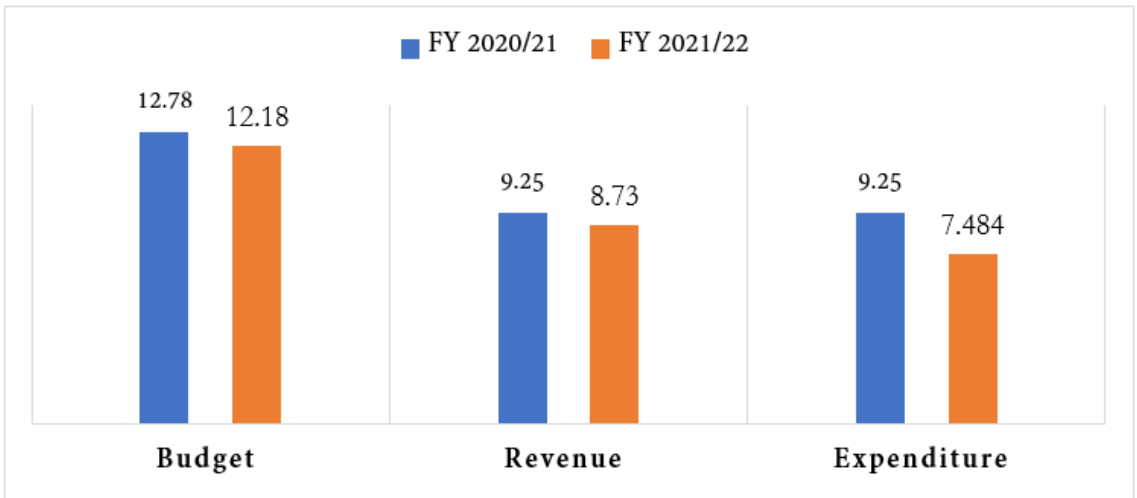




Fact Sheet

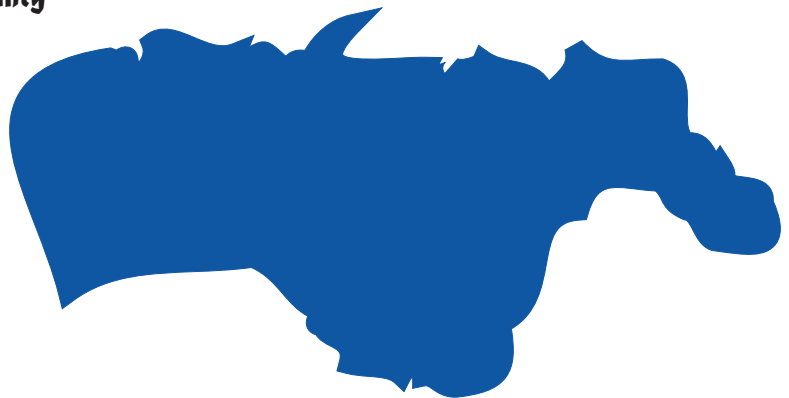
Analysis of the Auditor General’s Report on the Financial Statements of the Kisumu County Executive: FY 2020/21 – 2021/22

