



COUNTY GOVERNMENT OF LAMU
Office of the County Executive Committee Member
Finance, Budget, Strategy & Economic Planning



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The Manager
Lamu Municipality

ISSUES RAISED BY THE OFFICE OF THE AUDITOR GENERAL ON REVENUE

Reference is made to a letter from the Office of the Auditor General Ref. No. AOG/KRO/AUG/5/22/(3) dated 13th November, 2024 which we received on 14th November, 2024 during the exit meeting for the ongoing audit for Receiver of Revenue.

Below are some issues which were raised by the Auditor. Kindly respond to the issues since they relate to collections/issues within Lamu Municipality.

Kindly submit your response by tomorrow close of business to enable us to consolidate the report and submit it to the Auditors by Friday.

1.1 Weak Internal Controls in The Collection and Recording of Land Rates

Criteria

Public Finance Management (County Government) Regulations 2015 (63)(1) stipulates that a Receiver of Revenue is personally responsible for ensuring that— (a) adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies; (b) adequate measures, including legal action where appropriate, are taken to obtain payment; (c) official receipts are issued for all moneys paid to county government.

Observation

The Statement of Receipts and Disbursement and Note 2 to the revenue statements reflects Land rates balance of Kshs.8,520,930. However, weak internal controls were noted in the collection and recording of land rates.

Review of the land rate receipts provided for audit revealed the following anomalies.

- i) According to the finance act 2023, the county is required to levy land rates at the rate of 1% of the site value. However, the county does not invoice its ratable customers at the start of the year to establish the annual revenue potential.
- ii) The valuation roll of 2006 from FairLane Valuers limited is for land within the municipality. Valuation of land in areas outside the Municipality, solely depends on the owner visiting the office of the Fairlane Valuers limited to determine the rate of valuation. This can easily lead to collusion among the involved parties hence undervaluation of the land rates.
- iii) Examination of receipts provided for audit revealed land rates receipts totaling to Kshs.208,254 which were either not included in the ledgers or canceled and included in the ledgers as indicated below:

Receipt Numbers	Plot Number	Purpose of payment	Payment Confirmation	Receipt Status	Amount (Kshs)	Audit Status
0346	MK/29381	Annual rates	Mpesa R1H32PTEE9	Payment confirmed	31,755	Not captured in the submitted ledgers
0347	MK/29831	Clearance certificate	Mpesa R1G6WMP9GM	Payment confirmed	5,000	Not captured in the submitted ledgers
0348	12852/258	Annual rates	Mpesa R1GWMP9GW	Payment confirmed	10,209	Not captured in submitted the ledgers
0349	12852/258	Clearance rates	Mpesa R1G6WMP9GM	Payment confirmed	5,000	Not captured in submitted the ledgers
0350	12852/199	Annual rates	Mpesa R1K8AOB4AQ	Payment confirmed	7,773	Not captured in submitted the ledgers
1383	1/333	Ground rate arrears	Mpesa SCS9DW2BBF	Payment confirmed	1,210	Canceled on the receipts
0515	1/211	Annual rates	MPESA- Transaction Number mentioned	No Payment confirmed	1,407	Canceled on the receipts
1327	1v/86	Annual rates	Chq no 003951	Payment Confirmed	104,200	Canceled on the receipts

Receipt Numbers	Plot Number	Purpose of payment	Payment Confirmation	Receipt Status	Amount (Kshs)	Audit Status
294	Lamu Manda island/288	Annual rates	Mpesa RGBI9VP0IL	Payment made	6,950	Not captured in the ledgers
295	Lamu Manda island/288	Annual rates	Mpesa RGBI9VP0IL	Payment made	13,900	Not captured in the ledgers
296	Manda island/288	Annual rates	Mpesa RGBI9VP0IL	Payment made	6,950	Not captured in the ledgers
297	Manda island/288	Annual rates	Mpesa RGBI9VP0IL	Payment made	13,900	Not captured in the ledgers
		Total Amount			208,254	

Cause

Failure by revenue staff to capture data from the source documents.

Risk(s)/Effect(s)/Implications

Misappropriation of public funds.

Recommendation

- Revise the land rate ledgers and revenue statements
- Explain the anomalies

Management Response

1.2 Land Rate Arrears

Criteria

Section 157 (2) of the Public Finance Management Act, 2012 provides that a receiver of county government revenue is responsible to the County Executive Committee member for finance for ensuring that the revenue for which the receiver is responsible is collected or recovered, and is accounted for.

