

# **REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF ELGEYO/ MARAKWET FOR THE YEAR ENDED 30 JUNE, 2020**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of County Executive of Elgeyo/Marakwet County set out on pages 1 to 49, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and statement of appropriation - recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Executive of Elgeyo/Marakwet as at 30 June, 2020, and of its financial performance and its cash flows for the year ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

### **Basis for Qualified Opinion**

#### **1.0. Variances Between Financial Statement and Ledger Balances**

Several balances reflected in the financial statements differ with identical account balances reflected in the Integrated Financial Management Information System (IFMIS) ledger as at 30 June, 2020. The differences affect bank and cash balances, accounts receivables and accounts payables, among others, as indicated in the attached Appendix I.

Further, the statement of assets and liabilities as at 30 June, 2020 reflects a cash and cash equivalents balance totalling Kshs.590,667,031 which includes bank balances totalling Kshs.590,667,031, as further disclosed in Note 21A to the financial statements. However, bank balances reflected in IFMIS bank reconciliation statements as at 30 June, 2020 differ with those disclosed in Note 21A, as summarized in the attached Appendix II.

In addition, bank reconciliation statements as at 30 June, 2020 for three IFMIS accounts operated at the Central Bank of Kenya were not provided for audit review. Therefore, the accuracy and completeness of the cash and cash equivalents balance totalling Kshs.590,667,031 reflected in the statement of assets and liabilities as at 30 June, 2020 could not be confirmed.

In view of the unexplained differences between financial statement and ledger balances, the accuracy and completeness of the financial statements could not be confirmed.

## **2.0. Unconfirmed Balances**

The financial statements reflect several unconfirmed balances as explained:

### **2.1. Transfers from Other Government Entities**

The statement of receipts and payments reflects cash transfers received from other government entities totalling Kshs.118,394,482, as further disclosed in Note 3 to the financial statements. In addition, records provided for audit indicated that in the year under review, the National Government provided the County Executive with a conditional grant amounting to Kshs.57,212,000 for Covid-19 Emergency Response. However, the grant is not among those included in the aggregate balance totalling Kshs.118,394,482 reflected in the statement of receipts and payments. As a result, the balance is not fairly stated.

## **2.2. Compensation of Employees**

### **2.21. Misclassified Expenditure**

The statement of receipts and payments reflects compensation of employees' payments totalling Kshs.2,123,891,276, as further disclosed in Note 11 to the financial statements. The balance includes Kshs.6,400,000 reported as having been spent on basic wages for temporary employees. However, records provided for audit indicated the sum was actually spent on reimbursements of medical expenses incurred through the National Hospital Insurance Fund. As a result, the compensation of employees' balance totalling Kshs.2,123,891,226 is not fairly stated.

### **2.22. Staff Emoluments Paid Outside the Payroll System**

A review of payroll records revealed that each of the County Executive's Departments, maintained two sets of payrolls, one in the IPPD system and the other in manual form. The records further indicated that seventy-four (74) staff members were not in the IPPD payroll. Instead, their emoluments totalling Kshs.142,485,314 were processed manually in spreadsheets prone to error and other forms of misstatement.

Management has not provided a plausible explanation for use of manual payrolls in place of the prescribed IPPD system. As a result, the accuracy and completeness of the payments for compensation of employees' totalling Kshs.2,123,891,276 incurred in the year under review could not be confirmed.

## **2.3. Fixed Assets**

### **2.31. Incomplete Fixed Assets Register**

The summary of fixed assets register at Annex 5 to the financial statements reflects a historical cost balance totalling Kshs.3,889,716,675 as at 30 June, 2020 after additions totalling Kshs.862,647,069 were made in the year under review.

However, review of records on the assets indicated that the County Executive did not maintain a register of land and buildings with disclosures on location of each parcel of land, the terms on which it was held or owned, its size and date of acquisition, among other details.