1.0 Budgetary Allocations Vs Actual Expenditures for FY 2020/21 - 2021/22

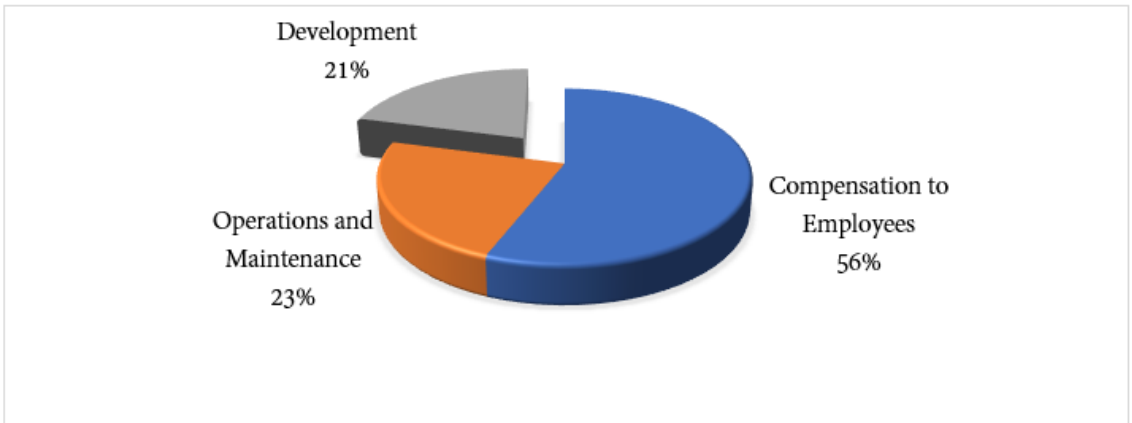


Source: Office of Controller of Budget Reports

Map of Kisumu County

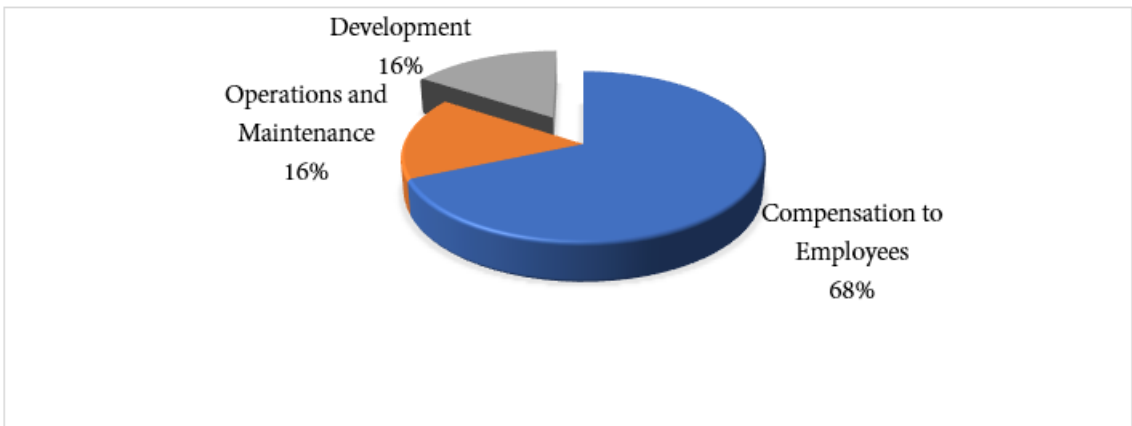


2.0 Composition of Kisumu County Expenditure for FY 2020/21 - 2021/22 respectively



