financial year 2018/19. The underfunding in the financial year 2019/20 is due to late exchequer release by the County Treasury to the County Executive. Both under funding and under expenditure affect effective execution of the planned activities for the financial year and negatively impact on service delivery to the citizens.

The issue of inaccuracies in financial statements remained recurrent in the two financial years due to failure by the county executive to provide explanations in support of variances. Given that the county has professionals who are trained on the International Public Sector Accounting Standards, failure to do so points to weak internal control systems.

#### **5.0 Opportunity Cost**

The current data on Busia County shows that only 12% of the entire population delivers in hospitals due to the few hospitals in the county. To reduce child mortality rate, through the Department for Health and Sanitation, a local firm was awarded a contract for the completion of Maternity and NewBorn Unit at Busia County Referral Hospital at a contract sum of Kshs.50,533,680 and with a completion date of six months commencing from 5 September, 2019 to 20 February, 2020. The contractor had been paid an amount totalling to Kshs.48,033,680 equivalent to 95% of the contract price while the construction was estimated to be at 70% complete, thereby resulting in an overpayment. The CIDP 2018-2022 reveals that the department

for health and sanitation had planned to increase the number of functional maternity units from 42 to 53 by 2019 at a cost of Ksh. 26.37 million. If the funds queried above were used efficiently, this goal would have been realised and facility coverage increased across the county. Sadly, this was not possible and could mean worsening of the already poor indicators of child mortality rates in the county. Infant mortality rate in Busia County currently stands at 40.5%, ranking 39<sup>th</sup> out of the 47 counties (IEA Kenya/ NDI - [Little Fact Book](#)).

In financial year 2019/20, the County Executive initiated rural electrification projects through the Rural Electrification Authority at a contract price of Kshs.39,900,000 and made advance payment in two tranches of Kshs.5,000,000 and Kshs.34,900,000 in full settlement of the cost. However, an audit inspection conducted in various sampled Wards revealed that the projects had not started and there was no communication from the contracted Authority on the delays in implementation. Consequently, if the funds were used effectively, the county would have established 11 power lines at a cost of Ksh. 3.3 million each so as to realise the targets under County Integrated Development Plan (CIDP). Rural electrification enhancement project was established with the goal that the rural households are connected to cheap and reliable energy to enable them to go about their economic activities with ease.

## **6.0 Recommendations**

### **i) Stalled and incomplete projects**

During the year under review, the County Executive anticipated to implement a total of seven hundred and ninety-six (796) projects/programmes through different sectors. However, an analysis conducted on the project performance records revealed that three hundred and eight (308) projects representing 39% had been completed, four hundred (400) projects representing 50% were still on-going while eighty-eight (88) projects representing 11% of the projects had not started by the end of the financial year. The county government should put up functional structures to ensure that county projects that are stalled and incomplete are prioritised for completion so that residents can access services from such facilities.

The county should identify and address issues causing delays in implementing development projects. First, a project implementation committee should be established. The committee will be responsible for monitoring project implementation across the county and reducing the share of incomplete and stalled projects.

Civil Society Organizations can use social accountability mechanisms such as community scorecards to track implementation of projects and work with county officials in identifying action points towards improving execution of development budget. The citizens can also advocate for representation in the project implementation committee. Given their proximity to the project sites, they can provide valuable continuous information on the status of project implementation.

### **ii) Feasibility studies for projects**



The large number of stalled and incomplete projects is an indication of poor project planning. The audit reports highlight several instances where feasibility study before project implementation was not undertaken. The increase in the number of audit queries pertaining to no value for money further confirms that feasibility studies are often not considered. Feasibility studies by the departments implementing projects will in part resolve the issue of no value for money since project viability and returns will be established before hand and investments of public resources only made to projects that have high value for citizens.

iii) Internal control systems

The county executive should enhance internal control systems so as to ensure that matters like inaccuracies in financial statements, lack of supporting documents and violation of financial regulations are resolved. The auditor general identified components of internal control systems that if addressed could enhance effectiveness of county operations. The county assembly should follow up and ensure the county executive addresses the audit queries.

iv) Budgetary control and performance

The county executive should ensure that the annual budgets are balanced to reduce recurrence of underfunding and under expenditure. The county assembly should increase interrogation of budgets before approval to ensure that the approved budgets are balanced. The county should enforce modules prepared through the support of a consultant to automate revenue collection to improve its own generated revenue and fully fund the budget. In FY 2019/20, the County reported low performance in its own source revenue as one of the contributing factors to the high pending bills.

As required by the public finance regulations, the county should work towards clearing pending bills by ensuring that they are a first charge in subsequent budgets. The outstanding pending bills for Busia County by the end of FY 2021/22 was Ksh.1.82 billion and the sum included the bills classified as eligible by the Office of the Auditor General. The Auditor General reported that eligible pending bills as at June 30 2020 were Kshs.742.93 million, out of which the County has settled bills amounting to Ksh.499.85 million, leaving a balance of Ksh.243.09 million as of 30th June 2022<sup>1</sup>.

v) Resolve prior year matters

The county executive should ensure that recurrent issues as raised by the Auditor General are addressed appropriately. Especially in areas of no value for money in order to achieve the county's development agenda and enhance service delivery. There should be proper checks and balances in the county internal control systems so as to ensure effective and efficient use of public resources.

## 7.0 Conclusion

---

<sup>1</sup> IEA Kenya Analysis of Busia County Budget Implementation Review Report FY 2021/22

Effective and efficient use of public funds should strictly be adhered to across all government departments and agencies responsible with handling public funds. The misappropriation of public resources as highlighted across the audit findings are indication of loopholes and low accountability by the County Assembly and citizens. The main concerns in the audit report for financial year 2019/20 is no value for money where money has been spent but the intended services are not offered or are not worth the money spent on. Despite the county executive having improved in terms of the amount of expenditure being queried, a lot still need to be done in order to ensure that the county government gets a clean report.

### Glossary

Term	Meaning
Audit Query	This is the clarification sort by the auditor general on a specific issue in order to make a conclusion during the audit process
Emphasis of the matter	This refers to a paragraph that is included by the auditor in his report to direct attention of users of financial statements to a matter that has been discussed appropriately in the financial statement (usually a disclosure)
Pending bills	These are bills which are yet to be settled by an entity during the reporting period the financial year under auditing or unsettled financial obligation that occur at the end of the financial year as a result of failure to pay for goods and services that has been properly procured

Stalled incomplete projects	A stall project is that one project that is still active but for a given reason has no actions pending or cannot move forward
Unsupported expenditure	All expenditures must be supported by adequate for example original copy of receipts, invoices or even bills
Value for money	Refers to whether something is well worth the money spent on it.