### **2.32. Grounded Road Construction Equipment**

The summary of fixed assets register at Annex 5 to the financial statements includes machinery and equipment with a historical cost of Kshs.412,226,963. Records provided for audit indicated that nine (9) road construction machines whose values were, however, not disclosed, were grounded with mechanical problems, or were not in use as at 30 June, 2020. In addition, two tipper-lorries and one road roller had as at 30 June, 2020 been grounded for over three (3) years.

Management did not disclose the actions it had taken to repair the grounded vehicles and machinery and put them to use; or why it had not boarded them for sale if they were beyond repair.

In the circumstances, the values attributed to the two grounded assets in the machinery and vehicles balance totalling Kshs.412,226,963 as at 30 June, 2020 may not have been correct.

In view of these issues, the aggregate fixed assets balance totalling Kshs.3,889,716,675 as at 30 June, 2020 may not be fairly stated.

## **2.4. Pending Bills**

Annex 2 to the financial statements reflects pending accounts payables totalling Kshs.85,142,544 as at 30 June, 2020. However, the respective pending bills register was not provided for audit review and as a result, the accuracy and completeness of the balance could not be confirmed. Further, Management did not provide a satisfactory explanation for failure to settle the bills.

In addition, examination of expenditure records indicated that during 2013-2014 financial year, the Ministry of Health paid health workers salaries totalling to Kshs.324,977,919 on behalf of the County Executive. The amount was to be paid back to the Ministry in the same financial year. However, as at 30 June, 2020, the repayments made by the County Executive amounted to Kshs.295,200,242 and as a result, the debt balance amounted to Kshs.29,777,678. The balance is, however, not included in the pending bills balance totalling Kshs.85,142,544 reflected in the financial statements.

Management explained that the debt was omitted from the financial statements because The National Treasury did not respond to written requests to confirm the amount owed by the County to the Ministry of Health.

In view of the omission, the pending bills balance totalling Kshs.85,142,544 as at 30 June, 2020 may not be fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Elgeyo Marakwet County Executive Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1.0. Budgetary Control and Performance**

##### **1.1. Budget Utilization**

The approved budget for the County Executive of Elgeyo Marakwet for the year under review amounted to Kshs.5,773,518,234 which comprised of development expenditure totalling Kshs.2,409,881,967 and recurrent expenditure totalling Kshs.3,363,636,267. However, actual expenditure amounted to Kshs.4,355,990,109, resulting in under-expenditure of Kshs.1,417,528,125 or 25% of the budget as analyzed in Appendix III.

The unutilized 25% share of the budget implied that some activities and projects in the annual work plan were not implemented. As a result, the desired level of service delivery to the residents of Elgeyo/Marakwet County may not have been achieved.

##### **1.2. Late Exchequer Releases**

Records provided for audit indicated that there was delay in receipt of the equitable share of revenue by the County Executive in the year under review. Exchequer releases totalling Kshs.679,588,800 were received from the National Treasury in late June, 2020, and in August after the end of the financial year under review, as indicated in the following table:

	<b>Date Funds Received in the Bank Account</b>	<b>Reference No</b>	<b>Transaction Details</b>	<b>Amount Received Kshs</b>
1.	24 June, 2020	FT20176W0PLM	Equitable Share	347,517,000
2.	05 August, 2020	FT20218L9854	Equitable Share	332,071,800
<b>Total</b>				<b>679,588,800</b>

Further, the County Executive received funds totalling Kshs.218,324,778 from the National Government and several donors late in the financial year through the National Treasury as shown in Appendix IV to this report.

As a result of the delayed disbursements, implementation of programmes and activities planned for the year was delayed which in turn constrained delivery of services to the residents of Elgeyo Marakwet County.

## **2.0. Unresolved Prior Year Matters**

Note 11 of other disclosures indicates that audit issues raised in the report for the previous year had not been resolved as at 30 June, 2020. No explanation has been provided by Management for the delay in resolving the issues.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0. County Own-Generated Receipts**

##### **1.1. Under-Collection of Revenue**

The statement of receipts and payments for the year ended 30 June, 2020 indicates that the County Executive collected Kshs.141,145,227 from local revenue sources whereas the approved budget for the year had targeted collections totalling Kshs.184,570,246 resulting in a revenue shortfall of Kshs.43,425,019 or 24% of the budget.