Source: Office of Controller of Budget Reports

FY 2021/22 respectively

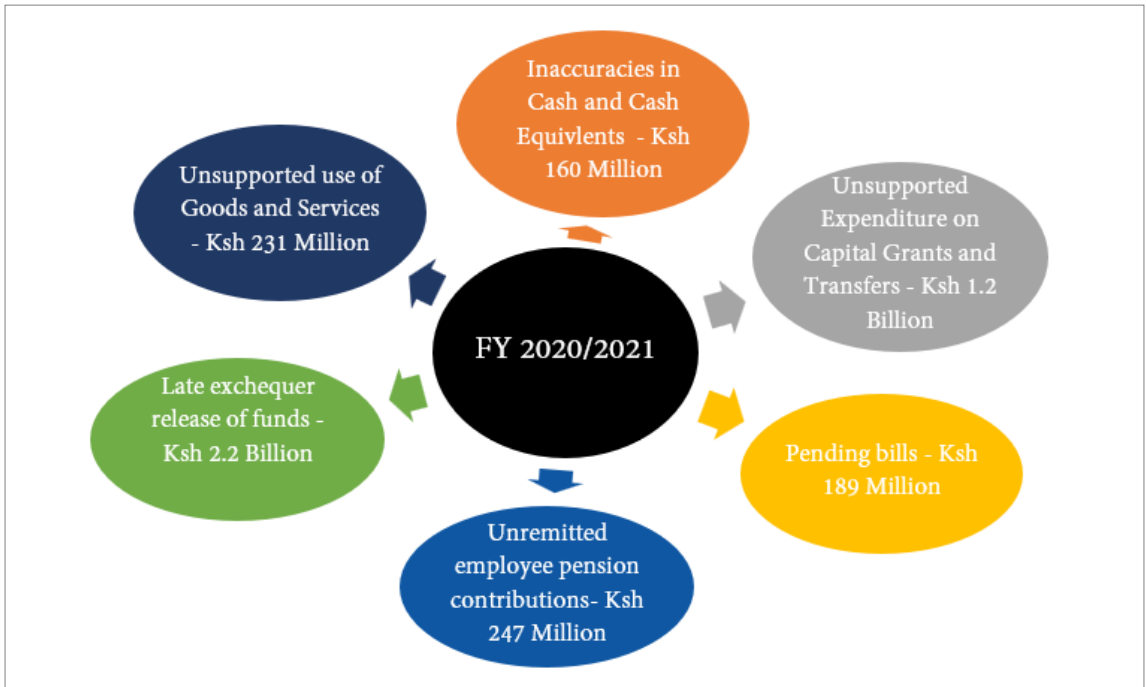


Source: Office of Controller of Budget Reports

3.0 Trends of Audit Opinion from FY 2018/2019 – 2021/2022

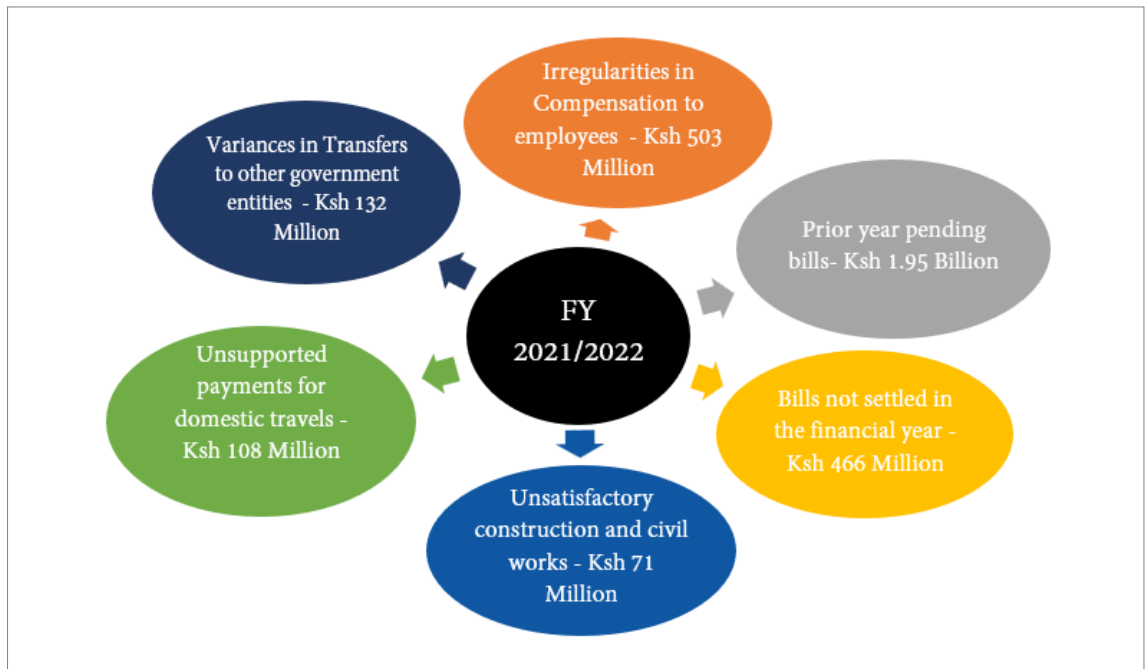
Financial Year	2018/19	2019/20	2020/21	2021/22
Auditor's Opinion	Adverse	Adverse	Adverse	Adverse