Section 153. (1) The Public Finance Management Act, 2012 provides that, the accounting officer for a county Government entity is responsible for the management of the entity's assets and liabilities; and shall manage those assets in such a way as to ensure that the County Government entity achieves value for money in acquiring, using or disposing of those assets.

Observation

The statement of Arrears of Revenue reflects Land Rates arrears balance of Kshs.221,003,423. Some of the arrears have been outstanding for more than Seventeen (17) years. No efforts were seen from the receiver of revenue to recover this long outstanding land rates from the property owners.

Cause

Failure by receiver of revenue to entice land owners with waivers and collect the arrears.

Risk(s)/Effect(s)/Implications

Under collection of land rates revenue

Recommendation

The Receiver of Revenue should device ways to collect land rate arrears.

Management Response**1.3 Failure to Collect Revenues from Identified Sources****Criteria**

Section 158 (1) of the Public Financial Management Act, 2012 provides that a receiver of revenue for a county government may authorize any public officer employer by that county government or any of its entities to be a collector of revenue for the purpose of collecting revenues for that county government and remitting it to the receiver.

Further, section 1 of the Lamu County Finance act, 2023 defines County revenue collector as the county public officer appointed pursuant to section 158 of the public financial management Act, 2012 and remitting it to the county Receiver of Revenue.

Section 14(2) of the Lamu County Finance act, 2023 directs that all business within jurisdiction of the county shall be required to pay licenses, charges, fees, cess, rent or other prescribed fees unless specifically exempted by any relevant legislation or authority.

Observation

The statement of receipts and disbursements reflects total county own source revenue amount of Kshs.213,328,064. However, during the audit, it was noted that the receiver of revenue failed to collect revenue from some identified revenues sources in the Lamu County Finance Act 2023 as indicated below:

i) Air Cargo Cess

Item 906 of the fifth schedule of the finance act, 2023, provides that Air cargo cess of Kshs.3000 per 10 Kg bundle. However, during the year no cess revenue was collected from the air cargo.

ii) Parking Fee for Passenger Boats and Cargo Boats

Item 732, item 733, item 734 and item 735 of the third schedule outlines parking fees for passenger boats and cargo boats payable on a monthly basis as indicated below:

No.	Revenue stream	Rate (Kshs)
1	Fisheries Jetties parking fees per day, and county boat yard docking fees per day	100
2	Passenger boat (less than 25 hp) per month	200
3	Passenger boat (Big boats, over 25 hp)	300

Receiver of revenue did not disclose any collections from parking fee of boats.

Cause

Failure by the receiver of revenue to comply with finance act 2023.

Risk(s)/Effect(s)/Implications

Possible loss of public Funds

Recommendation

Please explain the failure to collect funds from the various sources of revenue.

Management Response

1.4 Under Collection of Advertising Revenue

Criteria

Regulation 63(1) of the Public Finance Management (County Governments) Regulations 2015 on responsibility for revenue management requires that adequate safeguards exist and are applied for the prompt collection and proper accounting for all county government revenue and other public moneys relating to their county departments or agencies.

Observation

The statement of receipts and disbursement and Note 7 to the revenue statements reflects advertising revenue of Kshs. 4,613,556. Included in this balance is an amount totaling to Kshs. 600,000 in respect to communication masts charge.

However, during the audit it was noted that the receiver of revenue did not collect revenue totaling to Kshs.2,850,000 from nineteen (19) communication masts which were within the county as indicated below.

S/No.	Company	Location	Amount(Kshs)
1	American Towers Company Ltd	2 Wiyoni, 1 Bajuri, 1 riyadha, 1 Hindi, 1 Mokowe @150,000/=	900,000
2	Safaricom	2 Amu, 1 Mokowe, 1 Hindi @150,000/=	600,000
3	Airtel	2 Amu, 1 Mokowe, 1 Hindi @150,000/=	600,000
4	Safaricom, Airtel and ATC	5 Mpeketoni @150,000/=	750,000
		19 Masts	
	Total		2,850,000

Cause

Failure by the receiver of revenue to implement the Finance Act 2023.

Risk(s)/Effect(s)/Implications

Loss of revenue.

Recommendation

Explain why the county under collected the communication mast charge revenue as per the Act.

Management Response

Thank you.



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