Management explained the shortfall as having resulted from the impact of Covid-19 that saw most businesses in the County operate below capacity.

## **1.2. Irregular Accounting for Liquor Licenses Fees**

Disclosed in Note 9 to the financial statements under County owned-generated receipts are fees totalling Kshs.1,561,280 received from the issue of liquor licenses. However, the records provided for audit indicated that the County Executive did not transfer the collections to the Alcoholic Drink Control Fund contrary to Section 6(5) of the Elgeyo Marakwet Alcoholic Drinks Control Act, 2014. The Act prescribes that the receipts, earnings or accruals of the Fund and its balances at the close of each financial year shall not be paid into the County Revenue Fund, but shall be retained for the purposes of the Alcoholic Drink Control Fund.

No plausible explanation was provided by Management for the irregularity.

## **2.0. Unspent Domestic and Foreign Grants**

Examination of revenue records indicated that the County Executive received programme and emergency funds totalling Kshs.226,465,594 which, however, it did not spend, as explained below:

### **2.1. Kenya Development Support Program (KDSP) Funds**

Grants totalling Kshs.169,253,594 were, through the Kenya Devolution Support Programme (KDSP), funded by the World Bank in the year under review. However, the Programme agreement was not provided for audit review and as a result, the terms and conditions for use of the grants by the County Executive could not be confirmed.

Further, available records indicated that the funds had not been spent as at 30 June, 2020 and as a result, the residents of Elgeyo/Marakwet did not benefit from the funds. Management explained the failure to spend the funds as having arisen from their late inclusion in the budget and strict spending requirements set by the donor.

### **2.2. Covid-19 Pandemic Emergency Response**

A sum of Kshs.167,352,489 was budgeted for use in the Covid-19 pandemic emergency response in the year under review. Out this amount, Kshs.110,140,489 was allocated by the Elgeyo/Marakwet County Executive and Kshs.57,212,000 granted by the National Government.

However, only Kshs.87,072,935 of the total allocation was spent in the year under review and therefore Kshs.80,279,554 or 48% of the budget remained unspent as at 30 June, 2020. The unspent balance included the conditional grants totalling Kshs.57,212,000.

Failure to spend allocations and grants totalling Kshs.80,279,554 may have constrained delivery of Covid-19 mitigation measures to the residents of Elgeyo/Marakwet County.

### **3.0. Excessive Budgetary Allocation to the County Assembly**

Budgetary records indicated that the County Executive allocated Kshs.537,766,160 to the County Assembly out of its approved budget totalling Kshs.5,773,518,232 for the year under review. However, the allocation was in excess of the legal threshold set in Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015. The provision limits allocations to County Assemblies to the lower of seven per cent of the total revenues of the County Government or twice the personnel emoluments of the respective County Assembly. For Elgeyo Marakwet, the latter criterion was applicable and the prescribed allocation to the County Assembly in the year under review amounted to Kshs.297,979,4821. Therefore, the actual allocation amounting to Kshs.537,766,160 exceeded the threshold by Kshs.239,786,678.

Management explained that the allocation was made as recommended by the Salaries and Remuneration Commission.

Excessive allocation of funds to the County Assembly may have constrained the capacity of the County Executive to fund services and development projects in the year under review.

### **4.0. Compensation of Employees**

#### **4.1. Retired Officers Retained in Payroll**

Examination of the payroll indicated that that sixty-one (61) officers who had attained the mandatory retirement age of 60 years were still in office as at 30 June, 2020 and were paid emoluments totalling Kshs.39,223,320 in the year under review. No records were provided for audit for proof that the Officers were entitled to prolonged stay in service as provided for in Public Service staffing regulations.

Therefore, retention of the officers in employment may have contravened Section D.21 of Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires all officers to retire from the Service on attaining the mandatory retirement age of 60 years, or 65 years for persons with disabilities.