4.0 Major Queries in FY 2020/2021



- Total amount queried in FY 2020/21 was Ksh 5.1 billion

Major Queries in FY 2021/2022

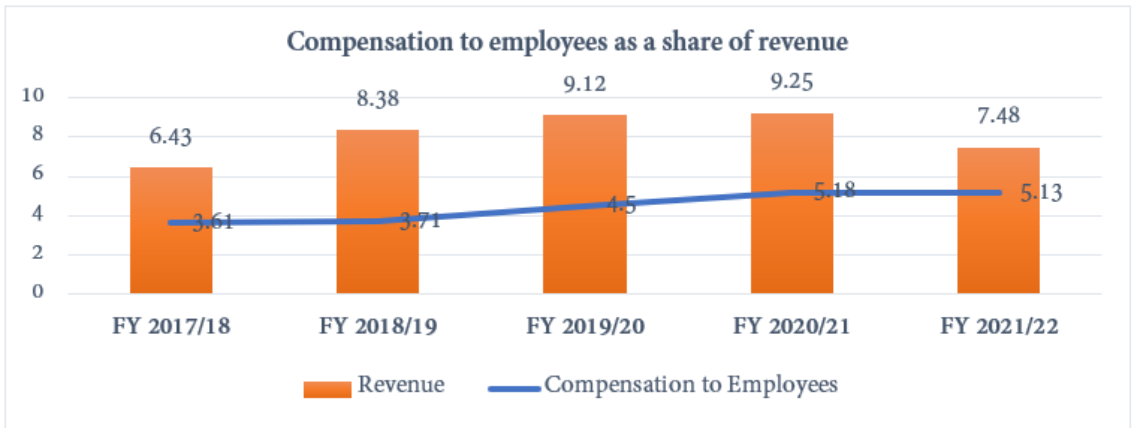


- Total amount queried in FY 2021/22 was Ksh 3.87 billion

4.0 Unresolved Prior year Matters

Some of the major unresolve issues reported included:

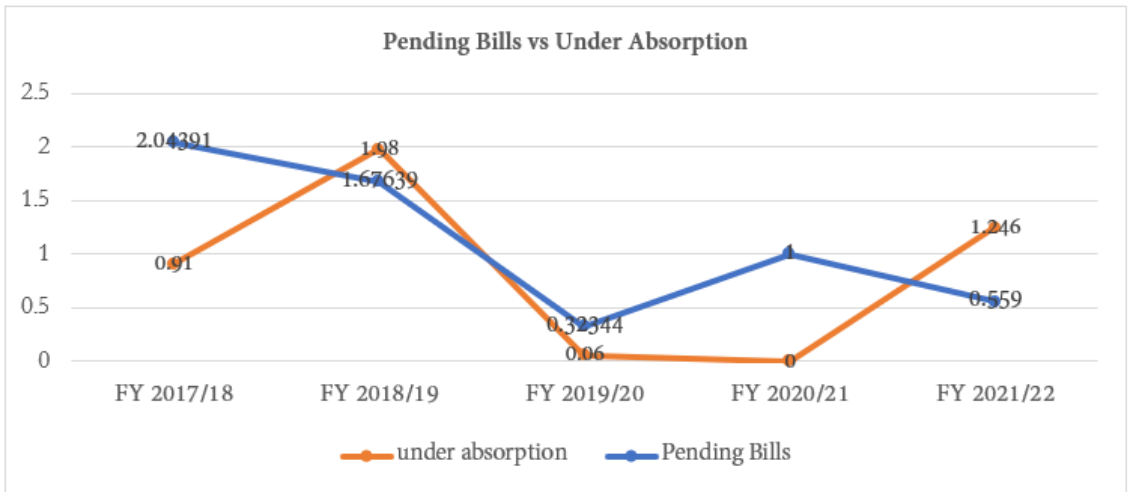
I. Trends in Compensation to employees for FY 2017/18 - 2021/22



Source: Office of Controller of Budget Reports

Compensation to employees constitutes the single largest expenditure over the years surveyed. The table above shows that employee compensation averaged at 45% of revenue over the last five years.

II. Trends in Pending Bills and Budget Under absorption for FY 2017/18 - 2021/22



Source: Auditor General report

The figure above shows pending bill balances in comparison to the amount sent back to treasury. The county accumulated pending bills even when there were balances remitted back to the treasury at the end of the financial years.

III. Transfer to other Government Agencies

The county government made several transfers to other agencies like sub counties and different health facilities. The comparative statement balances did not match the actual transfers remitted to the facilities. Further to this, the count made purchases to the county emergency funds directly, whereas the fund should operate as a semi-autonomous unit. The council of governors also received funding from the county while the law stipulates that the council of governors should be funded directly from Treasury. This was in breach of financial regulations.

IV. Bank Reconciliation

The reports submitted for audit did not have bank reconciliation statements; the ones that were reconciled showed variance in figures from the cash book and the IFMIS balances. The management must take up the matter for reconciliation seriously to present the true and complete picture of the county finances.