#### **4.2. Excessive Personnel Emoluments Expenditure**

Expenditure and budget records indicated that in the year under review, the County Executive allocated Kshs.2,137,847,174 of its budget totalling Kshs.5,773,518,233 to payment of wages and salaries. The sum was equivalent to 41% of its revenue for the year totalling Kshs.5,205,204,281, excluding funds returned to the County Revenue Fund. The allocation surpassed the 35% threshold set for personnel emoluments in Regulation 25(1b) of the Public Finance Management (County Governments) Regulations, 2015.

In addition to being irregular, the overuse of funds on salaries and wages denied funding to service delivery and developmental activities that would benefit the majority of Elgeyo/Marakwet County residents.

#### **5.0. Irregular Grants to Unregistered Vocational Training Centre**

Management provided grants totalling Kshs.30,228,000 to Youth Polytechnics and Technical Vocational Training Centres in the year under review, as disclosed in Note 13 to the financial statements. The grants included payments totalling Kshs.6,662,000 transferred on diverse dates to Kapchorwa Vocational Training Centre through Chepkorio Vocational Training Centre.

However, Kapchorwa Vocational Training Centre is not registered as a Public Vocational Training Institution by the relevant Government Agency and therefore did not qualify to receive the grants.

Consequently, the grants totalling Kshs.6,662,000 transferred to Kapchorwa Vocational Training Centre during the year under review were irregular.

#### **6.0. Irregularities and Insufficient Disclosures on Cooperation Activities Between the County Executive and a Foreign University**

Records on other grants indicated that Kshs.11,503,162 was transferred to Elgeyo/Marakwet Education Fund in respect of University fees for students from Elgeyo/Marakwet County studying at Tampere University of Applied Science Limited in Finland.

The records indicated that parents to the students had in February, 2020 signed a contract with Management to pay tuition fees for twenty-five (25) students enrolled at the University.

The County Executive had six months earlier in September, 2019 signed a co-operation agreement with the University to enroll students from the County in a Bachelor of Science in Nursing degree programme. The agreement provided that, the County Executive would recruit students to the programme, accredit the degree programme with the Nursing Council of Kenya, and find suitable practical training placements for the students.

However, examination of records on the programme revealed the following anomalies:

- i) Contrary to Section 6 of the Elgeyo/Marakwet County Education Act, 2017, the parents to the students enrolled on the programme paid tuition fees through the County Education Fund Account. The Act provides that the Fund will finance the County's students to attend educational institutions recognized by the County Government, or provide education loans to such students enrolled in middle level colleges, vocational training colleges and Universities or any other institutions recognized by the County Government.



- ii) The policy guiding the partnership between the County Executive and the University was not provided for audit review and therefore the nature and the terms and conditions of the partnership were not clear.

There was no evidence that the County Executive obtained accreditation for the degree programme from the Nursing Council of Kenya. Management explained that no responses were obtained to letters it addressed to the Nursing Council of Kenya and the Commission of Higher Education on the matter.

- iii) Expenditure records indicated that the payments made in respect to the programme were for scholarships granted to students enrolled at the University, notwithstanding that their parents had been made to pay college fees.

In view of the irregularities and insufficient disclosures on the partnership, the propriety, validity and value for money on the funds totalling Kshs.11,503,162 collected from parents and transferred to Tampere University of Applied Science Limited in respect of student fees could not be confirmed.

## **7.0. Unsatisfactory Implementation of Projects**

### **7.1. Failure to Obtain Environmental Impact Assessment Certifications**

Examination of records on various water supply projects indicated that fourteen (14) projects valued at Kshs.23,049,350 did not have environmental impact assessment certifications. Therefore, the projects did not conform to Environmental Impact Assessment and Audit Regulations, 2003 which require prior evaluation of the possible effects on the environment of any planned public or other project. The Regulations further require any proponent of a project to conduct an environmental Impact Assessment (EIA) and prepare a report and submit it to National Environment Management Authority (NEMA).

Further, ownership documents for the parcels of land on which the projects were executed were not provided for audit review and as a result, their ownership by the County Executive could not be confirmed.