V. Use of Goods and Services

The account for use of goods and services showed expenditure charged to unrelated accounts. Payment to casual workers was included in this account instead of posting in the remuneration account. In some cases, the invoiced amounts under this heading did not tally with the subsequent LPOs and LSOs. This puts in the question the accuracy and reliability of the values incurred in purchase of goods and services in the years reviewed.

5.0 Opportunity Cost

- **Unsatisfactory Construction of Gege Dispensary**

The county government spent 3,004,475.00 to construct a dispensary. The audit inspection revealed that the building walls had serious cracks one year after construction, further, the facility was not in use at the time of the audit. This idle dispensary is a case of sunken capital whose value the people of Kisumu may not realize in the future.

- **Delayed Completion of Projects**

The projects that were funded under the EU IDEA project to construct the administration and ablution block for a total sum of Ksh. 26,871,625.00 delayed beyond the contract period even after the county spent more than the contract amount due to cost adjustments. The delays have denied the residents access to a milk processing plant that would have boosted the socio-economic wellbeing of the residents.

- **Unsatisfactory construction of roads**

The Pundo Kandara Junction and Nubian access roads were not completed after payment of contract sums and lapse of the contract duration. The works done were not satisfactory as there was no proper drainage on Pundo Kandara junction. The contractor was however not on site and the roads were not usable. The access to reliable transport routes is a fundamental socio-economic stimulus whose absence hinders movement of people and commodities within the county.

- **Construction of Market Sheds**

Market sheds under construction at Riat and Pap Onditi markets have either been delayed or stalled. The contractors have abandoned works on site hence there was no value for money spent.

Key Messages

- There was a decrease in amount queried, from Ksh 5.1 billion in FY 2020/21 to Ksh 3.8 billion in FY 2021/2022. However, the actual number of audit queries increased from the previous audited county financial statements
 - o Violation of financial regulation increased from 15 cases to 27 cases, lack of supporting documents increased from 20 cases to 25 cases while failure to reconcile shot up from 3 cases to 25 cases and no value for money reported 16 cases from one case in the previous year.
 - o The queries revolved around, failure to reconcile books of account, lack of supporting documents, violation of financial regulations, no value for money and pending bills. Most of these issued have been carried forward without any resolutions.
- The County government of Kisumu is tasked with providing goods and services to the people of Kisumu County, and should ensure that funds allocated for the achievement of this, are used prudently, effectively and within the confines of the existing laws and regulations.
 - o Therefore, the County Assembly,
 - Through the Public Investment and Account Committee (PIAC) must Address the New Emerging Trends of Increase in Some Audit Queries,
 - Needs To Provide Adequate Oversight to Ensure the Executive Ensures Compliance with the Law on Budget Process, and
 - Must Insist on Accounting Officer's Prioritizing of Verified Long Outstanding Payment of Pending Bills.

- o CSOs on the other hand,
 - Should Endeavor to Form Collaborative Engagements with the County Assembly to Provide Adequate Oversight to Ensure County Executive Address Unresolved Prior through the County Accounting Officers,
 - Need to Initiate a Public Interest Litigation Against the County Executive Failure to Follow the Law on Long Outstanding Imprests,
 - Together with PIAC Must Put Pressure for the County Management to Adherence to the Public Procurement and Assets Disposal Act, 2015, and
 - Should use Existing Networks and PIAC to Detect Potential Misappropriation Cases Using OAG Analysis Reports and Conduct Audit Activism.

- o The County Executive,
 - Should be Reviewing IFMIS Data on a Monthly Basis for Proper Reconciliation of Books of Accounts, and
 - Should comply with the Law on Fiscal Responsibility on Wage Bill.

- o To Improve Development Spending, PIAC Must Oversight the Executive during Budget Formulation to Set Realistic Revenue Targets

Contributors

1. Faith Nzomo
2. Raphael Muya



Institute of
Economic Affairs

Institute of Economic Affairs

5th Floor, ACK Garden House, 1st Ngong Avenue

P.O. Box 53989 - 00200, Nairobi, Kenya.

Tel: +254 - 20 - 2721262, +254 - 20 - 2717402

Fax: +254 - 20 - 2716231

Email: admin@ieakenya.or.ke

Website: www.ieakenya.or.ke

With the support of:



NATIONAL
DEMOCRATIC
INSTITUTE