### **7.2. Delays in Implementation of Projects**

Records provided for audit review indicated that budgeted funds totalling Kshs.1,968,644,829 were allocated to eight (8) Departments to finance one thousand two hundred and fifty two (1,252) projects during the year under review. However, the respective project status reports indicated that the projects were behind their completion schedules. Spending on nine hundred and eleven (911) of the projects totalled Kshs.841,860,423 or 43% of budgeted expenditure as at 30 June, 2020, as detailed below:

Department	Number of Budgeted Projects	Budget Kshs. (Kshs)	Actual Expenditure (Kshs)	Number of Projects Implemented	% Level of Implementation
Agriculture	180	516,342,662	123,200,288	127	24
Education	249	307,780,744	177,192,436	184	57
Health	220	438,631,441	156,387,891	158	57
Lands	177	430,935,051	220,439,001	147	36
Tourism	29	19,146,107	14,368,339	23	51
Sports	166	123,524,907	79,324,729	122	75
Public Service	60	35,074,749	23,663,770	46	67
Livestock	171	97,209,168	47,283,969	104	49
<b>Total</b>	<b>1252</b>	<b>1,968,644,829</b>	<b>841,860,423</b>	<b>911</b>	<b>43</b>

The delays denied the residents of Elgeyo/Marakwet County the services and other economic benefits due from the projects. In addition, the costs of implementing the Projects could rise due to inflationary or other factors.

Audit inspection of a sample of thirty-nine (39) projects budgeted to cost Kshs.115,885,147 in aggregate, with payments totalling Kshs.102,442,731 made as at 30 June, 2020, confirmed the completion of twenty-seven (27) projects whereas twelve (12) projects were incomplete. Payments totalling Kshs.37,100,830 had been made on the remainder twelve(12) which were either ongoing or abandoned, as outlined in Appendix V to this report.

In addition to denying public services to the residents, the incomplete, abandoned or poorly done projects could result in ineffective use public funds.

## **8. Lack of Training Policies and Manuals**

Similarly, payments records indicated that the County Executive spent Kshs.33,508,658 on staff training activities, as indicated in Note 12 to the financial statements. However, examination of human resource records indicated that there was no Training Committee and no training needs assessment reports were prepared in the year. This was contrary to Section (I)(2) of the County Human Resources Manual, 2013 which requires training in the County Public Service to be based on training needs assessments approved by Management.

In addition, departmental training activities were not identified. The omission, contravened Section 2 of the County Human Resource Manual, 2013 which requires County Departments to prepare training projections based on training needs assessment to guide the Training Committee in nominating officers for training.

As a result of these omissions, it was not clear how the various courses and workshops that cost Kshs.33,508,658 in the year under review, and the participants, were identified and approved. Consequently, the risk of ineffective use of public funds in training activities was high.

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Lack of Financial Policies**

Audit review of the County Executive's financial systems indicated that contrary to Regulation 9(1) and Regulation 4 of the Public Finance Management (County Governments) Regulations, 2015, Management had not developed financial manuals, policies and procedures to guide operational processes and provide controls on management of revenue and expenditure as well as assets, as applicable.

The Regulations require each County Treasury to publish financial manuals and forms that may be used by County Government entities.

In the absence of financial policies and guidelines, the risk of improper use of public funds in the County Executive was high.

### **2. Lack of Funding for Internal Audit**

Audit review of the operations of the Directorate of Internal Audit indicated that the Directorate did not have a budget to fund its operations. In addition, five (5) of the staff were audit trainees awaiting appointment in substantive capacity.

Further, although twenty-nine (29) staff positions were provided for in the Directorate's staff establishment, only eight (8) were filled as at 30 June, 2020, resulting in a shortfall of 21 staff. Therefore the operations of the Directorate are hampered by lack of funding and shortage of staff, among other constraints.

### **3. Lack of Risk Management Strategies**

Review of the internal control system of the County Executive indicated that Management had not established strategies to manage operational and other risks. In addition, there was no Standing Committee to provide strategic guidance to the County Executive on public finance management matters.

Further, during the year under review, there were no internal audit reviews conducted and no Audit Committee to provide oversight on the integrity of the County Executive's financial information, its system of governance, risk and internal control, as well as legal and ethical conduct of Management and other employees.

In view of these deficiencies, risk management and governance in the County Executive is not properly established.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the ability of the County Executive to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the County Executive.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the County Executive policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of

the County Executive to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**08 December, 2021**

## Appendix I

### Unexplained Variances Between Financial Statement and IFMIS Ledger Balances

<b>Note</b>	<b>Account Name</b>	<b>IFMIS Reports</b>	<b>Financial Statements</b>	<b>Variance</b>
		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
21	<b>Bank Balances</b>			
	Special Accounts	14,935,008,171	590,667,031	14,344,341,140
21	<b>Cash Balances</b>			
	Cash balances	3,241,307,374	0	3,241,307,374
22	<b>Accounts Receivables</b>			
	Other Debtors & Pre-payments	16,288,645	0	16,288,645
	Government Imprests	130,381,874	17,936,606	112,445,268
23	<b>Accounts Payable</b>			
	Deposits	0	83,845,852	(83,845,852)
	Other Liabilities	121,993,192	0	121,993,192
	Withholding Taxes	25,521,885	0	25,521,885
	System Required Liabilities Accounts	892,990,113	0	892,990,113

## Appendix II

### Difference Between Financial Statements and IFMIS Cash and Cash Equivalents Balances

	<b>Name of Bank, Account No. and Currency</b>	<b>Bank Balances as Per Note 21A Kshs.</b>	<b>IFMIS Bank Reconciliation Statement Balances Kshs.</b>	<b>Variance Kshs.</b>
1.	CBK, Development Account	5,777,652	207,102,850	(201,325,198)
2.	CBK, Recurrent Account	13,822	23,492,688	(23,478,866)
3.	CBK, County Revenue Fund	67,488,789	457,496,938	(390,008,149)
4.	KCB Standing Imprest Account	6,953	0	6,953
5.	KCB County Revenue Collection Account	58,506	0	58,506
6.	TNB County Revenue Collection Account	1,740	0	1,740
7.	Pay Bill Account Mpesa	31,740	0	31,740
8.	CBK Road	89,192,340	55,507,105	33,685,235
9.	CBK Development of Youth Polytechnic-Account	272,543	(15,102,755)	15,375,298
10.	Pay Bill Account - Cash on transit	918,806	0	918,806
12.	CBK Maternal Health	4,537,272	(51,151,347)	55,688,619
13.	CBK Retention Money Deposit	83,845,852	436,867,675	(353,021,823)
14.	CBK, KCSAP Account	58,998,381	0	58,998,381
15.	CBK, ASDSP Account	19,872,269	0	19,872,269
16.	CBK, EMC Urban (KUSP) Account	71,762,498	7,532,553	64,229,945
17.	ASDSP II KCB Account	6,699,551	0	6,699,551
18.	CBK, EMC Urban (KUSP) UIG Account	9,496,280	(5,623,000)	15,119,280
19.	KCB, KCSAP Account	942,791	0	942,791
20.	CBK, EMC KDSP Account	170,749,246	0	170,749,246



## Appendix III

### Budgetary Control and Performance

Expenditure Item		Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilization Difference Kshs.	% of Under-utilization
1.	Compensation of Employees	2,137,847,174	2,123,891,276	13,955,898	1%
2.	Use of Goods and Services	844,404,986	525,491,146	318,913,840	38%
3.	Subsidies	30,228,298	30,228,000	298	0%
4.	Transfers to Other Government Units	1,292,821,340	748,511,158	544,310,182	42%
5.	Other Grants and Transfers	58,879,962	38,143,162	20,736,800	35%
6.	Social Security Benefits	29,495,844	27,078,298	2,417,546	8%
7.	Acquisition of Assets	1,376,840,630	862,647,069	514,193,561	37%
8.	Other Payments	3,000,000	-	3,000,000	0%
<b>Total</b>		<b>5,773,518,232</b>	<b>4,355,990,109</b>	<b>1,417,528,125</b>	<b>25%</b>

## Appendix IV

### Delayed Receipt of Equitable Share of Revenue

	<b>Date Funds Received in the Bank Account</b>	<b>Reference No.</b>	<b>Transaction Details</b>	<b>Amount Received Kshs.</b>
1.	4-June-2020	FT20156HGQ2D	User Fees Forgone	8,788,919
2	12-June-2020	FT20164WF6GL	Sweden - Agriculture Sector Development Support Programme - SIDA	5,210,908
3.	4-June-2020	FT201565SJ6W	World Bank - Development of Youth Polytechnic	15,114,149
4.	18-June-2020	FT20170YW230	World Bank -Kenya Climate Smart Agriculture Project	58,779,466
5.	2-July-2020	FT201843T7QB	World Bank - Kenya Development Support Programme (KDSP)	30,000,000
6.	2-July-2020	FT20184BK8TX	Kenya Urban Support Development Programme - (KUSDP)	8,800,000
7.	2-July-2020	FT20184NJND8	Kenya Urban Support Development Programme - (KUSDP)	64,229,946
8.	2-July-2020	FT20184BK8TX	R.M.L.F	27,401,390
<b>Total</b>				<b>218,324,778</b>

## APPENDIX V

### Unsatisfactory Implementation of Projects

S/No	Project Name	Project Description	Contract Amount Kshs.	Payments Made During the Year Kshs.	Total Payments Made Kshs.	Status/ Observation
1	Songeto Primary School	Construction of twin ECD class room and toilet	2,699,855	1,300,000	1,300,000	Not Complete
2	Flax VTC	Construction of twin workshop	5,000,000	1,000,000	1,000,000	Not Complete
3	Kibirech VTC	Purchase of land and construction of staff quarters an equipping	3,000,000	0	0	Land not purchased, no construction carried out
4	Purchase of Motor Vehicle		9,990,000	9,990,000	9,990,000	Log book and registration number are in places, insurance cover in place, Engine Capacity below 3000cc. It is in good state and is in use.
5	Purchase of motor vehicle	Purchase of motor vehicle RAV 4	5,010,000	5,010,000	5,010,000	Logbook in place, are in place and motor vehicle in good working conditions.
6	Construction of Perimeter Fence	Construction of Perimeter Fence for Kapkoros/ Kapkirwok Food Security	1,470,000	1,459,000	1,459,000	The project was complete but some posts were loose

S/No	Project Name	Project Description	Contract Amount Kshs.	Payments Made During the Year Kshs.	Total Payments Made Kshs.	Status/ Observation
		Farm in Endo Ward				
7	Construction of Perimeter Fencing	Construction of Perimeter Fence for Kisokey Food Security Farm in Endo Ward As Per The Bill Of Quantities	2,940,000	1,950,000	1,950,000	The project was complete but some posts were loose
8	Construction of Perimeter Fencing	Construction of Perimeter Fence for Chebilat Food Security Farm in Endo Ward	2,439,880	2,439,880	2,439,880	The project was complete but some posts were loose
9	Food Security Firm	Proposed Construction of Kaptora Food Security Farm as Per the Bill Of Quantities In Sambirir Ward	2,802,500	2,802,500	2,802,500	The project was complete but some posts were loose
10	Opening of Tambach-Songeto Road	Opening of Tambach-Songeto Road in Tambach Ward	3,992,500.00	3,992,500	3,992,500	Complete and in use, but affected by land slide
11	Kapsisi-Kameza-Kapteren Road	Maintenance of Kapsisi-Kameza-Kapteren Road in Kamariny Ward	3,578,950.00	3,578,950	3,578,950	Complete and in use, but affected by land slide
12	Tabut-Kipchuguguu Road	Maintenance of Tabut-Kipchuguguu Road at Emsoo Ward (Krb 2018-19)	3,578,000.00	3,578,000	3,578,000	Complete and in use, but affected by land slide
		<b>Total</b>	<b>46,501,685</b>	<b>37,100,830</b>	<b>37,100,830</b>	